ARGOS ENTERPRISE (HOLDINGS) LIMITED

雅高企業（集團）有限公司

(Incorporated in Hong Kong with limited liability)

(Stock Code : 8022)

ANNUAL REPORT 2006

CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET ("GEM") OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE "STOCK EXCHANGE")

GEM has been established as a market designed to accommodate companies to which a high investment risk may be attached. In particular, companies may list on GEM with neither a track record of profitability nor any obligation to forecast future profitability. Furthermore, there may be risks arising out of the emerging nature of companies listed on GEM and the business sectors or countries in which the companies operate. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board and no assurance is given that there will be a liquid market in the securities traded on GEM.

The principal means of information dissemination on GEM is publication on the Internet website operated by the Stock Exchange. Listed companies are not generally required to issue paid announcements in gazetted newspapers. Accordingly, prospective investors should note that they need to have access to the GEM website at www.hkgem.com in order to obtain up-to-date information on GEM-listed issuers.

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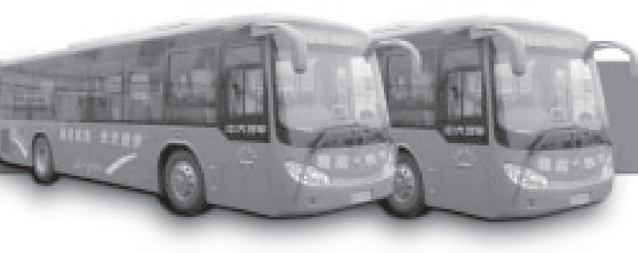
This report, for which the directors of ARGOS ENTERPRISE (HOLDINGS) LIMITED collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the GEM of the Stock Exchange for the purpose of giving information with regard to ARGOS ENTERPRISE (HOLDINGS) LIMITED. The directors of ARGOS ENTERPRISE (HOLDINGS) LIMITED, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief:- (1) the information contained in this report is accurate and complete in all material respects and not misleading; (2) there are no other matters the omission of which would make any statement in this report misleading; and (3) all opinions expressed in this report have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.



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CORPORATE PROFILE

Argos Enterprise (Holdings) Limited (the "Company") is principally engaged in investment holdings. The subsidiaries of the Company (together with the Company, the "Group") carry out public transportation business in various cities of the People's Republic of China (the "PRC").

The Company has the following principal subsidiaries:

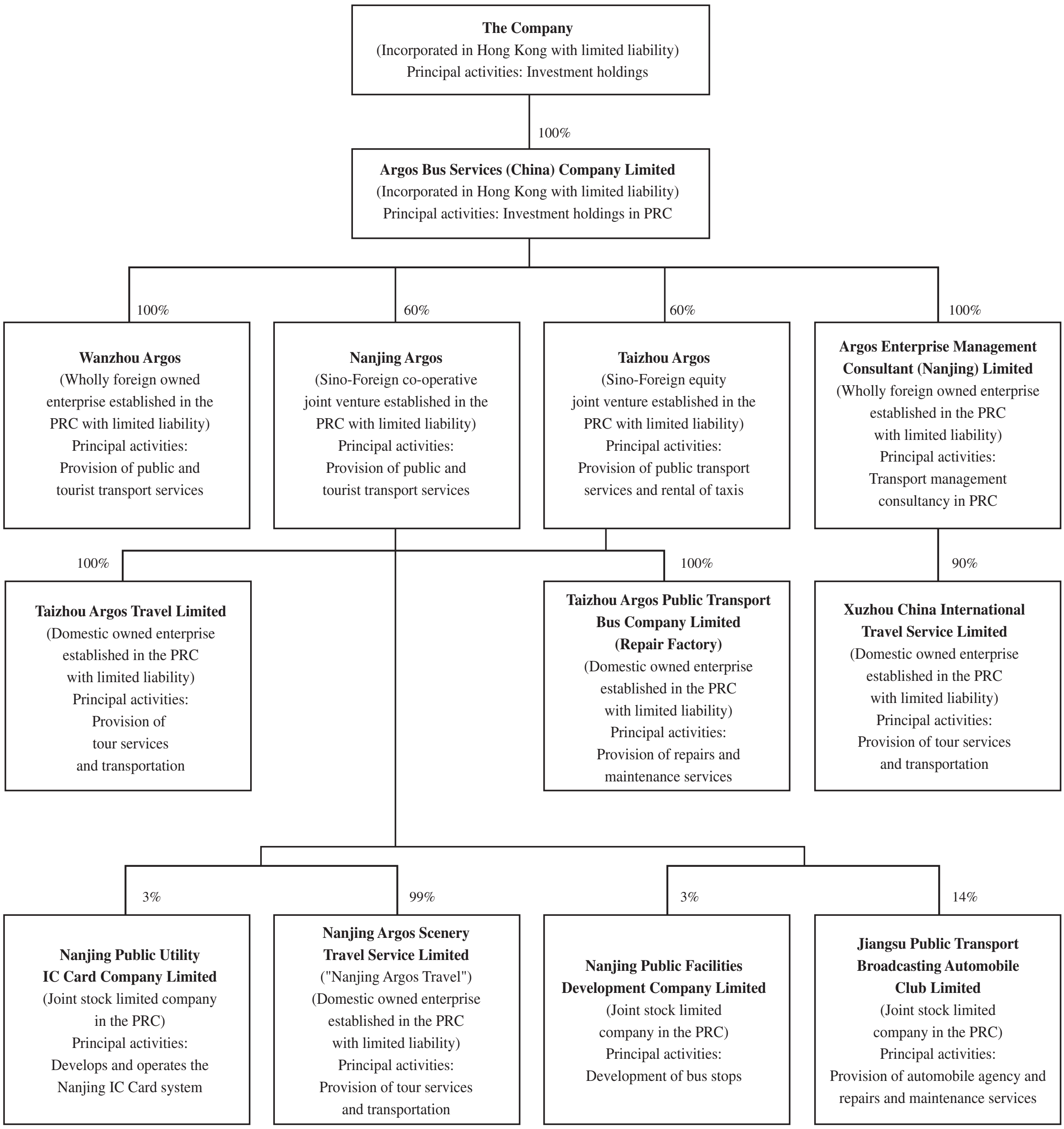
- Nanjing Public Transport Argos Bus Company Limited ("Nanjing Argos")
- Chongqing Wanzhou Area Argos Public Transport Bus Company Limited ("Wanzhou Argos")
- Taizhou Argos Public Transport Bus Company Limited ("Taizhou Argos")
- Xuzhou China International Travel Service Limited

Through the above subsidiaries, the Group provides various forms of public transport services in the PRC including (1) public routes and tourist routes bus services with fixed fares, schedules and routes; (2) taxi services; (3) private bus chartered services, (4) tour services and (5) travel agents services.

Major Corporate Milestones:

- September 1997 – Tourists route service launched in Nanjing
- June 1998 – Public routes service launched in Nanjing, the fleet size of the Group surpassed 100
- March 2001 – Public routes service launched in Wanzhou, the fleet size of the Group surpassed 300
- August 2001 – Shares in the Company listed on the GEM
- September 2001 – Public routes and taxi services were launched in Taizhou, the fleet size of the Group surpassed 500
- December 2001 – Total assets of the Group exceeded HK$100 million
- September 2002 – The fifth anniversary of Nanjing Argos
- December 2002 – Total fixed assets and assets of the Group exceeded HK$100 million and HK$150 million respectively
- August 2004 – Acquisition of Xuzhou China International Travel Service Limited
- April 2006 – Establishment of Taizhou Argos Travel Limited

The following is the organisation structure of the Group



CORPORATE INFORMATION

DIRECTORS

Executive Directors

Mr. WONG Wah Sang, B.H., M.B.E. *(Chairman)*
Mr. WONG Man Chiu, Ronnie J.P., B.Sc, M.B.A.
Mr. YEUNG Wai Hung

Non-executive Director

Mr. Wilkie WONG, MSc, M.B.A.

Independent Non-executive Directors

Mr. SUNG Wai Tak, Herman
Mr. CHEUNG Man Yau, Timothy
Mr. WONG Lit Chor, Alexis

COMPANY SECRETARY

Mr. CHENG Wing Hong

COMPLIANCE OFFICER

Mr. YEUNG Wai Hung

QUALIFIED ACCOUNTANT

Mr. CHENG Wing Hong

AUDIT COMMITTEE

Mr. SUNG Wai Tak, Herman
Mr. CHEUNG Man Yau, Timothy
Mr. WONG Lit Chor, Alexis

WEBSITE

www.argosenterprise.com
www.argosenterprise.com.hk

AUDITORS

TING HO KWAN & CHAN
Certified Public Accountants (Practising)
9th Floor, Tung Ning Building,
249-253 Des Voeux Road, Central,
Hong Kong

LEGAL ADVISER

Winnie Mak, Chan & Yeung Solicitors
1908-9, 19/F, Bank of American Tower
12 Harcourt Road, Central
Hong Kong

PRINCIPAL BANKER

Bank of Communications
Hong Kong Branch
G/F., 1- 3 Wo Yi Hop Road
Kwai Chung, New Territories
Hong Kong

SHARE REGISTRAR AND TRANSFER OFFICE

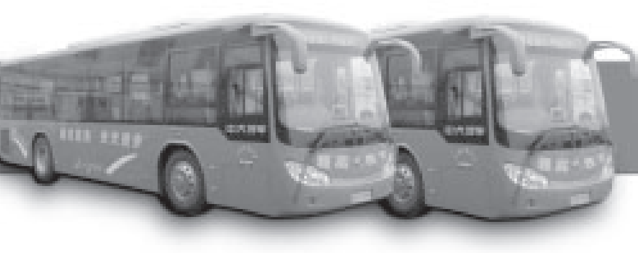
Computershare Hong Kong Investor
Services Limited
46th Floor, Hopewell Centre
183 Queen's Road East
Hong Kong

REGISTERED OFFICE

Room 1113, 11th Floor
Block A2, Yau Tong Industrial City
17 Ko Fai Road
Kowloon
Hong Kong

STOCK CODE

8022



CHAIRMAN'S STATEMENT

HIGHLIGHTS

- Turnover of the Group for the year ended 31 December 2006 was approximately HK$156.2 million compared to turnover of approximately HK$136.5 million in the previous year.

- Profit for the year ended 31 December 2006 was HK$2.13 million compare to restated loss of HK$900,000 in 2005.

- Losses per share was approximately 0.05 HK cents for the year ended 31 December 2006 as compared with restated losses per share of approximately 1.48 HK cents recorded in 2005.

- The directors do not recommend the payment any dividend in respect of the year (2005: HK$Nil).

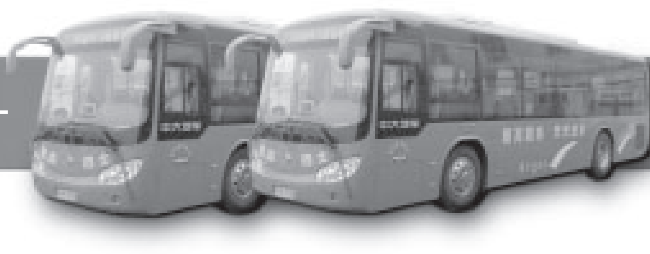
The Group's turnover for the year ended 31 December 2006 amounted to approximately HK$156.2 million, representing an 14% increase as compared with previous year. The loss attributable to shareholders amounted to approximately HK$94,000. Loss per share for the year ended 31 December 2006 was 0.05 HK cents per share. The directors do not recommend the payment of any dividend for the year under review.

The year 2006 was a year of hardship as the crude oil prices had risen to a new high record, such increase in crude oil prices had negatively affected our operation. Fortunately, during the second half of year 2006, the prices of the crude oil had returned to a lower level and stabilised in the last quarter of 2006. With the stabilised crude oil prices, the Group has achieved reasonable growth in respect of it's turnover and profits in year 2006.

The Group will continue to dedicate itself to become one of the most prominent and influential operators of the transportation industry in the Mainland China. By carrying out development strategy designed to maximise its advantages, the Group expects to maintain a continuous growth in its principal business in terms of the size of our bus fleets and the number of action the group provide service.

As the economy of China keep growing, and together with the regional economy booming we expect strong demands for the public bus transportation business for the coming year, we remain optimistic and hope to achieve better result for the Group. The Group will continue to take proactive marketing and operational measures with the aim of ensuring future profitability and positive returns for our shareholders. The Group will continue expanding its business portfolio into PRC travel businesses in year 2007. At the same time the Group will explore opportunities in expanding into other industries.

Needless to say, the achievements would not be possible without competent staff and management. On behalf of the Board of Directors, I would like to express my appreciation to the staff and the management for their continue dedication and commitment that contributed to success in an improving, but volatile economy and business environment in 2007.



Lastly, I would like to on behalf of the Board thank our valuable shareholders, customers and suppliers for their valuable support and encouragement and, more importantly, we would like to share with you our success in the years to come.

Wong Wah Sang
Chairman

Hong Kong, 14 August 2007

The economy in the Mainland China continued to grow quickly in the year 2006 and consumers confidence and spending power have also increased.

We remain confident in the long-term prospect and stable growth of the public transportation industry based on the significant improvement in living standards and average income of the people in the Mainland China. The management will continue to pursue investment opportunities associated with our existing core business by exploring the opportunity in operating transportation business in other cities of the PRC.

It is the Group's operation policy to insist on "integrity and faith", to be market-oriented, customer-based and cost saving, to provide value added product for the customers with high quality and efficient services, and to achieve self-enhancement. With modern management principles, well-established operating mechanism and extraordinary core strength, the ability to continuously create and utilize its competitive edges, in the course of intense market competition, the Group is to enhance its regional profile and take on a leading position in the domestic public transportation industry, hence becoming a prominent and influential operator in the transportation industry of the Mainland China.

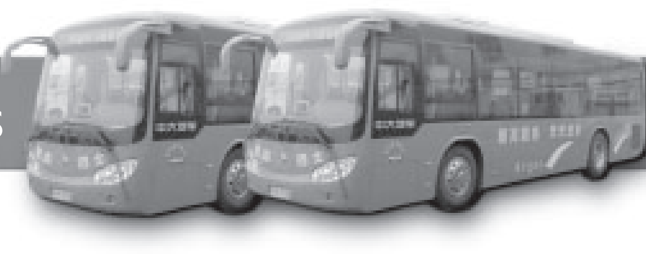
Since economic indicators in the Mainland China is showing an upward trend, consumer confidence will remain optimistic in the foreseeable future. The challenge for the Group is how to capitalize on the buoyancy of the economy in the coming years.

Nanjing Argos

Despite high oil prices during the first half of 2006 affecting the operation of Nanjing Argos, high staff salaries and welfare costs due to the implementation of mandatory employees medical benefits by relevant government authorities in PRC is another issue that concerned by the Directors. Repair and maintenance costs are also increasing due to the aging of the earlier purchased buses. Fortunately, the government authorities have released certain subsidies policy for high oil prices for the Nanjing public transport section during the year 2006.

We present below selected operating statistics of Nanjing Argos:

	2006	2005	2004	2003
Routes operated	**18**	18	15	15
Number of employees	**1,131**	1,053	1,007	962
Fleet size	**399**	369	339	327
Total mileage operated (million km)	**24.46**	22.84	22.53	21.11
Total passenger trip (million trip)	**80.22**	78.08	98.94	67.88



Outlook for Nanjing Argos

Not only the economy of China will keep at a high growth rate due to internal consumer spending, as the Olympic games will be held at Beijing during 2008, numerous foreign tourists would come all over the world to visit different cities in China including Nanjing which is one of the famous cities that tourists would visit therefore, we believe that our Nanjing's operation will also benefit from these economic growth.

Wanzhou Argos

The profitability of Wanzhou Argos has improved remarkably compare to the year 2005. The continue improvement due to the effort of cost reduction plan in 2006 and increase in routes. Increase in routes led to increase in revenue and together with the cost reduction plan in 2006, which generate a better profit to the Group. The total routes of Wanzhou also increase from 6 routes to 8 routes compare to year 2005.

We present below operating statistics for Wanzhou Argos:

	2006	2005	2004	2003
Routes operated	**8**	6	6	5
Number of employees	**280**	271	276	366
Fleet size	**63**	57	52	90
Total mileage operated (million km)	**4.95**	3.65	3.09	5.50
Total passenger trip (million trip)	**10.65**	7.88	6.58	9.83

Outlook for Wanzhou Argos

In the year 2007, Wanzhou Argos will keep concentrating on safety, services, repaired workshop for public bus and good material for bus repaired in order to improve the operational efficiency. In addition, our management will continue to negotiate with the local authority in order to extend more public routes which can broaden the Group's revenue and lead to more profitability. In the year 2007 our management will also explore other business opportunity in Wanzhou in order to expand the Group operations.

Taizhou Argos

During the year 2006, Taizhou Argos has only made slight improvement on its profitability due to relatively low in revenue per thousand passengers trip owing to insufficient passengers, high fuel oil cost and increase in operating and maintenance costs for undertaking.

During the year, Taizhou Argos has developed the hire-a-bus and providing school bus services in order to increase revenue income, thus to improve its overall revenue income.

We present below selected operating statistics of Taizhou Argos:

	2006	2005	2004	2003
Routes operated	**21**	22	21	22
Number of employees	**743**	767	745	495
Fleet size (buses and taxis)	**538**	528	516	481
Total mileage operated (million km)	**58.41**	58.30	12.83	7.21
Total passenger trip (million trip)	**19.02**	20.60	15.25	9.2

Outlook for Taizhou

Taizhou Argos expects to improve its operating results by various initiatives, such as, to devise and implementation of the operational management system, sub-contracting and renting of buses, hire-a-bus services and fleet body advertising. Taizhou Argos will enhance its service quality, continue to tap it brand advantage, and introduce cost-effective means to improve profitability.

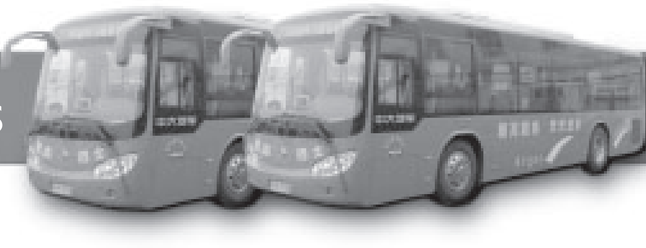
Other than the core business of Taizhou Argos, travel services will also be the focus of Taizhou Argos in the year 2007. We hope that in expanding Taizhou's operation into travel services, Taizhou Argos will generate more revenue, which in turn, generate more profit in 2007.

Xuzhou China International Travel

The year 2006 was a difficult one for Xuzhou China International Travel due to fierce competition. However, we still achieve a growth of 12% in turnover compare to the year 2005.

We present below selected operating results of Xuzhou China International Travel:

	2006	2005	2004
Turnover	**14,083,649**	12,356,000	5,796,000
Cost	**12,969,155**	11,325,000	5,403,000
Business tax	**61,854**	57,000	22,000
Gross Profit	**1,052,640**	974,000	371,000
Employee	**26**	26	30
Gross profit %	**7.47%**	7.88%	6.4%



Outlook for Xuzhou China International Travel

In the year 2007, we will concentrate on Hong Kong, Korea, and especially Macau markets. Over the year, there are many casino and hotel newly completed in Macau, which attract more tourists to Macau, so that we will focus more on these tours. We will also cooperate with different sizes tourist agencies in Xuzhou in order to expand our operation in the year 2007.

FINANCIAL POSITION

The Group

As at 31 December 2006, the total assets of the Group was approximately HK$174 million (2005: HK$179 million), including cash and bank balances and deposits of approximately HK$38 million (2005: HK$39 million) of which HK$17 million (2005: HK$13 million) were pledged to secure banking facilities. Balance of bank loans, overdrafts and other loans as at 31 December 2006 was approximately HK$21.5 million (2005: HK$33 million) of which HK$21 million (2005: HK$32 million) are due within one year.

The Company

At 31 December 2006, the Company has pledged a fixed deposit of HK$10 million (2005: HK$10 million) to secure banking facilities to the Company. Motor vehicles of the Group with carrying value amounted to approximately HK$98 million (2005: HK$97 million).

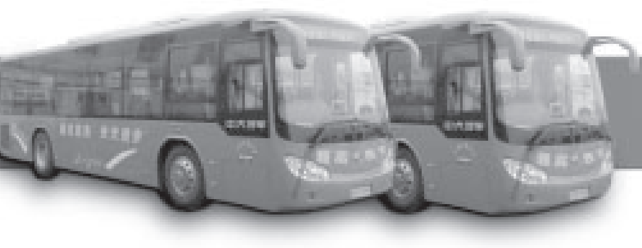
The gearing ratio of the Group expressed in total debt as a percentage of net assets was 25% (2005: 41%).

Foreign currency risk

Since most of the transactions, income and expenditure of the Group are denominated in Renminbi Yuan, no hedging or other arrangements to reduce the currency risk have been implemented.

Contingent liability

As of the date of this report, the Directors are not aware of any material contingent liabilities.

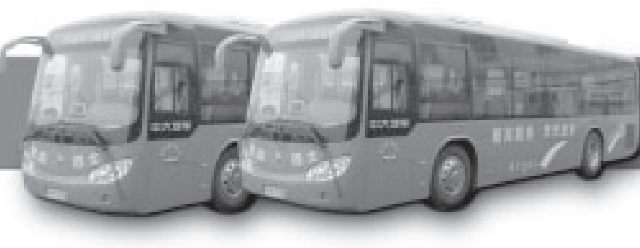


Employees and remuneration policy

As at 31 December 2006, the Group had 2,407 (2005: 2,378) full-time employees. The total of employee remuneration, including that of the directors of the Company, for the year ended 31 December 2006 amounted to approximately HK$33,195,000 (2005: HK$27,288,000). The Group remunerates its employees based on their performance, experience and the prevailing industry practice.

Share option scheme

On 31 July 2001, a share option scheme of the Company was approved by the shareholders of the Company. As at 31 December 2006, no option was granted under the share option scheme.



CORPORATE GOVERNANCE

The Board of Directors ("Board") is pleased to present this Corporate Governance Report in the Group's annual report for the year ended 31 December, 2006.

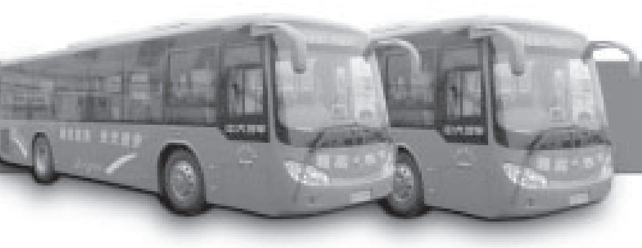
In November 2004, The Stock Exchange of Hong Kong Limited ("Stock Exchange") issued the Code on Corporate Governance Practices ("CG Code") contained in Appendix 15 of the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited ("GEM Rules") which sets out corporate governance principles ("Principles") and code provisions ("Code Provisions") with which listed issuers are expected to follow and comply.

The Company has applied the Principles as set out in the CG Code that are considered to be relevant to the Company and has complied with most of the Code Provisions set out in the CG Code save for certain deviations, details of which will be explained in the relevant paragraphs in this report.

During the course of the audit of the Company's financial statement for the year ended 31 December 2006 it came to the notice of the previous auditor HLB Hodgson Impey Cheng that the Company's subsidiary, Nanjing Argos, borrowed a bank loan of RMB12,000,000 during the year ended 31 December 2004 and such bank loan was then onward lent to a related company outside the Group, Argos Recreation, on substantially the same terms and at the same interest rate as those between Nanjing Argos and the bank. Such lending was omitted in the annual report of both years 2004 and 2005 and the effect of the omissions is that both the assets and the liabilities of the Group in the financial years ended 31 December 2004 and 31 December 2005 were understated. The omissions were in breach of Hong Kong Accounting Standard 24 "Related Parties Disclosures" issued by Hong Kong Institute of Certified Public Accountants and such transactions should have been reported to The Stock Exchange of Hong Kong Limited pursuant to Chapter 20 of the Rules Governing the Listing of Securities on the Growth Enterprise Market of the Stock Exchange.

Such omissions were due to internal control weaknesses set out in the PRC Company's policies and insufficient knowledge on the GEM Rules requirement of the PRC staff and the management. The Company has engaged independent internal auditors, Mabel Chan & Co., certified public accountants, to review the internal control system of the Group and provide relevant training programs to the executives directors and the staff of the Company with a view to ensure future compliance of the GEM Rules as well as the Principles and Code Provisions.

The following are a brief summary of the findings by our internal auditors, Mabel Chan & Co.



1. **Existing company's policies and procedures are not comprehensive**

   Policies and procedures for certain business activities have been established by the holding company covering operations in monitoring subsidiaries but these guidelines do not cover all activities in management control level. Also although the policies and procedures for operating activities have been established, these operation manuals and guidelines are not comprehensive as they do not cover all business activities and operations of the Group.

2. **Insufficient knowledge regarding financial disclosures by management and staff**

   The board members, management members and staff do not have sufficient knowledge on the financial disclosures under the GEM Rules. They do not fully apprehend the relevant requirements so that some information that should have been disclosed in annual reports were omitted.

3. **Limitation on executive directors**

   Executive directors do not allocate sufficient time to involve in all the Group's affairs.

4. **Ineffective communication mechanism within the group**

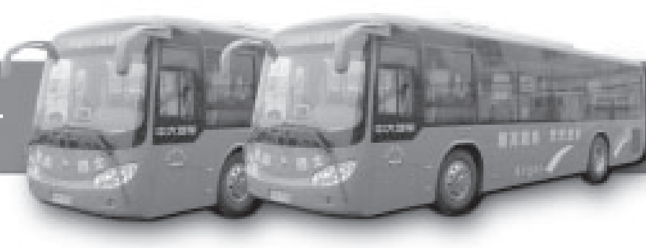
   Insufficient information was provided from subsidiaries to the holding company.

In response to the findings of the internal auditors, the management of the Company would perform the following corrective actions:

1. The management agrees that the policies and procedures need to be more comprehensive and more specific to certain subsidiaries. Also the management will broaden the coverage of the operation manuals in order to cover on areas such as company investments, loans current account, related party transactions, financial disclosures, and especially internal control issues.

2. The management would set up a schedule of formal training to the senior staff especially on the area of GEM Rules and financial reporting and disclosure.

3. The Company will increase the size of the board by increasing the number of full time delegated executive directors, especially in the financial aspect.



4. The management would set up an internal audit team, with sufficient GEM Rules and internal control knowledge. The aim of the team is to identify information that might have GEM Rules implication and disclosure requirement. The team not only ensures the listing compliance of the Group, but also ensures the adequacy of control on each subsidiary. The internal audit team will also be expected to perform internal audit regularly in order to ensure each subsidiary is following the policies and procedure financially and operationally.

After the findings made by the internal auditor Mabel Chan & Co., the Group continues to commit to a high standard of corporate governance and enhancing transparency. Through continuing education of its employees and engaging the expertise of outside consultants, we shall strive to raise the bar when it comes to formalizing the best practices of corporate governance. Being a company that measures such by profit, not only by overall sales, we believe that it has everything to gain by improving its transparency and communication with investors.

Corporate governance refers to the system by which corporate affairs are directed and managed. The corporate governance structure specifies the distribution of rights and responsibilities among different participants in the corporation, such as, the board, managers, shareholders and other stakeholders, and clearly defines the rules and procedures for making decisions on corporate affairs and through monitoring performance to attain the company's objectives. Fundamentals of good corporate governance include timely and reliable financial reporting, transparent and efficient management.

The Board of Directors (the "Board") and the management team are committed to high standards of corporate governance.

Board of Directors

The primary role of the Board is to protect and enhance long term shareholder value. The Board is responsible for setting overall strategy for the group and monitoring the performance of the management.

Name of Director	**Position**
Executive Directors	
Mr. Wong Wah Sang	Chairman
Mr. Wong Man Chiu, Ronnie	Executive Director
Mr. Yeung Wai Hung	Executive Director
Non-executive Director	
Mr. Wilkie Wong	Non-executive Director
Independent Non-Executive Directors	
Mr. Sung Wai Tak, Herman	Independent non-executive
Mr. Cheung Man Yau,Timothy	Independent non-executive
Mr. Wong Lit Chor, Alexis	Independent non-executive

The attendance of directors at the board meetings for the year ended 31 December 2006 are set out as follows.

	1st QTR Report	2nd QTR Report	3rd QTR Report	Annual Report	Total
Executive Director					
Mr. Wong Wah Sang	1	1	1	1	4
Mr. Wong Man Chiu, Ronnie	1	1	1	1	4
Mr. Yeung Wai Hung	1	1	1	1	4
Non-executive Director					
Mr. Wilkie Wong	0	0	0	0	0
Independent non-executive Directors					
Mr. Sung Wai Tak, Herman	1	1	1	1	4
Mr. Cheung Man Yau, Timothy	1	0	1	1	3
Mr. Wong Lit Chor, Alexis	1	1	1	1	4

Audit Committee

The Company has established an audit committee with written terms of reference based upon the guidelines recommended by the Hong Kong Institute of Certified Public Accountants. The Primary duties of the audit committees are the review and supervision of the company's financial reporting process and internal control systems

The audit committee comprised three independent non-executive directors of the Company, namely, Mr. Sung Wai Tak, Herman, Mr. Cheung Man Yau, Timothy and Mr. Wong Lit Chor, Alexis. Mr. Cheung is the chairman of the audit committee and applies his professional qualifications in accounting and financial expertise in directing the audit committee.

The attendance of independent non-executive directors at audit committee meeting for the year is set out as follows:

	1st QTR Report	2nd QTR Report	3rd QTR Report	Annual Report	Total
Independent non-executive Directors					
Mr. Sung Wai Tak, Herman	1	1	1	1	4
Mr. Cheung Man Yau, Timothy	1	0	1	1	3
Mr. Wong Lit Chor, Alexis	1	1	1	1	4

Remuneration Committee

The Company has not established a Remuneration Committee. The Board is responsible for determining the Company's policy on remuneration of directors and reviewing all remuneration packages of directors and senior management. The Company currently does not have any plan to set up a Remuneration Committee considering the small size of the Board. The principally elements of the Company's remuneration policy for directors and senior management are:

(1) No individual should determine his or her own remuneration package.

(2) Remuneration packages should be on a par with companies with whom the Company competes for human resources.

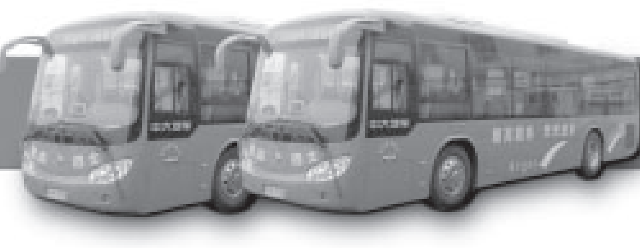
(3) Remuneration packages should reflect the performance and responsibility of an individual, as well as the complexity of work.

(4) Remuneration packages should be structured in such a way that can provide incentives to directors and senior management to improve their individual performance.

Nomination of directors

The Board is responsible for considering the suitability of an individual to act as a Director and approving and terminating the appointment of a Director. The Company has not established a Nomination Committee. The Company currently does not have any plans to set up a Nomination Committee considering the small size of the Board.

The Chairman is responsible for identifying suitable candidates for member of the Board when there is a vacancy or an additional director is considered necessary. The Chairman proposes the appointment of such candidates to each member of the Board for consideration. Each member of the Board will review the qualifications of the relevant candidates for determining the suitability to the Group on the basis of his or her qualifications, experiences and background.



Confirmation of compliance with model code

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in 5.48 to 5.67 of the GEM Listing Rules as the code of conduct regarding Directors' securities transactions. The directors have confirmed, following specific inquiry by the Company that they have complied with the required standard set out in the Model Code during the year under review.

Auditor's remuneration

The Audit Committee of the Company is responsible for considering the appointment of the external auditor and reviewing any non-audit functions performed by the external auditor, including whether such non-audit functions could lead to any potential material adverse effect on the Company. During the year under review, the Group is required to pay any aggregate of approximately HK$980,000 to the external auditors for performing the statutory audit work of 2006 of the Group.

Respective responsibilities of Directors and auditors

The Directors are responsible for the preparation of the financial statements, which give a true and fair view. The auditors are responsible to form an independent opinion, based on the audit, on the financial statements prepared by the Directors and report the opinion solely to the shareholders of the Company.

Looking forward

The Group will keep on reviewing its corporate governance standards on a timely basis and the Board endeavors to take the necessary actions to ensure the compliance with the provisions of the Code on Corporate Governance Practices introduced by the Stock Exchange.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

EXECUTIVE DIRECTORS

Mr. WONG Wah Sang, B.H., M.B.E., aged 83, is the chairman of the Company and is also the chairman of Wong's Investments (Holdings) Co., Ltd. Mr. Wong has been the co-founder and chairman of Argos Bus Services Company, Limited (hereinafter defined as "Argos Hong Kong"). He is also the founder of Chung Wah Shipbuilding & Engineering (Holdings) Co., Ltd. and Argos Engineering & Heavy Industries Co., Ltd. Mr. Wong Wah Sang is the father of Mr. Wong Man Chiu, Ronnie, one of the executive directors of the Company. Mr. Wong's experience in the engineering and shipbuilding business spans across Asia in that he was the chairman of Sabah Shipbuilding, Ship-repairing Sdn. Bhd of Malaysia and Euro-Asia Rig Construction Yard in the 1970s. Mr. Wong Wah Sang is a director of Sino Market Enterprises Limited, the controlling shareholder of the Company.

Mr. WONG Man Chiu, Ronnie, J.P., B.Sc., M.B.A., aged 55, a son of Mr. Wong Wah Sang. Mr. Ronnie Wong has been appointed the deputy managing director of Argos Hong Kong since 1992 and he is currently an executive director in Wong's Investment (Holdings) Co., Ltd. Mr. Ronnie Wong's experience covers areas including shipbuilding, engineering, property development, transportation, tourism and entertainment. Mr. Ronnie Wong is a very prominent figure in the community services arena, for instance, he was a member of the Basic Law Consultative Committee and an elected Urban Councillor. Mr. Wong Man Chiu, Ronnie currently a member of the Olympic committee is also a director of Sino Market Enterprises Limited, the controlling shareholder of the Company.

Mr. YEUNG Wai Hung, aged 58, has been involved in the management of Argos Hong Kong since its incorporation and was appointed the general manager in 1988. With his long reaching experience and connection in the public transport sector of Hong Kong, Mr. Yeung is one of the most prominent figures in the industry. He is currently the chairman of the Public Omnibus Operators Association Ltd., the most respected organization in the private bus operation sector of Hong Kong. Mr. Yeung Wai Hung is a director of Sino Market Enterprises Limited, the controlling shareholder of the Company.

NON-EXECUTIVE DIRECTORS

Mr. Wilkie WONG, B.Sc., M.Sc., M.B.A., aged 34, was appointed a non-executive director of the Company on 30 December 2004. He has over 6 years of management consultancy experience gained at McKinsey & Company, a world renowned management consulting firm on advising senior executives in leading companies in Greater China. Mr. Wong is currently working as a senior manager in a private company. Mr. Wong is a director of Seabasin Limited and Twilight Enterprises Limited, the ultimate holding company of the Company, of which both are private limited companies. Mr. Wong is the son of the former Executive Director, Mr. Wilson Wong and Madam Chiu Gee Chai, the Substantial Shareholder of the Company.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. SUNG Wai Tak, Herman, **B.A. (Hons.), L.L.B. (Hons.), L.L.M.**, aged 48, was appointed an independent non-executive director of the Company on 2 January 2001. Mr. Sung is a solicitor of the High Court of the Hong Kong Special Administrative Region and the Supreme Court of New South Wales in Australia.

Mr. CHEUNG Man Yau, Timothy, **B.A., F.C.C.A, A.H.K.I.C.P.A, C.P.A.**, aged 49, was appointed an independent non-executive director of the Company on 16 April 2004. He has more than 24 years of extensive experience in the finance and accounting field. He previously worked in a number of international accounting firms and listed companies in Hong Kong. He is currently a practicing certified public accountant.

Mr. WONG Lit Chor, Alexis, aged 48, was appointed an independent non-executive director of the Company on 24 September 2004. Mr. Wong graduated from the University of Toronto, Canda with a Bachelor's degree in Arts majoring in economics and commerce. He also holds a Master's degree in Business Administration obtained from the Chinese University of Hong Kong. He has over 20 years of banking, investment, corporate finance and securities dealing experience gained from working as a senior executive in a number of listed local and PRC financial services companies. He is currently a director and responsible person of Quam Securities Company Limited for Types 1 and 4 regulated activities under the Securities and Futures Ordinance. He is also an independent non-executive director of Inspur International Limited, Wing Hing International (Holdings) Limited and Fortune Telecom Holdings Limited, which are companies listed on GEM Board or Main Board of The Stock Exchange of Hong Kong.

SENIOR MANAGEMENT

Mr. ZHANG Dao Lin, **B.Eng.**, aged 43, has been the General Manager of Nanjing Argos since its inception. Mr. Zhang has approximately 21 years of managerial experience in the bus industry of PRC, started as a vehicle structural engineering consultant, and served 16 years in Nanjing Public Transport Corporation before taking up the leading role in Nanjing Argos. His major strength is the formulation and the implementation of scientific and modern management policies. Under his leadership, Nanjing Argos has successfully changed the competitive landscape of the public bus industry in Nanjing.

Mr. CHOI Kie Chung, **A.C.C.A., F.H.K.I.C.P.A.**, aged 53, is the accounting manager and company secretary of the Group and is responsible for the financial management and company secretarial functions of the Group. Mr. Choi had over thirty years of experience in finance, accounting and administration. Mr. Choi has been appointed as the qualified accountant and company secretary of the Group on 25 October 2005. Mr. Choi has resigned as qualified accountant and company secretary of the Group on 30 June 2006.

Mr. CHENG Wing Hong, **C.P.A. Aust.**, aged 33, is the accounting manager and company secretary of the Group and is responsible for financial management and company secretarial functions of the Group. Mr. Cheng had over 9 years of experience in auditing and accounting. Mr. Cheng has been appointed as the qualified accountant and company secretary of the Group on 30 June 2006.

Ms. ZHU Xiu Ying, aged 60, has been the Manager (Finance) of Nanjing Argos since its inception in 1997. Ms. Zhu served in the finance department of Nanjing Public Transport Corporation for 37 years before joining Nanjing Argos. Her skills and experience in financial management of a public bus company is crucial in Nanjing Argos' success in cost control.

Mr. LU Xiang Dong, aged 57, the General Manager of Wanzhou Argos. Mr. Lu has served in both Nanjing Argos and Wanzhou Argos. Mr. Lu served in Nanjing Public Transport Corporation for 23 years, before which he was a navy officer, beginning as a bus captain before joining Nanjing Argos. Mr. Lu has extensive experience in every aspect of operation in a public bus company, his experience is in the area of safety and operational management.

Ms. TIAN Ling, aged 61, the financial controller of Wanzhou Argo since 2001. Before she joined our company, she has worked with Nanjing public bus company for over 30 years in finance field. She has wide knowledge in public finance and management skill. For our Wanzhou she has exercised a lead in cost control and management decision.

Mr. ZHU Wing Wah, aged 62, university degree, had many years experience in large public bus enterprises. He worked as safety controller in public bus enterprises and the principal of large driving college. He worked with us in Wanzhou Argos as Assistant General Manager in 2004. He was promoted to General manager in January 2005. He was involved in all operation and planning for the whole company. He contributed in enterprise' production and development.

Ms. HE Jia Mei, aged 43, the financial controller of the Company, university postgraduate. She had worked in the field of financial management for many years, extensive experience in financial management and cost control. She has sound knowledge in financial system and legal system. She had tactful knowledge in human relationship inside and outside the organization. She is aggressive in work and faced difficulties without fear.

The Directors have pleasure in submitting their report together with the audited financial statements of Argos Enterprise (Holdings) Limited (hereinafter referred to as the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") for the year ended 31 December 2006.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The activities of its subsidiaries are set out in Note 12 to the financial statements. There was no significant change in its activities during the year.

SEGMENT INFORMATION

An analysis of the Group's turnover and contribution to profit from operations by principal activities for the year ended 31 December 2006 is as follows:

	2006		2005 (As restated)	
	Turnover HK$'000	**Segment Results HK$'000**	Turnover HK$'000	Segment Results HK$'000
Public Routes	**105,944**	**(959)**	94,123	(2,059)
Tourist Routes	**21,763**	**(1,011)**	15,122	263
"Hire-a-Bus" Services	**9,938**	**775**	10,882	1,014
Sightseeing Tickets Sales and Touring	**945**	**(7)**	223	162
Taxi Rental	**13,001**	**858**	13,478	800
Rental Income	**2,505**	**1,490**	895	(820)
Management Fee Income	**2,064**	**355**	1,824	7
	156,160	**1,501**	136,547	(633)
Other Income and gains, net		**14,728**		13,320
Administrative Expenses		**(10,514)**		(7,604)
Operating Profit		**5,715**		5,083

No geographical analysis of the Group's turnover and their respective gross profit is presented as all the turnover is attributable to services rendered in the PRC.

FINANCIAL STATEMENTS

The results of the Group for the year ended 31 December 2006 are set out in the consolidated income statement on page 35.

The states of affairs of the Group and of the Company as at 31 December 2006 are set out in the balance sheets on pages 32 and 34 respectively.

The cashflows of the Group are set out in the statement on page 37 and 38.

DIVIDENDS

The directors do not recommend a payment of dividend nor transfer of any amount to reserves for the year (2005: Nil).

FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last five financial years is set out below:

	For the year ended 31 December				
	2006	2005 (As restated)	2004	2003	2002
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Turnover	**156,160**	136,547	119,364	98,178	87,068
Profit before taxation	**4,256**	2,305	7,540	4,267	9,792
Taxation	**(2,130)**	(3,205)	(2,868)	(1,113)	(2,379)
Profit/(loss)before minority interests	**2,126**	(900)	4,672	3,154	7,413
Minority interests	**(2,220)**	(1,772)	(2,949)	(3,006)	(4,357)
Net (loss)/profit from ordinary activities attributable to shareholders	**(94)**	(2,672)	1,723	148	3,056

	As at 31 December				
	2006	2005 (As restated)	2004	2003	2002
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Total assets	**173,745**	178,808	158,523	172,986	166,483
Total liabilities	**(94,189)**	(103,761)	(88,481)	(107,760)	(101,092)
Minority interests	**(24,800)**	(22,007)	(20,310)	(17,173)	(17,451)
Net assets	**54,756**	53,040	49,732	48,053	47,940

Certain Comparative figures for the year ended 31 December 2005 have been restated to the conflict of prior period errors. The comparative figures for the three years ended 31 December have not been restated as the Directors consider that this would involve undue delay and expenses.

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in property, plant and equipment of the Group during the year are set out in Note 8 to the financial statements.

DISTRIBUTABLE RESERVES

As at 31 December 2006, the Company has no distributable reserve calculated in accordance with the provisions of Section 79B of the Hong Kong Companies Ordinance.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

The Company has not redeemed any of its listed securities during the year. Neither the Company nor any of its subsidiaries has purchased or sold any of the Company's listed securities during the year (2005: Nil).

DONATIONS

No charitable donations made by the Group during the year (2005: Nil).

DIRECTORS

The directors during the financial year and up to the date of this report were:

Executive Directors

Mr. Wong Wah Sang
Mr. Wong Man Chiu, Ronnie
Mr. Yeung Wai Hung

Non-executive Directors

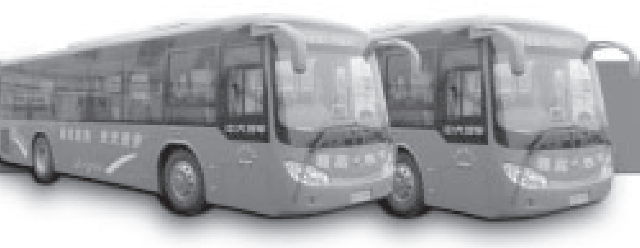
Mr. Wilkie Wong

Independent non-executive Directors

Mr. Sung Wai Tak, Herman
Mr. Cheung Man Yau, Timothy
Mr. Wong Lit Chor, Alexis

In accordance with Articles 121 of the Company's Articles of Association, Mr. Wong Man Chiu, Ronnie retires by rotation and, being eligible, offer himself for re-election.

The independent non-executive directors are not appointed for a specific term and are subject to retirement by rotation in accordance with the above Articles.



DIRECTORS' SERVICES CONTRACTS

None of the directors who are proposed for re-election at the forthcoming annual general meeting has a service contract with the Company which is not terminable within one year without payment of compensation, other than the statutory compensation.

DIRECTORS' INTERESTS IN CONTRACTS

Apart from the foregoing, no other contracts of significance in relation to the Group's business to which the Company, its holding companies or its subsidiaries was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

DIRECTORS' INTERESTS IN SHARES

As at 31 December 2006, the following Directors have the following interests in the share capital of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) which were notified to the Company and the Stock Exchange pursuant to Section 347 of the SFO (including interests which they were taken or deemed to have under Section 344 of the SFO), or which required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to Rules 5.40 to 5.58 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange, were as follows:

The Company		**Number of ordinary shares**	
Name of director	**Note**	**Corporate interests**	**Percentage of issued share capital**
Mr. Yeung Wai Hung	1 to 2	1,400,000	1%

At 31 December 2006, none of the Directors held any long or short positions in the share capital of the Company or (in respect of positions held pursuant to equity derivatives) underlying shares or in debentures of the Company or its associated companies.

Notes:

1. Under Part XV of the SFO, Mr. Yeung Wai Hung is personally interested in 2,000 shares in Sinoman International Limited and 150 shares in Metro Line Tours Limited.

2. By virtue of Part XV of the SFO, Mr. Yeung Wai Hung is deemed to be interested in the entire issued capital Cherikoff Bakery & Confections Limited which is interested in 1,400,000 shares in the Company.

SHARE OPTION SCHEME

On 31 July 2001, a share option scheme was approved by a written resolution of all the shareholders of the Company under which the Directors may, at their discretion, grant options to themselves and the full-time employees of the Group entitling them to subscribe for shares representing up to a maximum of 10 per cent. of the shares in the Company in issue from time to time (excluding shares which have been allotted and issued pursuant to the share option scheme). During the period from 13 August 2001 to 31 December 2006, no option has been granted or agreed to be granted to the Directors under the scheme.

At no time during the year ended 31 December 2006 was the Company or any of its subsidiaries a party to any arrangement to enable the Directors, their respective spouses or children under 18 years of age to acquire the benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

DIRECTORS' RIGHTS TO ACQUIRE SHARES

Apart from the share option scheme (under which no option has yet been granted or agreed to be granted) referred to above, at no time during the year ended 31 December 2006 was any of the Company or any associated corporation a party to any arrangement to enable the Directors to acquire benefits by means of the acquisition of shares in the Company or any other body corporate and none of the Directors, or their spouses or children under the age 18, had any right to subscribe for the Shares in the Company, or had exercised any such rights.

SUBSTANTIAL SHAREHOLDER OF THE COMPANY

As at 31 December 2006, the register of substantial shareholders (other than Director) maintained under section 336 of the SFO showed that the Company had been notified of substantial shareholding interests, being 5% or more of the Company's issued share capital, as follows:–

Name	Note	Number of Shares	Percentage of issued share capital
Sino Market Enterprises Limited	1	126,000,000	70%
Sinoman International Limited	1	126,000,000	70%
Twilight Enterprises Limited	2	126,000,000	70%
Kenworth Enterprises Limited	3	126,000,000	70%
Chiu Gee Chai	4	126,000,000	70%

As at 31 December 2006 none of the above-listed substantial shareholders held any long or short positions in the share capital of the Company or (in respect of positions held pursuant to equity derivatives) underlying shares or in debentures of the Company or its associated corporations.

Notes:

1. These 126,000,000 shares are held by Sino Market Enterprises Limited which is beneficially owned as to 61.03 per cent. by Sinoman International Limited and as to 34.97 per cent. by Kenworth Enterprises Limited.

2. Sinoman International Limited is beneficially owned as to 80 per cent. by Twilight Enterprises Limited which is beneficially owned as to 50 per cent. by Mr. Wilson Wong, the former Managing Director, and as to 50 per cent. by Ms. Chiu Gee Chai, the wife of Mr. Wilson Wong.

3 The issued share capital of Kenworth Enterprises Limited is beneficially owned by Mr. Wong Wah Sang, an executive Director and chairman of the Company, as to 22.23 per cent., Mr. Wong Man Fung, Anthony as to 11.11 per cent., Mr. Wong Man Che, Edward as to 11.11 per cent., Mr. Wong Man Ka, Stephen as to 11.11 per cent., Ms. Wong Man Hing, Alice, the wife of Mr. Kwan Yan Ming, as to 11.11 per cent., Mr. Wong Man Chiu, Ronnie, an executive Director, as to 11.11 per cent., Mr. Wong Man Kon, John as to 11.11 per cent. and Mr. Wong Man Kong, Peter as to 11.11 per cent., Mr. Wong Wah Sang is the father of the other shareholders mentioned above.

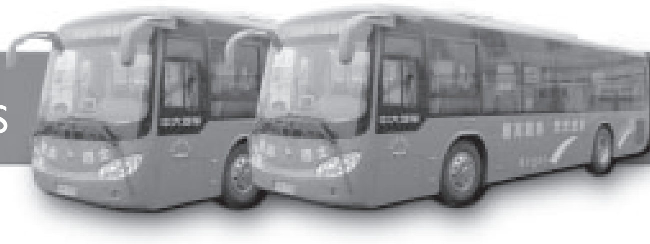
4. By virtue of Part XV of the SFO, Madam Chiu Gee Chai is deemed to be interested in 126,000,000 shares.

5. By virtue of Part XV of the SFO, each of Sino Market Enterprises Limited, Sinoman International Limited, Kenworth Enterprises Limited, Twilight Enterprises Limited and Madam Chiu Gee Chai is deemed to be interested in 500,000 ordinary shares in Argos Bus Services (China) Company Limited, a subsidiary of the Company.

Same as disclosed above, no person has registered an interest or short position in the share capital of the Company that was required under Section 324 of the SFO.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year.



AUDIT COMMITTEE

The Company has established an audit committee with written terms of reference based upon the guidelines recommended by the Hong Kong Institute of Certified Public Accountants. The primary duties of the audit committee are the review and supervision of the Company's financial reporting process and internal control systems. The audit committee comprised three independent non-executive Directors of the Company, namely Mr. Sung Wai Tak, Herman, Mr. Cheung Man Yau, Timothy and Mr. Wong Lit Chor, Alexis.

The audit committee has reviewed with management, the accounting principles and practices adopted by the Group and discussed auditing, internal control and financial reporting matters including the review of the audited consolidated financial statements for the year ended 31 December 2006.

RESIGNATION OF AUDITORS

The Company was notified by HLB Hodgson Impey Cheng ("HLB") of their resignation on 7 May 2007. In filling the casual vacancy following the resignation of HLB, Messrs. Ting Ho Kwan & Chan have been appointed by the Board as auditors of the Group with effect from 8 May 2007.

In the notice of resignation of HLB, the Company has been further notified by HLB that the material balances of approximately RMB12,000,000 were understated in both the current assets and current liabilities of the Group in the financial statements for the years ended 31 December 2004 and 2005. The omitted RMB12,000,000 was a bank loan borrowed by one of a subsidiary of the Group, Nanjing Public Transport Argos Bus Company Limited ("Nanjing Argos"), and bank loan were immediately lent to a related company outside the Group, Argos Recreation and Sport (Nanjing) Company Limited ("Argos Recreation") for the years ended 31 December 2004 and 2005. These transactions were recorded neither in the books of Nanjing Argos nor in the books of the Group for both years. HLB considered that the omitted bank loans were in breach of Hong Kong Accounting Standard 24 – "Related Parties Disclosures" issued by Hong Kong Institutes of Certified Public Accountants and Chapter 19 of the Rules Governing the Listing of Securities on the Growth Enterprise Market ("GEM") of the Exchange.

Inclusion, HLB considered that the omitted bank loans constitute material misstatements and the auditor's report of the Company for the years ended 31 December 2004 and 2005 no longer true and fair, therefore the financial statements for the years ended 31 December 2004 and 2005 have to be withdrawn and should not be relied upon by the members of the Group or the public. As stated in the same notice, HLB has taken into account of the professional risk associated with the audit and their discovery of the aforesaid omissions and misstatements in the financial statements of the Group for the years ended 31 December 2004 and 2005 before they tendered their notice of resignation.

Such omissions were due to internal control weaknesses set out in the PRC Company's policies and insufficient knowledge on the GEM Rules requirement of the PRC staff. The Company has engaged independent internal auditors, Mabel Chan & Co., certified public accountants, to review the internal control system of the Group and provide relevant training programs to the executives directors and the staff of the Company with a view to ensure future compliance of the GEM Rules as well as Principles and Code Provisions.

FOREIGN CURRENCY RISK

Since most of the transactions, income and expenditure of the Group are denominated in Renminbi Yuan, no hedging or other arrangements to reduce the currency risk have been implemented.

COMPETING INTERESTS

The Directors have substantial experience in the operation of transportation companies especially bus services, with over 20 years of experience in the operation of such services in Hong Kong. Such operations in Hong Kong are mainly trading under the names of Argos Bus Services Co., Ltd. ("Argos Hong Kong"), a fellow subsidiary of the Company, and Goldspark HK Tours Limited, indirectly owned subsidiary of Argos Hong Kong, and Metro Line Tours Limited, owned 50 per cent. by Twilight Enterprises Limited and 15 per cent by Mr. Yeung Wai Hung.

Save as disclosed above, none of the Directors or the management shareholders of the Company (as defined in the GEM Listing Rules) has an interest in a business which competes or may compete with the business of the Group.

SUBSEQUENT EVENTS

Details of the significant subsequent events of the Group are set out in note 39 to the financial statements.

AUDITORS

Messrs. Ting Ho Kwan & Chan have been the auditors of the Company for the year ended 31 December 2006. The financial statements for the years ended 31 December 2004 and 2005 were audited by Messrs. HLB Hodgson Impey Cheng.

The accompanying financial statements were audited by Messrs. Ting Ho Kwan & Chan. A resolution for their reappointment as auditors of the Company will be proposed at the forthcoming annual general meeting.

On Behalf of the Board
Wong Wah Sang
Chairman

Hong Kong, 14 August 2007

丁何關陳會計師行
香港執業會計師

香港德輔道中249－253號
東寧大廈9樓

香港德輔道中249—253號
東寧大廈9字樓

INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF ARGOS ENTERPRISE (HOLDINGS) LIMITED
(incorporated in Hong Kong with limited liability)

We have audited the financial statements of Argos Enterprise (Holdings) Limited (the "Company") set out on pages 32 to 96, which comprise the consolidated and company balance sheets as at 31 December 2006, and the consolidated income statement, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Directors' responsibility for the financial statements

The directors of the Company are responsible for the preparation and the true and fair presentation of these financial statements in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the Hong Kong Companies Ordinance. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error, selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. This report is made solely to you, as a body, in accordance with Section 141 of the Hong Kong Companies Ordinance, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurances as to whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and true and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2006 and of the Group's loss and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the Hong Kong Companies Ordinance.

Emphasis of matter

Without qualifying our opinion, we draw attention to note 2(i) to the financial statements which indicates that the Group's current liabilities exceeded its current assets by approximately HK$27,965,000 as at 31 December 2006. These conditions indicate the existence of a material uncertainty which may cast significant doubt about the Group's ability to continue as a going concern.

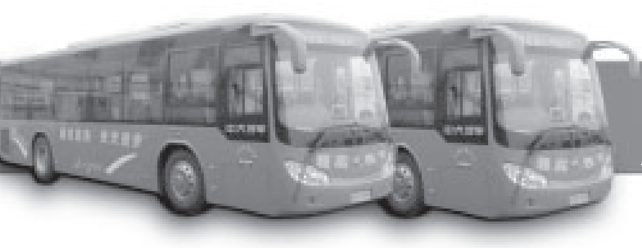
TING HO KWAN & CHAN
Certified Public Accountants (Practising)

Hong Kong, 14 August 2007

CONSOLIDATED BALANCE SHEET

AT 31 DECEMBER 2006

	Notes	2006 HK$'000	As restated 2005 HK$'000
ASSETS			
Non-current assets			
Property, plant and equipment	8	**104,519**	103,582
Investment properties	9	**1,097**	1,029
Leasehold land and land use rights	10	**4,890**	4,872
Intangible assets	11	**1,480**	1,777
Available-for-sale financial assets	13	**1,080**	1,024
Deferred tax assets	23	**–**	549
		113,066	112,833
Current assets			
Properties held for sale		**–**	1,773
Leasehold land and land use rights	10	**102**	100
Trade and other receivables	14	**17,442**	12,689
Inventories	15	**1,616**	1,364
Amount due from a related company	16	**2,681**	10,378
Amount due from a minority shareholder	17	**679**	678
Pledged bank deposits		**17,428**	13,139
Cash and cash equivalents	18	**20,731**	25,854
		60,679	65,975
Total assets		**173,745**	178,808
EQUITY			
Capital and reserves attributable to the Company's equity holders:			
Share capital	19	**1,800**	1,800
Reserves	20	**52,956**	51,240
		54,756	53,040
Minority interests		**24,800**	22,007
Total equity		**79,556**	75,047



CONSOLIDATED BALANCE SHEET

AT 31 DECEMBER 2006

	Notes	2006 HK$'000	As restated 2005 HK$'000
LIABILITIES			
Non-current liabilities			
Bank borrowings	21	**476**	551
Advertising income on fleet body receipt in advance	22	**4,379**	4,214
Deferred tax liabilities	23	**690**	–
		5,545	4,765
Current liabilities			
Bank borrowings – due within one year	21	**21,011**	32,425
Advertising income on fleet body receipt in advance	22	**479**	1,327
Trade and other payables	24	**58,887**	56,832
Amount due to a minority shareholder	25	**7,542**	8,253
Amount due to a director	26	**100**	100
Tax payable		**625**	59
		88,644	98,996
Total liabilities		**94,189**	103,761
Total equity and liabilities		**173,745**	178,808
Net current liabilities		**27,965**	33,021
Total assets less current liabilities		**85,101**	79,812

The financial statements were approved and authorised for issue by the Board of Directors on 14 August 2007 and are signed on its behalf by:

Ronnie Man Chiu Wong	**Wai Hung Yeung**
DIRECTOR	*DIRECTOR*

The notes on pages 39 to 96 are an integral part of these financial statements.

	Notes	2006 HK$'000	2005 HK$'000
ASSETS			
Non-current assets			
Property, plant and equipment	8	**116**	118
Interests in subsidiaries	12	**23,296**	28,543
		23,412	28,661
Current assets			
Other receivables		**35**	12
Pledged bank deposit		**10,000**	10,000
		10,035	10,012
Total assets		**33,447**	38,673
EQUITY			
Share capital	19	**1,800**	1,800
Reserves	20	**16,032**	18,909
Total equity		**17,832**	20,709
LIABILITIES			
Current liabilities			
Bank borrowings – due within one year	21	**10,521**	10,465
Other payables	24	**1,564**	1,621
Amounts due to subsidiaries	12	**3,530**	3,530
Amount due to a related company		**–**	2,348
		15,615	17,964
Total liabilities		**15,615**	17,964
Total equity and liabilities		**33,447**	38,673
Net current liabilities		**5,580**	7,952
Total assets less current liabilities		**17,832**	20,709

The financial statements were approved and authorised for issue by the Board of Directors on 14 August 2007 and are signed on its behalf by:

Ronnie Man Chiu Wong
DIRECTOR

Wai Hung Yeung
DIRECTOR

The notes on pages 39 to 96 are an integral part of these financial statements.

CONSOLIDATED INCOME STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2006

	Notes	2006 HK$'000	As restated 2005 HK$'000
Turnover	27	**156,160**	136,547
Cost of sales		**(136,648)**	(122,163)
Gross profit		**19,512**	14,384
Other income and gains, net	27	**14,728**	13,320
Administrative expenses		**(28,525)**	(22,621)
Operating profit	28	**5,715**	5,083
Finance costs	30	**(1,459)**	(2,778)
Profit before taxation		**4,256**	2,305
Taxation	31	**(2,130)**	(3,205)
Profit/(loss) for the year		**2,126**	(900)
Attributable to:			
Equity holders of the Company	33	**(94)**	(2,672)
Minority interests		**2,220**	1,772
		2,126	(900)
Losses per share for loss attributable to the equity holders of the Company			
– Basic	34	**0.05 cents**	1.48 cents
– Diluted		**N/A**	N/A

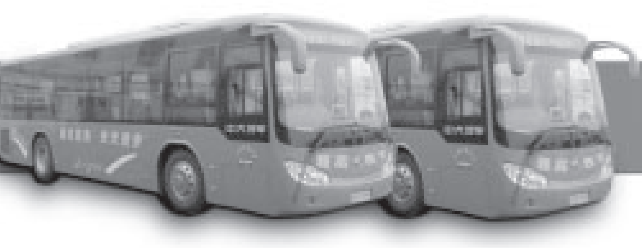
The notes on pages 39 to 96 are an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2006

	Attributable to equity holders of the Company								
	Share capital	**Share premium**	**Exchange reserve**	**Merger reserve**	**General reserve**	**Revaluation reserve**	**Retained earnings**	**Minority interests**	**Total**
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
At 1 January 2005, as previously reported	1,800	29,200	377	(490)	3,227	–	15,618	20,310	70,042
Priors year adjustments	–	–	143	–	–	–	3,472	(81)	3,534
At 1 January 2005, as restated	1,800	29,200	520	(490)	3,227	–	19,090	20,229	73,576
(Loss)/profit for the year, as restated	–	–	–	–	–	–	(2,672)	1,772	(900)
Surplus on revaluation, as restated	–	–	–	–	–	79	–	–	79
Currency translation differences, as restated	–	–	2,286	–	–	–	–	6	2,292
At 31 December 2005, as restated	1,800	29,200	2,806	(490)	3,227	79	16,418	22,007	75,047
(Loss)/profit for the year	–	–	–	–	–	–	(94)	2,220	2,126
Deficit on revaluation	–	–	–	–	–	(31)	–	–	(31)
Currency translation differences	–	–	1,841	–	–	–	–	573	2,414
At 31 December 2006	1,800	29,200	4,647	(490)	3,227	48	16,324	24,800	79,556

The notes on pages 39 to 96 are an integral part of these financial statements.



CONSOLIDATED CASH FLOW STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2006

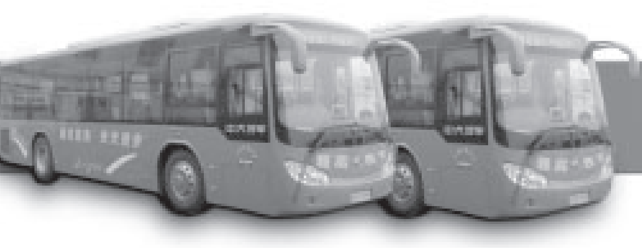
	Notes	2006 HK$'000	As restated 2005 HK$'000
Operating activities			
Profit before taxation		**4,256**	2,305
Adjustments for:			
Amortisation of leasehold land and land use rights	10	**102**	100
Amortisation of intangible assets	11	**341**	498
Depreciation of property, plant and equipment	8	**15,281**	13,859
Gain on disposal of property, plant and equipment	27	**(102)**	(23)
Deficit on revaluation of leasehold buildings	28	–	959
Reversal of revaluation deficit previously recognised	27	**(1)**	–
Impairment of goodwill	11	**–**	370
Interest income	27	**(1,473)**	(1,158)
Interest expense	30	**1,459**	2,778
Impairment losses for bad and doubtful debts	28	**167**	1,197
Fair value (gains)/losses on investment properties	27 & 28	**(42)**	100
Operating cash flows before movements in working capital		**19,988**	20,985
Amount due from a related company		**8,114**	321
Amount due from a minority shareholder		**(1)**	(159)
Inventories		**(222)**	(75)
Trade and other receivables		**(4,337)**	(1,315)
Trade and other payables		**2,605**	8,101
Advertising income on fleet body receipt in advance		**(583)**	(2,025)
Amount due to a related company		**–**	2,430
Amount due to a minority shareholder		**(611)**	1,657
Amount due to a director		**–**	149
Cash generated from operations		**24,953**	30,069
Taxation paid		**(380)**	(271)
Net cash generated from operating activities		**24,573**	29,798
Investing activities			
Acquisition of intangible assets		**–**	(111)
Acquisition of property, plant and equipment		**(14,476)**	(13,670)
Proceeds on disposal of property, plant and equipment		**149**	963
(Increase)/decrease in pledged bank deposits		**(3,259)**	7,009
Interest received		**1,473**	1,158
Net cash used in investing activities		**(16,113)**	(4,651)

CONSOLIDATED CASH FLOW STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2006

	Notes	2006 HK$'000	As restated 2005 HK$'000
Financing activities			
New bank borrowings raised		**24,172**	10,704
Repayment of bank borrowings		**(35,714)**	(19,249)
Decrease in long term payable		**–**	(143)
Interest paid		**(1,459)**	(2,778)
Net cash used in financing activities		**(13,001)**	(11,466)
Net (decrease)/increase in cash and cash equivalents		**(4,541)**	13,681
Effect of foreign exchange rate changes		**(635)**	(698)
Cash and cash equivalents at beginning of the year	18	**15,386**	2,403
Cash and cash equivalents at the end of the year	18	**10,210**	15,386

The notes on pages 39 to 96 are an integral part of these financial statements.



1. GENERAL INFORMATION

The Company was incorporated in Hong Kong on 13 October 2000 as a limited liability company under the Hong Kong Companies Ordinance and its shares are listed on the Growth Enterprise Market ("GEM") of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The Company's shares have been suspended for trading on the Stock Exchange since 26 March 2007.

The principal activity of the Company is investment holding. The address of its registered office is located at Room 1113, 11th Floor, Block A2, Yau Tong Industrial City, 17 Ko Fai Road, Kowloon, Hong Kong. The principal activities of its principal subsidiaries are set out in note 12 to the financial statements.

The directors consider the Company's ultimate holding company to be Twilight Enterprises Limited, which is incorporated in the British Virgin Islands.

2. BASIS OF PREPARATION OF FINANCIAL STATEMENTS

(i) In preparing the consolidated financial statements the directors have given consideration to the future liquidity of the Group. While recognising that the Group had sustained a net current liabilities of HK$27,965,000 as at 31 December 2006, the directors are confident that the Group will be able to obtain financial support from the ultimate holding company, Twilight Enterprises Limited, to enable the Group to meet in full its financial obligations as they fall due in the foreseeable future. Accordingly, the consolidated financial statements have been prepared on a going concern basis.

(ii) Prior years' adjustments

According to the Company's announcement dated 6 July 2007, it was found that Nanjing Public Transport Argos Bus Company Limited ("Nanjing Argos"), a 60% owned subsidiary of the Company, obtained a bank loan of RMB12,000,000 during the year ended 31 December 2004 and such bank loan was then onward lent to Argos Recreation and Sport (Nanjing) Company Limited ("Argos Recreation"), a related company outside the Group, on substantially the same terms and at the same interest rates as those between Nanjing Argos and the bank. Argos Recreation was to repay all principal and interest of the loan borrowed from Nanjing Argos by making repayments to the loan account of Nanjing Argos maintained with the lending bank. These transactions were not recorded in the books of Nanjing Argos and as a result, such transactions were not reflected in the audited financial statements of the Group for the years ended 31 December 2004 and 2005. In addition, the management has also discovered that in the audited financial statements of the Group for the years ended 31 December 2004 and 2005, an advance of RMB1,200,000 made to that related company had been included in other receivables and relevant disclosure had not been made in the audited financial statements. During reconciliation of the major accounts, the management has identified other material errors relating to prior periods.

2. BASIS OF PREPARATION OF FINANCIAL STATEMENTS (Continued)

(ii) Prior years' adjustments (Continued)

The Company has determined that the correction of the cumulative effect of the prior period errors in the current period is material to the consolidated financial statements for the year ended 31 December 2006. Accordingly, the Company determined that the errors need to be corrected through restatement of previously issued financial statements. As a result of the above restatement, the retained earnings as at 1 January 2005 and the loss for the year ended 31 December 2005 are increased both by HK$3,472,000 and HK$2,687,000 respectively.

Details of prior years' adjustments for the correction of the above errors are summarised as below:

	Balance brought forward from 31 December 2004	**During year ended 31 December 2005**	**Total**
	HK$'000	HK$'000	HK$'000
Property, plant and equipment			
– Note 1	–	2,795	2,795
– Note 2	4,929	364	5,293
– Note 11	–	(37)	(37)
	4,929	3,122	8,051
Leasehold land and land use rights			
– Note 1	–	237	237
– Note 2	94	4	98
– Note 11	–	37	37
	94	278	372
Intangible assets			
– Note 1	–	55	55
Deferred tax assets			
– Note 4	2,534	(2,319)	215

2. BASIS OF PREPARATION OF FINANCIAL STATEMENTS (Continued)

(ii) Prior years' adjustments (Continued)

	Balance brought forward from 31 December 2004	During year ended 31 December 2005	Total
	HK$'000	HK$'000	HK$'000
Amount due from a related company			
– Note 5	11,650	–	11,650
– Note 6	1,166	–	1,166
– Note 9	(12)	5	(7)
	12,804	5	12,809
Trade and other receivables			
– Note 3	4,438	282	4,720
– Note 6	(1,166)	–	(1,166)
– Note 7	(4,023)	–	(4,023)
	(751)	282	(469)
Cash and cash equivalents			
– Note 9	12	(5)	7
Retained earnings			
– Note 2	5,023	767	5,790
– Note 3	–	282	282
– Note 4	2,534	(2,319)	215
– Note 8	(3,942)	(1,418)	(5,360)
– Note 10	(143)	1	(142)
	3,472	(2,687)	785

2. BASIS OF PREPARATION OF FINANCIAL STATEMENTS (Continued)

(ii) Prior years' adjustments (Continued)

	Balance brought forward from 31 December 2004	During year ended 31 December 2005	Total
	HK$'000	HK$'000	HK$'000
Exchange reserve			
– Note 1	–	2,990	2,990
– Note 4	143	97	240
	143	3,087	3,230
Revaluation reserve			
– Note 1	–	(66)	(66)
– Note 2	–	399	399
	–	333	333
Short term bank borrowings			
– Note 5	11,650	–	11,650
General reserve			
– Note 10	–	98	98
Advertising income on fleet body receipt in advance			
– Note 1	–	31	31
– Note 3	4,438	–	4,438
	4,438	31	4,469
Minority interests			
– Note 7	(4,023)	–	(4,023)
– Note 8	3,942	1,418	5,360
	(81)	1,418	1,337

2. BASIS OF PREPARATION OF FINANCIAL STATEMENTS (Continued)

(ii) Prior years' adjustments (Continued)

Notes on prior periods errors

1. Understatement of assets and corresponding overstatement of exchange reserve, due to the use of inappropriate exchange rates on the translation of the financial statements of certain subsidiaries expressed in foreign currencies into Hong Kong dollars;

2. Overstatement of depreciation charges by certain subsidiaries due to the misapplication of depreciation method;

3. Understatement of advertising income by a subsidiary;

4. Understatement of deferred tax liabilities for certain subsidiaries;

5. Understatement of liabilities and assets by a subsidiary due to the omission to record a bank loan borrowed by the subsidiary and the corresponding loan to a related company (note 2 (ii));

6. An amount advanced to a related company had been wrongly classified as other receivables since 2004;

7. Overstatement of other receivables and corresponding adjustment to minority interests;

8. Understatement of minority interest;

9. Omission of bank transactions;

10 Exchange difference arising from the translation of the financial statements;

11. Leasehold land and land use rights wrongly classified as property, plant and equipment; and

12. The effect of the above correction of the prior periods errors will be resulted in increase in basic losses per share by 1.47 cents.

3. STANDARDS, INTERPRETATIONS AND AMENDMENTS TO EXISTING STANDARDS THAT ARE NOT YET EFFECTIVE

The HKICPA has issued the following standards, interpretations and amendments which are not yet effective as of the date of these financial statements:

Effective from 1 January 2007	
HKAS 1(Amendment)	Presentation of Financial Statements: Capital Disclosures
HK(IFRIC) – INT 8	Scope of HKFRS 2 (effective from 1 May 2006)
HK(IFRIC) – INT 9	Reassessment of Embedded Derivates (effective from 1 June 2006)
HK(IFRIC) – INT10	Interim Financial Reporting and Impairment (effective from 1 November 2006)
HK(IFRIC) – INT11	HKFRS 2 – Group and Treasury Share Transactions (effective from 1 March 2006)
HKFRS 7	Financial Instruments: Disclosures (effective from 1 March 2007)
Effective from 1 January 2008	
HK(IFRIC) – INT12	Service Concession Arrangements
Effective from 1 January 2009	
HKAS 23 (Revised)	Borrowing Costs
HKFRS 8	Operating Segments (effective from 1 January 2009)

The Group has not early adopted the above standards, interpretations and amendments and is not yet in a position to state whether substantial changes to the Group's accounting policies and presentation of the financial statements will be resulted.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

(a) Statement of compliance with Hong Kong Financial Reporting Standards

The consolidated financial statements of the Group have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS"), which also include Hong Kong Accounting Standards ("HKAS") and Interpretations ("Int") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong and the Hong Kong Companies Ordinance. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited. The financial statements have been prepared under the historical cost convention, as modified by the revaluation of leasehold buildings, certain financial assets and financial liabilities and investment properties, which are carried at fair value.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(a) Statement of compliance with Hong Kong Financial Reporting Standards (Continued)

The preparation of financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in Note 6.

The adoption of new/revised HKFRS

In 2006, the Group adopted the amendments and interpretation of HKFRS below, which are relevant to its operations.

HKAS 19 (Amendment)	Actuarial Gains and Losses, Group Plans and Disclosures
HKAS 21 (Amendment)	Net Investment in a Foreign Operation
HKAS 27 (Amendment)	Consolidated and Separate Financial Statements Amendments as a consequence of the Companies (Amendments) Ordinance 2005
HKAS 39 (Amendment)	Cash Flow Hedge Accounting of Forecast Intragroup Transactions
HKAS 39 (Amendment)	The Fair Value Option
HKAS 39 and HKFRS 4 (Amendment)	Financial Guarantee Contracts
HK(IFRIC) – Int 4	Determining whether an Arrangement contains a Lease

The Group has assessed the impact of the adoption of these amendments and interpretation and opined that there was no significant impact on the Group's results and financial position nor any substantial changes in the Group's accounting policies.

(b) Basis of consolidation

The consolidated financial statements include the financial statements of the Company and all its subsidiaries made up to 31 December.

(i) Subsidiaries

Subsidiaries are all entities over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(b) Basis of consolidation (Continued)

(i) Subsidiaries (Continued)

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interests. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the income statement.

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Minority interests represent the interests of outside shareholders in the results and net assets of the Company's subsidiaries.

In the Company's balance sheet, the investments in subsidiaries are stated at cost less any accumulated impairment losses. The results of subsidiaries are accounted for by the Company on the basis of dividends received and receivable.

(c) Segment reporting

A segment is a distinguishable component of the Group that is engaged either in providing products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments.

In accordance with the Group's internal financial reporting system, the Group has chosen business segment information as the primary reporting format and geographical segment information as the secondary reporting format for the purposes of these financial statements.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(c) Segment reporting (Continued)

Segment revenue, expenses, results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis to that segment. For example, segment assets may include inventories, trade receivables and property, plant and equipment. Segment revenue, expenses, assets, and liabilities are determined before intra-group balances and intra-group transactions are eliminated as part of the consolidation process, except to the extent that such intra-group balances and transactions are between group entities within a single segment. Inter-segment pricing is based on similar terms as those available to other external parties.

Segment capital expenditure is the total cost incurred during the period to acquire segment assets (both tangible and intangible) that are expected to be used for more than one period.

Unallocated items mainly comprise financial and corporate assets, interest-bearing loans, borrowings, tax balances, corporate and financing expenses. A discontinued segment is separately presented from continuing segments.

(d) Foreign currency translation

(i) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The consolidated financial statements are presented in HK dollars, which is the Company's functional and presentation currency.

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement, except when deferred in equity as qualifying cash flow hedges or qualifying net investment hedges.

Translation differences on non-monetary items, such as equity instruments held at fair value through profit or loss, are reported as part of the fair value gain or loss. Translation differences on non-monetary items, such as equities classified as available-for-sale financial assets, are included in the fair value reserve in equity.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(d) Foreign currency translation (Continued)

(iii) Group companies

The results and financial position of all the group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

(i) assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;

(ii) income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and

(iii) all resulting exchange differences are recognised as a separate component of equity.

On consolidation, exchange differences arising from the translation of the net investment in foreign entities, and of borrowings and other currency instruments designated as hedges of such investments, are taken to shareholders' equity. When a foreign operation is sold, such exchange differences are recognised in the income statement as part of the gain or loss on sale.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

(e) Property, plant and equipment

Buildings comprise mainly offices. Buildings are shown at fair value, based on annual valuations by external independent valuers, less subsequent depreciation. Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are expensed in the income statement during the financial period in which they are incurred.

Increases in the carrying amount arising on revaluation of buildings are credited to other reserves in shareholders' equity. Decreases that offset previous increases of the same asset are charged against fair value reserves directly in equity, all other decreases are expensed in the income statement.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(e) Property, plant and equipment (Continued)

Depreciation of property, plant and equipment is calculated using the straight-line method to allocate cost or revalued amounts to their residual values (if, there are any) over their estimated useful lives, as follows:

Leasehold buildings	50 years or unexpired term of the leases, if shorter
Leasehold improvements	5%
Furniture, fixtures and equipment	20%
Motor vehicles	10%

The assets' residual values (if any) and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date. An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. The gain or loss on derecognition of the asset, calculated as the difference between the net disposal proceeds and the carrying amount of the item, is included in the income statement in the period the item is derecognised.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 4(j)).

(f) Investment properties

Property that is held for long-term rental yields or for capital appreciation or both, and that is not occupied by the companies in the consolidated group, is classified as investment property.

Investment property comprises land held under operating leases and buildings held under finance leases.

Land held under operating leases are classified and accounted for as investment property when the rest of the definition of investment property is met. The operating lease is accounted for as if it were a finance lease.

Investment property is measured initially at its cost, including related transaction costs.

After initial recognition, investment property is carried at fair value. Fair value is based on active market prices, adjusted, if necessary, for any difference in the nature, location or condition of the specific asset. If this information is not available, the Group uses alternative valuation methods such as recent prices on less active markets or discounted cash flow projections. These valuations are performed in accordance with the guidance issued by the international Valuation Standards Committee. These valuations are reviewed annually by external valuers. Investment property that is being redeveloped for continuing use as investment property, or for which the market has become less active, continues to be measured at fair value.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(f) Investment properties (Continued)

The fair value of investment property reflects, among other things, rental income from current leases and assumptions about rental income from future leases in the light of current market conditions.

The fair value also reflects, on a similar basis, any cash outflows that could be expected in respect of the property. Some of those outflows are recognised as a liability, including finance lease liabilities in respect of land classified as investment property, others, including contingent rent payments, are not recognised in the financial statements.

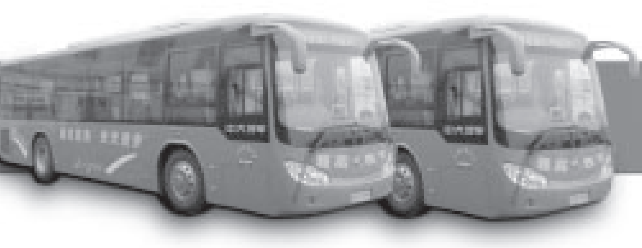
Subsequent expenditure is charged to the asset's carrying amount only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance costs are expensed in the income statement during the financial period in which they are incurred.

Changes in fair values are recognised in the income statement.

If an investment property becomes owner-occupied, it is reclassified as property, plant and equipment and its fair value at the date of reclassification becomes its cost for accounting purposes. Property that is being constructed or developed for future use as investment property is classified as property, plant and equipment and stated at cost until construction or development is complete, at which time it is reclassified and subsequently accounted for as investment property.

If an item of property, plant and equipment becomes an investment property because its use has changed, any difference resulting between the carrying amount and the fair value of this item at the date of transfer is recognised in equity as a revaluation of property, plant and equipment under HKAS 16. However, if a fair value gain reverses a previous impairment loss, the gain is recognised in the income statement.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposal. The gain or loss arising from the retirement or disposal of investment property, calculated as the difference between the net disposal proceeds and the carrying amount of the investment property, is recognised in the income statement in the period of the retirement or disposal.



4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(g) Leasehold land and land use rights

Leasehold land and land use rights are lump sum upfront payments to acquire long-term interest in lessee-occupied properties.

Leasehold land and land use rights relating to buildings of the Group are stated at cost and are amortised over the period of the lease on the straight-line basis to the income statement. Leasehold land and land use rights relating to investment properties and properties developed for sale are not amortised and included as part of the cost of such properties.

(h) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, i.e., assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. Capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs capitalised.

(i) Intangible assets

(i) Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary at the date of acquisition. Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units for the purpose of impairment testing.

(ii) Trademark and licences

Trademark and licences are shown at historical cost. Trademarks and licences have a definite useful life and are carried at cost less accumulated amortisation. Amortisation is calculated using the straight-line method to allocate the cost of trademarks and licences over their estimated useful lives 8 years for taxi licences and 10 years for travel agent licence.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(j) Impairment of assets

(i) Impairment of investments in debt and equity securities and other receivables

Investment in debt and equity securities and other current and non-current receivables that are stated at cost or amortised cost or are classified as available-for-sale financial assets are reviewed at each balance sheet date to determine whether there is objective evidence of impairment. If any such evidence exists, any impairment loss is determined and recognised as follows:

– For unquoted equity securities carried at cost, the impairment loss is measured as the difference between the carrying amount of the financial asset and the estimated future cash flows, discounted at the current market rate of return for a similar financial asset where the effect of discounting is material. Impairment losses for equity securities are not reversed.

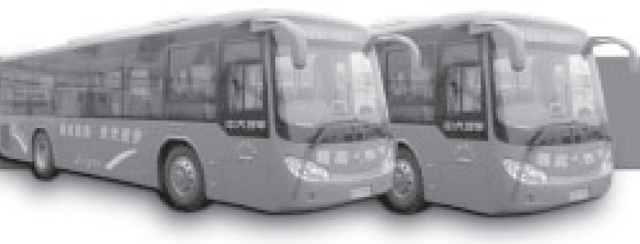
– For trade and other current receivables and other financial assets carried at amortised cost, the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate (i.e. the effective interest are computed at initial recognition of these assets), where the effect of discounting is material.

– If in a subsequent period the amount of an impairment loss decreases and the decrease can be linked objectively to an event occurring after the impairment loss was recognised, the impairment loss is reversed through profit or loss. A reversal of an impairment loss shall not result in the asset's carrying amount exceeding that which would have been determined had no impairment loss been recognised in prior years.

– For available-for-sale financial assets, the cumulative loss that has been recognised directly in equity is removed from equity and is recognised in profit or loss. The amount of the cumulative loss that is recognised in profit or loss is the difference between the acquisition cost (net of nay principal repayment and amortisation) and current fair value, less any impairment loss on that asset previously recognised in profit or loss.

– Impairment losses recognised in profit or loss in respect of available-for-sale equity financial assets are not reversed through profit or loss. Any subsequent increase in the fair value of such assets is recognised directly in equity.

– Impairment losses in respect of available-for-sales debt securities are reversed if the subsequent increase in fair value can be objectively related to an event occurring after the impairment loss was recognised. Reversals of impairment losses in such circumstances are recognised in profit or loss.



4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(j) Impairment of assets (Continued)

(ii) Impairment of other assets

Internal and external sources of information are reviewed at each balance sheet date to identify indicators that the following assets may be impaired or, except in the case of goodwill, an impairment loss previously recognised no longer exists or may have decreased:

– property, plant and equipment (other than properties carried at revalued amounts);
– intangible assets;
– investments in subsidiaries; and
– goodwill.

If any such indication exists, the asset's recoverable amount is estimated. In addition, for goodwill, intangible assets that are not yet available for use and intangible assets that have indefinite useful lives, the recoverable amount is estimated annually whether or not there is any indication of impairment.

– Calculation of recoverable amount

The recoverable amount of an asset is the greater of its net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of time value of money and the risks specific to the asset. Where an asset does not generate cash flows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. cash-generated unit).

– Recognition of impairment losses

An impairment loss is recognised in profit or loss whenever the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generated units (or group of units) and then, to reduce the carrying amount of the other assets in the unit (or group of units) on a pro rata basis, except that the carrying value of an asset will not be reduced below its individual fair value less costs to sell, or value in use, if determinable.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(j) Impairment of assets (Continued)

(ii) Impairment of other assets (Continued)

– Reversals of impairment losses

In respect of assets other than goodwill, an impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount. An impairment loss in respect of goodwill is not reversed.

A reversal of an impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to profit or loss in the year in which the reversals are recognised.

(k) Other investments in debt and equity securities

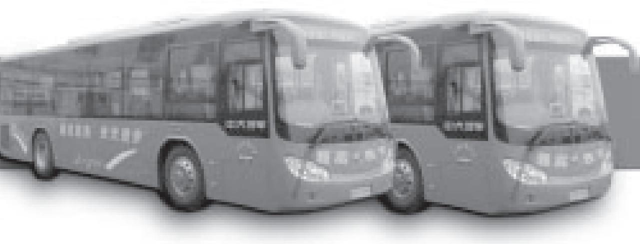
The Group's polices for investments in debt and equity securities, other than investments in subsidiaries, associates and jointly controlled entities, are as follows:

Investments in debt and equity securities are initially stated at cost, which is their transaction price unless fair value can be more reliably estimated using valuation techniques whose variables include only data from observable markets. Cost includes attributable transaction costs, except where indicated otherwise below. These investments are subsequently accounted for as follows, depending on their classification:

Investments in securities held for trading are classified as current assets as other financial assets at fair value through profit or loss. Any attributable transaction costs are recognised in profit or loss as incurred. At each balance sheet date the fair value is remeasured with any resultant gain or loss being recognised in profit or loss.

Dated debt securities that the Company have the positive ability and intention to hold to maturity are classified as held-to-maturity investments. Held-to-maturity investments are stated in the balance sheet at amortised cost less impairment losses (see note 4(j)).

Investments in equity securities that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are recognised in the balance sheet at cost less impairment losses (see note 4(j)).



4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(k) Other investments in debt and equity securities (Continued)

Investments in securities which do not fall into any of the above categories are classified as available-for-sale financial assets. At each balance sheet date the fair value is remeasured, with any resultant gain or loss being recognised directly in equity, except foreign exchange gains and losses in respect of monetary items such as debt securities which are recognised directly in profit or loss. Where these investments are interest-bearing, interest calculated using the effective interest method is recognised in profit or loss. When these investments are derecognised or impaired (see note 4(j)), the cumulative gain or loss previously recognised directly in equity is recognised in profit or loss.

Investments are recognised/derecognised on the date the Company commits to purchase/sell the investments or that expire.

(l) Financial guarantees issued, provisions and contingent liabilities

(i) Financial guarantees issued

Financial guarantees are contracts that require the issuer (i.e. the guarantor) to make specified payments to reimburse the beneficiary of the guarantee (the "holder") for a loss the holder incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument.

Where the Group issues a financial guarantee, the fair value of the guarantee (being the transaction price, unless the fair value can otherwise be reliably estimated) is initially recognised as deferred income within trade and other payables. Where consideration is received or receivable for the issuance of the guarantee, the consideration is recognised in accordance with the Group's policies applicable to that category of asset. Where no such consideration is received or receivable, an immediate expense is recognised in profit or loss on initial recognition of any deferred income.

The amount of the guarantee initially recognised as deferred income is amortised in profit or loss over the term of the guarantee as income from financial guarantees issued. In addition, provisions are recognised in accordance with note 4(l)(iii) if and when (a) it becomes probable that the holder of the guarantee will call upon the Group under the guarantee, and (b) the amount of that claim on the Group is expected to exceed the amount currently carried in trade and other payables in respect of that guarantee i.e. the amount initially recognised, less accumulated amortisation.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(l) Financial guarantees issued, provisions and contingent liabilities (Continued)

(ii) Contingent liabilities acquired in business combinations

Contingent liabilities acquired as part of a business combination are initially recognised at fair value, provided the fair value can be reliably measured. After their initial recognition at fair value, such contingent liabilities are recognised at the higher of the amount initially recognised, less accumulated amortisation where appropriate, and the amount that would be determined in accordance with note 4(l)(iii). Contingent liabilities acquired in a business combination that cannot be reliably fair valued are disclosed in accordance with note 4(l)(iii).

(iii) Other provisions and contingent liabilities

Provisions are recognised for other liabilities of uncertain timing or amount when the Group or the Company has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

(m) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the weighted average method. The cost of finished goods and work in progress comprises raw materials, direct labour, other direct costs and related production overheads (based on normal operating capacity). It excludes borrowing costs. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(n) Trade and other receivables

Trade and other receivables are initially measured at fair value and, after initial recognition, at amortised cost less any impairment losses for bad and doubtful debts (see note 4(j)), except for the following receivables:

– Interest-free loans made to related parties without any fixed repayment terms or the effect of discounting being immaterial, that are measured at cost less any impairment losses for bad and doubtful debts, and

– Short term receivables with no stated interest rate and the effect of discounting being immaterial, that are measured at their original invoiced amount less any impairment losses for bad and doubtful debts.

(o) Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within bank and other borrowings in current liabilities on the balance sheet.

(p) Share capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Where any group company purchases the Company's equity share capital (Treasury shares), the consideration paid, including any directly attributable incremental costs (net of income taxes,) is deducted from equity attributable to the Company's equity holders until the shares are cancelled, reissued or disposed of. Where such shares are subsequently sold or reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to the Company's equity holders.

(q) Trade and other payables

Trade and other payables are initially measured at fair value and, after initial recognition, at amortised cost, except for the following payables:

– short-term payables with no stated interest rate and the effect of discounting being immaterial, that are measured at their original invoiced amount.

– interest free loans from related parties without any fixed repayment terms or the effect of discounting being immaterial, that are measured at cost.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(r) Bank and other borrowings

Bank and other borrowings are recognised initially at fair value, net of transaction costs incurred. Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial asset or financial liability, including fees and commissions paid to agents, advisers, brokers and dealers, levies by regulatory agencies and securities exchanges, and transfer taxes and duties. Bank and other borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method.

Bank and other borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

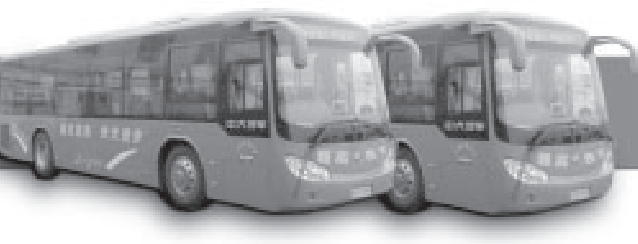
(s) Income tax

Income tax comprises current and deferred tax. Income tax is recognised in the income statement or in equity if it relates to items that are recognised in the same or a different period, directly in equity.

Deferred tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, if the deferred tax arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss, it is not accounted for. Deferred tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred tax is provided on temporary differences arising on investments in subsidiaries, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.



4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(t) Employee benefits

(i) Retirement benefit costs

The Group operates a defined contribution Mandatory Provident Fund retirement benefits scheme in Hong Kong ("the MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance, for those employees who are eligible to participate in the MPF Scheme. Contributions are made based on a percentage of the employees' basis salaries and are charged to the income statement as they become payable in accordance with the rules of the Group in and independently administrated fund. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme.

The employees of the Group's subsidiaries which operate in Mainland China are required to participate in a central pension scheme operated by the local municipal government. The contributions are charged to the income statement as they become payable in accordance with the rules of the central pension scheme.

(ii) Share option scheme

When the Group grants employees options to acquire shares of the Company at nil consideration, no employee benefit cost or obligation is recognised at the date of the grant. When the options are exercised, equity is increased by the amount of the proceeds received.

(u) Revenue recognition

(i) Revenue from bus operations is recognised when the related bus services rendered.

(ii) Revenue of sub-contracting and rental income from public transport is recognised on a straight-line basis over the period of the respective leases.

(iii) Revenue from sightseeing ticket sales and touring is recognised when the tickets are sold.

(iv) Advertising income on fleet body, including revenue invoiced in advance, is recognised over the terms of the relevant agreements.

(v) Income from management and repair services is recognised upon provision of services.

(vi) Subsidy from local authority is recognised when the entitlement is established.

(vii) Interest income is recognised on a time-proportion basis using the effective interest method. When a receivable is impaired, the Group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income on impaired loans is recognised either as cash is collected or on a cost-recovery basis as conditions warrant.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(v) Operating leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Where the Group is the lessee, payments made under operating leases (net of any incentives received from the lessor) are expensed in the income statement on a straight-line basis over the period of the lease. Where the Group is the lessor, assets leased by the Group under operating leases are included in non current assets and rentals receivable under the operating leases are credited to the income statement in a straight line basis over the lease period.

(w) Related parties

A party is related to the Group if:

(i) directly, or indirectly through one or more intermediaries, the party:

(1) controls, is controlled by, or is under common control with, the Group;

(2) has an interest in the Group that gives its significant influence over the Group; or

(3) has joint control over the Group;

(ii) the party is a jointly-controlled entity;

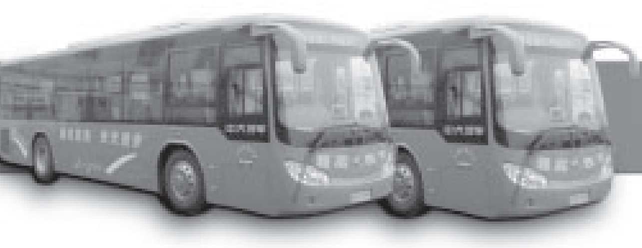
(iii) the party is an associate;

(iv) the party is a member of the key management personnel of the Company or its parent;

(v) the party is a close member of the family of any individual referred to in (i) or (iv);

(vi) the party is an entity that is controlled, jointly-controlled or significantly influenced by or for which significant voting power in such entity resides with, directly or indirectly, any individual referred to in (iv) or (v); or

(vii) the party is a post-employment benefit plan for the benefit of employees of the Group, or of any entity that is a related party of the Group.



4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(x) Government grants

Government grants are recognised as income over the periods necessary to match with them with the related costs. Grants related to expense items are recognised in the same period as those expenses are charged in the income statement.

5. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including currency risk and price risk), credit risk, liquidity risk and cash flow interest-rate risk. The Group's risk management objectives and policies mainly focus on minimising the potential adverse effects of these risks on the Group by closely monitoring the individual exposure as follows:

(a) Market risk

(i) Foreign exchange risk

Foreign exchange risk is the risk of loss due to adverse movements in foreign exchange rates relating to investments denominated in foreign currencies. The Group's assets and liabilities are primarily denominated in Renminbi. When seeking to optimise the returns on its funds available for investment, the Group has certain investments in foreign operations, whose net assets are exposed to foreign currency translation risk.

(ii) Price risk

The Group is exposed to equity securities price risk because investments held by the Group are classified on the consolidated balance sheet either as available-for-sale financial assets or as financial assets at fair value through profit or loss. As the Group's policy is only to invest on such investments by its surplus funds, the exposure may not have significant impact on the Group's financial position. The Group is not exposed to commodity price risk.

(b) Credit risk

The Group has no significant concentrations of credit risk. It has policies in place to ensure that sales of products are made and services are provided to customers with an appropriate credit history. It also sets credit limit on each individual customer and prior approval is required for any transaction exceeding that limit. The customer with sound payment history would accumulate a higher credit limit.

(c) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. The Group aims to maintain flexibility in funding by keeping committed credit lines available and sufficient bank deposits to meet short term cash requirements.

5. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Financial risk factors (Continued)

(d) Cash flow interest rate risk

The Group's interest-rate risk arises from long-term borrowings, bank deposits and finance lease obligations. Borrowings obtained at variable rates expose the Group to cash flow interest-rate risk. The Group's borrowings are based on Prime or HIBOR interest rates. Details of the Group's borrowings are set out in note 21. Bank deposits are primarily short term in nature. In order to manage the cash flow interest rate risk, the Group will repay the corresponding borrowing when it has surplus funds.

6. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

(a) Critical accounting estimates and assumptions

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal to the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(i) Estimated impairment of goodwill

The Group tests annually whether goodwill has suffered any impairment, in accordance with the accounting policy stated in Note 4(i). The recoverable amounts of cash-generating units have been determined based on value-in use calculations. These calculations require the use of estimates (Note 11).

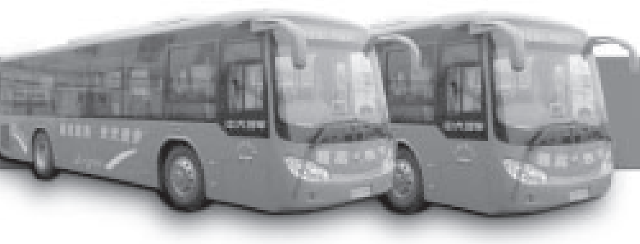
(ii) Estimate of fair value of unlisted securities

Certain unlisted securities included in available-for-sale financial assets are stated at cost at the balance sheet date as the Group determines the fair value of such assets closely approximates to the cost.

(iii) Estimate of fair value of investment properties

The best evidence of fair value is current prices in an active market for similar lease and other contracts. In the absence of such information, the Group determines the amount within a range of reasonable fair value estimates. In making its judgement, the Group considers information from a variety of sources including:

(i) current prices in an active market for properties of different nature, condition or location (or subject to different lease or other contracts), adjusted to reflect those differences; and



6. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (Continued)

(a) Critical accounting estimates and assumptions (Continued)

(iii) Estimate of fair value of investment properties (Continued)

(ii) recent prices of similar properties in less active markets, with adjustments to reflect any changes in economic conditions since the date of the transactions that occurred at those prices.

(b) Critical judgements in applying the entity's accounting policies

Distinction between investment properties and owner-occupied properties

The Group determines whether a property qualifies as investment property. In making its judgement, the Group considers whether the property generates cash flows largely independently of the other assets held by an entity. Owner-occupied properties generate cash flows that are attributable not only to property but also to other assets used in the production or supply process.

7. BUSINESS AND GEOGRAPHICAL SEGMENTS

The principal activities of the Group are the provisions of public bus transportation and related services in the PRC.

(a) Business segments

	2006							
	Public routes	Tourist routes	"Hire a bus" services	Sightseeing ticket sales and touring	Taxi rental	Rental income	Management fee income	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Turnover	105,944	21,763	9,938	945	13,001	2,505	2,064	156,160
Cost of services rendered	(94,179)	(20,743)	(7,924)	(882)	(10,400)	(820)	(1,700)	(136,648)
Gross profit	11,765	1,020	2,014	63	2,601	1,685	364	19,512
Administrative expenses	(12,724)	(2,031)	(1,239)	(70)	(1,743)	(195)	(9)	(18,011)
Segment results	(959)	(1,011)	775	(7)	858	1,490	355	1,501
Unallocated items								
Other income								14,583
Gains, net								145
Administrative expenses								(10,514)
Operating profit								5,715
Finance costs								(1,459)
Profit before taxation								4,256
Taxation								(2,130)
Profit before minority interests								2,126
Minority interests								(2,220)
Loss attributable to shareholders								(94)

7. BUSINESS AND GEOGRAPHICAL SEGMENTS (Continued)

(a) Business segments (Continued)

	2006							
	Public routes	**Tourist routes**	**"Hire a bus" services**	**Sightseeing ticket sales and touring**	**Taxi rental**	**Rental income**	**Management fee income**	**Total**
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Assets								
Segment Assets	88,126	8,116	14,919	–	22,385	1,878	1,380	136,804
Investment in subsidiaries								1,080
Unallocated corporate assets								35,861
Consolidated total assets								173,745
Liabilities								
Segment liabilities	44,768	2,148	776	1,034	12,174	57	1,945	62,902
Unallocated corporate assets								31,287
Consolidated total liabilities								94,189

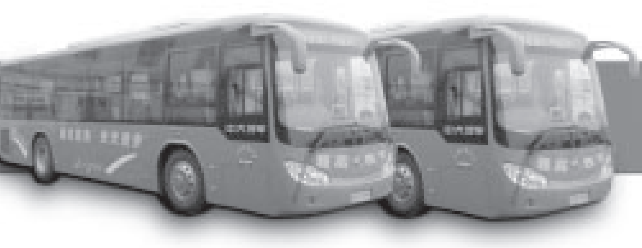
	Public routes	**Tourist routes**	**"Hire a bus" services**	**Sightseeing ticket sales and touring**	**Taxi rental**	**Rental income**	**Management fee income**	**Un-allocated**	**Total**
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Other information:									
Depreciation and amortisation for for the year	10,380	636	1,591	–	2,964	–	153	–	15,724
Segment assets									
Trade receivables	3,874	64	717	–	56	–	13	–	4,724
Capital expenditure incurred during the year	10,567	–	2,052	–	765	–	309	–	13,693
Impairment loss in respect of bad and doubtful debts	–	–	–	–	–	–	–	167	167
Reversal of revaluation deficit previously recognised	–	–	–	–	–	(1)	–	–	(1)

7. BUSINESS AND GEOGRAPHICAL SEGMENTS (Continued)

(a) Business segments (Continued)

2005 (As restated)

	Public routes HK$'000	Tourist routes HK$'000	"Hire a bus" services HK$'000	Sightseeing ticket sales and touring HK$'000	Taxi rental HK$'000	Rental income HK$'000	Management fee income HK$'000	Total HK$'000
Turnover	94,123	15,122	10,882	223	13,478	895	1,824	136,547
Cost of services rendered	(86,759)	(13,576)	(9,466)	(44)	(10,185)	(674)	(1,459)	(122,163)
Gross profit	7,364	1,546	1,416	179	3,293	221	365	14,384
Administrative expenses	(9,423)	(1,283)	(402)	(17)	(2,493)	(1,041)	(358)	(15,017)
Segment results	(2,059)	263	1,014	162	800	(820)	7	(633)
Unallocated items								
Other income								13,297
Gains, net								23
Administrative expenses								(7,604)
Operating profit								5,083
Finance costs								(2,778)
Profit before taxation								2,305
Taxation								(3,205)
Loss before minority interests								(900)
Minority interests								(1,772)
Loss attributable to shareholders								(2,672)



7. BUSINESS AND GEOGRAPHICAL SEGMENTS (Continued)

(a) Business segments (Continued)

	2005 (As restated)							
	Public routes HK$'000	Tourist routes HK$'000	"Hire a bus" services HK$'000	Sightseeing ticket sales and touring HK$'000	Taxi rental HK$'000	Rental income HK$'000	Management fee income HK$'000	Total HK$'000
Assets								
Segment Assets	59,077	7,099	15,430	–	24,974	1,586	1,773	109,939
Investment in subsidiaries								1,024
Unallocated corporate assets								67,845
Consolidated total assets								178,808
Liabilities								
Segment liabilities	33,541	1,573	568	–	8,915	42	1,425	46,064
Unallocated corporate assets								57,697
Consolidated total liabilities								103,761

	Public routes HK$'000	Tourist routes HK$'000	"Hire a bus" services HK$'000	Sightseeing ticket sales and touring HK$'000	Taxi rental HK$'000	Rental income HK$'000	Management fee income HK$'000	Un-allocated HK$'000	Total HK$'000
Other information:									
Depreciation and amortisation for for the year	9,475	73	1,495	–	2,299	125	–	990	14,457
Segment assets Trade receivables	3,454	57	639	–	50	–	11	–	4,211
Capital expenditure incurred during the year	9,774	–	2,125	–	792	–	–	778	13,469
Impairment loss in respect of									
– goodwill of subsidiary	–	370	–	–	–	–	–	–	370
– bad and doubtful debts	–	–	–	–	–	–	–	1,197	1,197
Deficit on revaluation on leasehold buildings	–	–	–	–	–	959	–	–	959

8. PROPERTY, PLANT AND EQUIPMENT

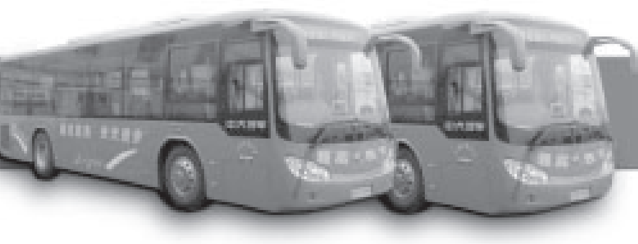
	Leasehold buildings	Leasehold improvements	Furniture, fixtures and equipment	Motor vehicles	Total
	HK$	HK$'000	HK$'000	HK$'000	HK$'000
The Group					
COST OR VALUATION					
At 1 January 2005	1,808	2,544	4,294	139,711	148,357
Currency realignment, as restated	–	92	146	4,214	4,452
Reallocation, as restated	1,141	(83)	272	(3,774)	(2,444)
Additions, as restated	242	191	346	12,579	13,358
Disposals, as restated	–	–	(167)	(1,337)	(1,504)
Adjustment on revaluation, as restated	(970)	–	–	–	(970)
At 31 December 2005 as restated	2,221	2,744	4,891	151,393	161,249
Currency realignment	55	65	120	3,743	3,983
Additions	–	130	558	13,005	13,693
Disposals	–	–	(82)	(107)	(189)
Adjustment on revaluation	(94)	–	–	–	(94)
At 31 December 2006	2,182	2,939	5,487	168,034	178,642
Analysis of cost or valuation:					
At 31 December 2006					
At cost	–	2,939	5,487	168,034	176,460
At valuation	2,182	–	–	–	2,182
	2,182	2,939	5,487	168,034	178,642
At 31st December 2005, as restated					
At cost	–	2,744	4,891	151,393	159,028
At valuation	2,221	–	–	–	2,221
	2,221	2,744	4,891	151,393	161,249

8. PROPERTY, PLANT AND EQUIPMENT (Continued)

	Leasehold buildings HK$	Leasehold improvements HK$'000	Furniture, fixtures and equipment HK$'000	Motor vehicles HK$'000	Total HK$'000
The Group					
DEPRECIATION AND IMPAIRMENT					
At 1 January 2005, as previously reported	115	734	2,607	46,849	50,305
Prior year adjustments	(115)	(284)	(172)	(4,358)	(4,929)
At 1 January 2005, as restated	–	450	2,435	42,491	45,376
Currency realignment, as restated	–	13	86	1,558	1,657
Reallocation, as restated	–	–	–	(2,407)	(2,407)
Depreciation provided for the year, as restated	90	115	672	12,982	13,859
Disposals, as restated	–	–	(151)	(577)	(728)
Eliminated on revaluation, as restated	(90)	–	–	–	(90)
At 31December 2005, as restated	–	578	3,042	54,047	57,667
Currency realignment	–	14	75	1,328	1,417
Depreciation provided for the year	61	128	613	14,479	15,281
Disposals	–	–	(74)	(107)	(181)
Eliminated on revaluation	(61)	–	–	–	(61)
At 31 December 2006	–	720	3,656	69,747	74,123
NET BOOK VALUE					
At 31 December 2006	2,182	2,219	1,831	98,287	104,519
At 31 December 2005, as restated	2,221	2,166	1,849	97,346	103,582

8. PROPERTY, PLANT AND EQUIPMENT (Continued)

	Leasehold improvements	Furniture, fixtures and equipment	Total
	HK$'000	HK$'000	HK$'000
The Company			
COST OR VALUATION			
At 1 January 2005	–	–	–
Additions	108	19	127
At 31 December 2005	108	19	127
Additions	–	9	9
At 31 December 2006	108	28	136
DEPRECIATION AND IMPAIRMENT			
At 1 January 2005	–	–	–
Depreciation provided for the year	5	4	9
At 31 December 2005	5	4	9
Depreciation provided for the year	5	6	11
At 31 December 2006	10	10	20
NET BOOK VALUE			
At 31 December 2006	98	18	116
At 31 December 2005	103	15	118



8. PROPERTY, PLANT AND EQUIPMENT (Continued)

Apart from certain leasehold buildings, the details of which are set out below, all property, plant and equipment are stated at cost.

	The Group	
	2006	2005
	HK$'000	HK$'000
The net book value of medium-term leasehold buildings comprises:		
In the PRC, at valuation	**2,182**	2,221

The Group's leasehold buildings were valued at 31 December 2006 by independent valuers, Messrs Pan China (Chongqing) Certified Public Accountants, Messrs Taizhou Xingrui Certified Public Accountants and Messrs Xuzhou Huaxing Certified Public Accountants, on an open market value basis.

The total cost of property, plant and equipment disposed of or written off during 2006 was HK$189,000 (2005: HK$1,504,000).

At 31 December 2006, certain of the Group's leasehold buildings in the PRC with a carrying value of approximately HK$389,000 (2005: HK$395,000) were pledged to secure bank loans granted to the Group (Note 21).

Had leasehold buildings been carried at cost less accumulated depreciation and amortisation, the carrying value of leasehold buildings would have been HK$3,084,000 (2005: HK$3,101,000).

9. INVESTMENT PROPERTIES

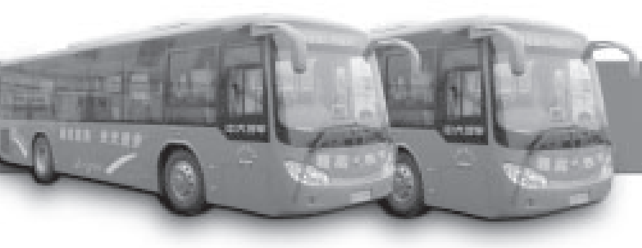
	The Group	
	2006	2005
	HK$'000	HK$'000
At 1 January	**1,029**	2,820
Currency realignment	**26**	82
Re-classification to properties held for sale	**–**	(1,773)
Fair value gains /(losses)	**42**	(100)
At 31 December	**1,097**	1,029

The Group's investment properties are all situated in the PRC. The cost of investment properties was HK$1,129,000 (2005: HK$1,129,000). The Group's investment properties were valued at 31 December 2006 by independent valuers, Messrs Pan China (Chongqing) Certified Public Accountants, on an open market value basis. The fair value gains during the year amounted HK$42,000 (2005: Fair value losses of HK$100,000) and was credited/(debited) to the income statement under gains, net /(administrative expenses) (Notes 27 and 28). The investment properties are held under medium term leases.

10. LEASEHOLD LAND AND LAND USE RIGHTS

	The Group	
		As restated
	2006	2005
	HK$'000	HK$'000
COST		
At 1 January	**5,072**	4,791
Reallocation	**–**	37
Current realignment	**124**	244
At 31 December	**5,196**	5,072
AMORTISATION		
At 1 January	**100**	87
Prior year adjustments	**–**	(94)
Currency realignment	**2**	7
Amortisation	**102**	100
At 31 December	**204**	100
NET BOOK VALUE		
At 31 December	**4,992**	4,972
Current portion included in current assets	**(102)**	(100)
Non-current portion	**4,890**	4,872

At 31 December 2006, leasehold land and land use rights of approximately HK$762,000 (2005:HK$762,000, as restated) has been pledged as collateral for Group's bank loan (Note 21). The leasehold land and land use rights in the PRC are held under medium term leases.



11. INTANGIBLE ASSETS

The Group

	Goodwill HK$'000	Travel Agent licences HK$'000	Taxi licences HK$'000	Total HK$'000
COST				
At 1 January 2005	370	723	2,145	3,238
Currency realignment, as restated	11	19	64	94
Additions	–	–	111	111
At 31 December 2005, as restated	381	742	2,320	3,443
Currency realignment	–	20	57	77
At 31 December, 2006	381	762	2,377	3,520
AMORTISATION AND IMPAIRMENT				
At 1 January 2005	–	–	759	759
Currency realignment, as restated	11	–	28	39
Amortisation for the year	–	73	425	498
Impairment	370	–	–	370
At 31 December 2005, as restated	381	73	1,212	1,666
Currency realignment	–	3	30	33
Amortisation for the year	–	76	265	341
At 31 December 2006	381	152	1,507	2,040
NET BOOK VALUE				
At 31 December 2006	–	610	870	1,480
At 31 December 2005, as restated	–	669	1,108	1,777

11. INTANGIBLE ASSETS (Continued)

(i) Impairment tests for goodwill

Goodwill is allocated to the Group's cash-generating units ("CGU") identified according to the location of operation and business segment.

The recoverable amount of the CGU is determined based on value-in-use calculations. These calculations use cash flow projections based on financial budgets approved by management covering five-year period. Cash flows beyond the five-year period are extrapolated using the estimated growth rates stated below:

– Average gross margin
– Average growth rate
– Discount rate

The recoverable amount of the goodwill is lower than their carrying amount based on the value-in-use calculation. Accordingly, full amount of impairment loss has been recognised during the year.

(ii) Travel agent licences

The travel agent licences arising from the acquisition of Xuzhou China International Travel Services Limited represents the right to operate as a travel agent inside and outside the PRC.

(iii) Taxi licences

The taxi licences represent licences purchased by Taizhou Argos Public Transport Bus Company Limited, one of the subsidiaries of the Group.

The Company has no intangible assets at both year end dates.

12. INTERESTS IN SUBSIDIARIES

	The Company	
	2006	2005
	HK$'000	HK$'000
Unlisted shares, at cost	**990**	990
Amount due from a subsidiary	**22,306**	27,553
	23,296	28,543
Amounts due to subsidiaries	**(3,530)**	(3,530)

The amounts due from/(to) subsidiaries are unsecured, interest free and repayable on demand.

12. INTERESTS IN SUBSIDIARIES (Continued)

Details of the principal subsidiaries at 31 December 2006 are as follows:

Name	Place/Country of incorporation/ establishment and operation	Principal activities	Particulars of issued/ registered capital	Interest held Directly %	Interest held Indirectly %
Argos Bus Services (China) Company Limited ("Argos China")	Hong Kong	Investment holding	500,000 Ordinary shares	100	–
Argos Enterprise Management Consultant (Nanjing) Limited ("Argos Management")	PRC	Management	RMB4,000,000	–	100
Nanjing Public Transport Argos Bus Company Limited ("Nanjing Argos") *(Note)*	PRC	Bus operation	RMB31,442,272	–	60
Chongqing Wanzhou Area Argos Public Transport Bus Company Limited ("Wanzhou Argos")	PRC	Bus operation	RMB10,000,000	–	100
Taizhou Argos Public Bus Company Limited ("Taizhou Argos")	PRC	Bus operation	RMB16,000,000	–	60
Nanjing Argos Scenery Travel Service Limited ("Nanjing Scenery")	PRC	City touring and Sightseeing agent	RMB2,500,000	–	59.4
Taizhou Argos Public Transport Bus Company Limited ("Repair Factory")	PRC	Provision of repair service	RMB200,000	–	60

12. INTERESTS IN SUBSIDIARIES (Continued)

Name	Place/Country of incorporation/ establishment and operation	Principal activities	Particulars of issued/ registered capital	Interest held Directly %	Interest held Indirectly %
Xuzhou China International Travel Service Limited ("Xuzhou China")	PRC	International and local travel agent	RMB1,500,000	–	90
Taizhou Argos Travel Services Limited ("Taizhou Travel")	PRC	City touring and sightseeing agent	RMB500,000	–	100

Note: Nanjing Public Transport Argos Bus Company Limited is a Sino-foreign co-operative enterprise established in the PRC.

13. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	The Group	
	2006	2005
	HK$'000	HK$'000
Unlisted equity securities, at cost	**1,080**	1,024

Unlisted equity securities of the Group are not stated at fair value but at cost less any accumulated impairment losses, because they do not have a quoted market price in an active market, the range of reasonable fair value estimates is significant and the probabilities of the various estimates cannot be reasonably assessed.

14. TRADE AND OTHER RECEIVABLES

	The Group	
		As restated
	2006	2005
	HK$'000	HK$'000
Trade receivables *(Note (a))*	**4,724**	4,211
Prepayment, deposits and other receivables	**12,718**	8,478
	17,442	12,689

14. TRADE AND OTHER RECEIVABLES (Continued)

Note:

(a) General credit terms granted by the Group to its customers ranged from 0-30 days (2005: 0-30 days). As at 31 December 2006, the aging analysis of the trade receivables was as follows:

	The Group	
	2006	2005
	HK$'000	HK$'000
Current	**4,189**	3,678
31- 60 days	**243**	222
61- 90 days	**93**	81
Over 90 days	**199**	230
	4,724	4,211

The directors considered that the carrying amounts of trade receivables approximates to their fair values.

Included in trade and other receivables in the balance sheet are the following amounts denominated in a currency other than the functional currency of the Company to which they relate:

	The Group	
	2006	2005
	HK$'000	HK$'000
Renminbi	**17,048**	12,904

15. INVENTORIES

	The Group	
	2006	2005
	HK$'000	HK$'000
Spare parts of motor vehicles	**1,616**	1,364

16. AMOUNT DUE FROM A RELATED COMPANY

Particulars of amount due from a related company disclosed pursuant to Section 161B of The Companies Ordinance are as follows:

The Group	As restated Balance at 31 December 2005 HK$'000	Balance at 31 December 2006 HK$'000	Maximum balance outstanding during 2006 HK$'000
Arogs Recreation and Sport (Nanjing) Company Limited ("Argos Recreation")	10,378	2,681	15,422

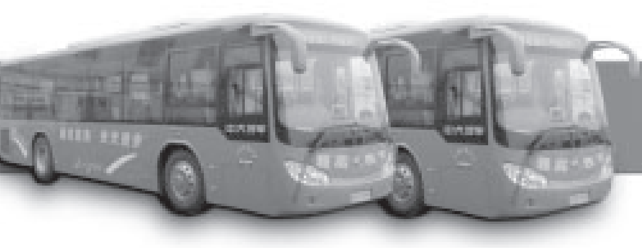
The amount is unsecured and repayable on demand. Interest is charged on the outstanding balance at 8% per annum except for a loan of RMB12,000,000 which is interest bearing at rates ranging from 5.58% to 5.84% per annum. Details of the terms of the loan of RMB12,000,000 is set out in note 2 (ii) to the financial statements.

The directors of the Company, Mr Ronnie M. C. Wong and Mr W. H. Yeung have beneficial interests in Argos Recreation.

As Argos Recreation is a connected corporation of the Company, the lending of loan to Argos Recreation constitutes a connected transaction for the Company under Chapter 20 of the GEM Listing Rules which is subject to the approval of shareholders of the Company. As at the date of this report, the required shareholders' approval has not been obtained.

17. AMOUNT DUE FROM A MINORITY SHAREHOLDER

The amount due is unsecured, interest free and repayable on demand.



18. CASH AND CASH EQUIVALENTS

	The Group	
		As restated
	2006	2005
	HK$'000	HK$'000
Bank balances and cash	**20,731**	25,854
Cash and cash equivalents in the balance sheet	**20,731**	25,854
Bank overdrafts (Note 21)	**(10,521)**	(10,468)
Cash and cash equivalents in the cash flow statement	**10,210**	15,386

Included in bank balances and cash in the balance sheet are the following amounts denominated in a currency other than the functional currency of the Company to which they relate:

	The Group	
	2006	2005
	HK$'000	HK$'000
Renminbi	**20,833**	26,623

19. SHARE CAPITAL

	2006 and 2005	
	Number of shares	**Amount**
	'000	HK$'000
Authorised:		
Ordinary shares at HK$0.01 each	10,000,000	100,000
Issued and fully paid:		
Ordinary shares at HK$0.01 each	180,000	1,800

Share Options

The Company operates a share option scheme (the "Scheme"), further details of which are set out under the heading "Equity Compensation Benefits" in Note 35 to the financial statements.

20. RESERVES

The Group

	Share premium HK$'000	Exchange reserve HK$'000	Merger reserve HK$'000 (note (i))	General reserve HK$'000 (note(ii))	Revaluation reserve HK$'000	Retained earnings HK$'000	Total HK$'000
At 1 January 2005, as previously reported	29,200	377	(490)	3,227	–	15,618	47,932
Prior year adjustments	–	143	–	–	–	3,472	3,615
At 1 January 2005, as restated	29,200	520	(490)	3,227	–	19,090	51,547
Loss for the year, as restated	–	–	–	–	–	(2,672)	(2,672)
Surplus on revaluation, as restated	–	–	–	–	79	–	79
Currency translation differences, as restated	–	2,286	–	–	–	–	2,286
At 31 December 2005, as restated	29,200	2,806	(490)	3,227	79	16,418	51,240
Loss for the year	–	–	–	–	–	(94)	(94)
Deficit on revaluation	–	–	–	–	(31)	–	(31)
Currency translation differences	–	1,841	–	–	–	–	1,841
At 31 December 2006	29,200	4,647	(490)	3,227	48	16,324	52,956

Notes:

(i) The Group has taken advantage of the merger relief available under section 48C of the Hong Kong Companies Ordinance.

(ii) In accordance with the relevant PRC regulations, subsidiaries of the Company established in the PRC are required to transfer a certain percentage of their profit after taxation, if any, to the general reserves which comprise the statutory reserve and the enterprise expansion fund. The percentage of the transfer is determined by the Board of directors of the subsidiaries. The above reserves are non-distributable and calculated by reference to the PRC statutory financial statements of these subsidiaries.

20. RESERVES (Continued)

The Company

	Share premium HK$'000	**Accumulated losses** HK$'000	**Total** HK$'000
At 1 January 2005	29,200	(7,114)	22,086
Loss for the year	–	(3,177)	(3,177)
At 31 December 2005	29,200	(10,291)	18,909
Loss for the year	–	(2,877)	(2,877)
At 31 December 2006	29,200	(13,168)	16,032

In the opinion of the directors, there is no reserve available for distribution to shareholders of the Company.

21. BANK BORROWINGS

	The Group		**The Company**	
		As restated		
	2006	2005	**2006**	2005
	HK$'000	HK$'000	**HK$'000**	HK$'000
Bank overdraft	**10,521**	10,468	**10,521**	10,465
Bank loans	**10,966**	22,508	**–**	–
	21,487	32,976	**10,521**	10,465
Analysed as:				
– Secured	**21,487**	32,973	**10,521**	10,465
– Unsecured	**–**	3	**–**	–
	21,487	32,976	**10,521**	10,465

21. BANK BORROWINGS (Continued)

	The Group		The Company	
		As restated		
	2006	2005	**2006**	2005
	HK$'000	HK$'000	**HK$'000**	HK$'000
The term of repayment of the borrowings are analysed as follows:				
– Within one year	**21,011**	32,425	**10,521**	10,465
– One to two years	**48**	87	**–**	–
– Two to five years	**164**	150	**–**	–
– Over five years	**264**	314	**–**	–
	21,487	32,976	**10,521**	10,465
Less: Amount due within one year included in current liabilities	**(21,011)**	(32,425)	**(10,521)**	(10,465)
Amount due after one year	**476**	551	**–**	–
The carrying amounts of borrowings are denominated in the following currencies:				
Hong Kong dollar	**10,521**	10,468	**10,521**	10,465
Renminbi	**11,024**	23,184	**–**	–

The bank borrowings are denominated in Hong Kong dollars and Renminbi, carry interest at rates ranging from 5.85% to 6.73% p.a. for borrowings denominated in Renminbi or at the prevailing market rates for borrowings denominated in Hong Kong dollars.

The fair value of the non-current borrowings is HK$366,000 (2005: HK$414,000). The fair value is based on cash flows discounted using a rate based on the borrowings rate at 5.31% (2005: 6.12%).

22. ADVERTISING INCOME ON FLEET BODY RECEIPT IN ADVANCE

	The Group	
		As restated
	2006	2005
	HK$'000	HK$'000
Balance at 31 December	**4,858**	5,541
Less: Amount due within one year included In current liabilities	**479**	1,327
Amount due after one year	**4,379**	4,214

23. DEFERRED TAX (LIABILITIES)/ASSETS

	The Group	
		As restated
	2006	2005
	HK$'000	HK$'000
Deferred tax assets at the beginning of the year	**549**	3,556
Charge to income statement for the year (Note 31)	**(1,239)**	(3,007)
Deferred tax (liabilities)/assets at the end of the year	**(690)**	549

The following are the major components of deferred tax assets/(liabilities) recognised by the Company and movements thereon during the current and prior years:

	(Accelerated)/ decelerated tax depreciation	**Others**	**Total**
	HK$'000	HK$'000	HK$'000
At 1 January 2005	1,594	1,962	3,556
Charged to income statement	(2,874)	(133)	(3,007)
At 31 December 2005 and 1 January 2006	(1,280)	1,829	549
Charged to income statement	(1,013)	(226)	(1,239)
At 31 December 2006	(2,293)	1,603	(690)

23 DEFERRED TAX (LIABILITIES)/ASSETS (Continued)

Deferred tax assets have not been recognised in respect of the following item:

	The Group	
	2006	2005
	HK$'000	HK$'000
Unused tax losses	**512**	306

The tax losses represent the maximum benefit from unutilised tax losses, which can be carried forward up to five years from the year in which the loss was originated to offset against future taxable profits.

The Company has no significant deferred tax assets/liabilities at both year end dates.

24. TRADE AND OTHER PAYABLES

	The Group		The Company	
		As restated		
	2006	2005	**2006**	2005
	HK$'000	HK$'000	**HK$'000**	HK$'000
Trade payables	**4,629**	3,880	**–**	–
Security deposits received from drivers (Note (i))	**20,258**	21,469	**–**	–
Other deposits and accruals	**34,000**	31,483	**1,564**	1,621
	58,887	56,832	**1,564**	1,621

Notes:

(i) The amount represents security deposits received from drivers as compensation for any loss in case of accidents and will be repaid to drivers only when they resign.

The directors considered that the carrying amounts of trade and other payables approximates to their fair values.

24. TRADE AND OTHER PAYABLES (Continued)

The aged analysis of the Group's trade payables at the balance sheet date is as follows:

	The Group	
	2006	2005
	HK$'000	HK$'000
Current	**958**	2,896
31 – 60 days	**2,582**	276
61 -90 days	**747**	64
Over 90 days	**342**	644
	4,629	3,880

Trade and other payables are all denominated in Renminbi for both 2006 and 2005.

25. AMOUNT DUE TO A MINORITY SHAREHOLDER

The amount due is unsecured, interest free and repayable on demand.

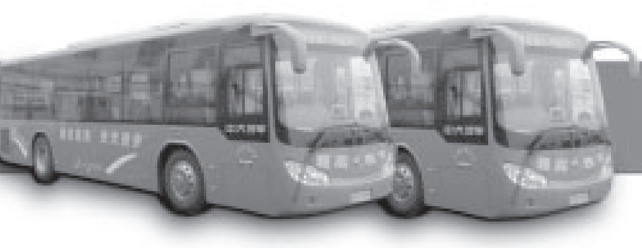
26. AMOUNT DUE TO A DIRECTOR

The amount due is unsecured, interest bearing at 5% and repayable on demand.

27. TURNOVER, OTHER INCOME AND GAINS, NET

Turnover represents the amounts received and receivable for related bus services rendered during the year. An analysis of the Group's turnover, other income and gains, net is as follows:

	The Group	
		As restated
	2006	2005
	HK$'000	HK$'000
Turnover		
Public routes	**105,944**	94,123
Tourist routes	**21,763**	15,122
"Hire a bus" services	**9,938**	10,882
Sightseeing ticket sales and touring	**945**	223
Taxi rental	**13,001**	13,478
Rental income	**2,505**	895
Management fee income	**2,064**	1,824
	156,160	136,547
Other income		
Advertising income on fleet body	**4,745**	4,059
Subsidies from local authorities	**5,819**	6,371
Repair service income	**371**	371
Sundry income	**2,175**	1,338
Bank interest income	**612**	511
Other interest income	**861**	647
	14,583	13,297
Gains, net		
Gain on disposal of property, plant and equipment	**102**	23
Fair value gains on investment properties (Note 9)	**42**	–
Reversal of revaluation deficit previously recognised	**1**	–
	14,728	13,320
Total	**170,888**	149,867



28. OPERATING PROFIT

Operating profit is stated after charging the following:

	The Group	
		As restated
	2006	2005
	HK$'000	HK$'000
Impairment of goodwill (Note 11)	**–**	370
Amortisation of intangible assets (Note 11)	**341**	498
Fair value losses on investment properties (Note 9)	**–**	100
Auditor's remuneration	**980**	180
Depreciation of property, plant and equipment (Note 8)	**15,281**	13,859
Amortisation of leasehold land and land use rights (Note 10)	**102**	100
Impairment losses for bad and doubtful debts	**167**	1,197
Deficit on revaluation of leasehold buildings	**–**	959
Operating leases rentals in respect of rented premises	**120**	89
Exchange loss	**298**	238
Employee benefit expenses (Note 29)	**33,195**	27,288

29. EMPLOYEE BENEFIT EXPENSES

	The Group	
		As restated
	2006	2005
	HK$'000	HK$'000
Salaries and other employee benefits	**26,412**	21,565
Retirement benefits scheme contributions	**6,783**	5,723
	33,195	27,288

29. EMPLOYEE BENEFIT EXPENSES (Continued)

(a) Directors' and senior management's emoluments

The remuneration of every director for the year ended 31 December 2006 is set out below:

	Fee HK$'000	Salary HK$'000	Other benefits HK$'000	Employer's Contributions to pension scheme HK$'000	Total HK$'000
Executive directors					
WONG Wah Sang	–	–	–	–	–
WONG Man Chiu, Ronnie	–	340	–	–	340
YEUNG Wai Hung	–	185	360	9	554
Non executive director					
WONG Wilkie	–	–	–	–	–
Independent Non-executive directors					
SUNG Wai Tak, Herman	50	–	–	–	50
CHEUNG Man Yau, Timothy	50	–	–	–	50
WONG Lit Chor, Alexis	50	–	–	–	50
	150	525	360	9	1,044

29. EMPLOYEE BENEFIT EXPENSES (Continued)

(a) Directors' and senior management's emoluments (Continued)

The remuneration of every director for the year ended 31 December 2005 is set out below:

	Fee HK$'000	Salary HK$'000	Other benefits HK$'000	Employer's Contributions to pension scheme HK$'000	Total HK$'000
Executive directors					
WONG Wah Sang	–	–	–	–	–
WONG Man Chiu, Ronnie	–	–	–	–	–
YEUNG Wai Hung	–	185	360	9	554
Non executive director					
WONG Wilkie	–	–	–	–	–
Independent Non-executive directors					
SUNG Wai Tak, Herman	50	–	–	–	50
CHEUNG Man Yau, Timothy	50	–	–	–	50
WONG Lit Chor, Alexis	63	–	–	–	63
	163	185	360	9	717

No directors of the Company waived any emoluments during the years ended 31 December 2006 and 2005.

During the years ended 31 December 2006 and 2005, no emoluments were paid by the Group to the directors as inducement to join or upon joining the Group, or as compensation for loss of office.

During the year, no options were granted to the executive directors under the share option scheme approved by the shareholders of the Company on 30 July 2001. Details of the share option scheme were set out in Note 35 to the financial statements.

29. EMPLOYEE BENEFIT EXPENSES (Continued)

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year include three (2005: one) directors of the Company, details of whose emoluments are set out above. The emoluments payable to the remaining two (2005: four) individuals (the "Employees") during the year are as follows:

	2006	2005
	HK$'000	HK$'000
Basic salaries and benefits	**1,532**	867
Contributions to provident fund	**77**	33
	1,609	900

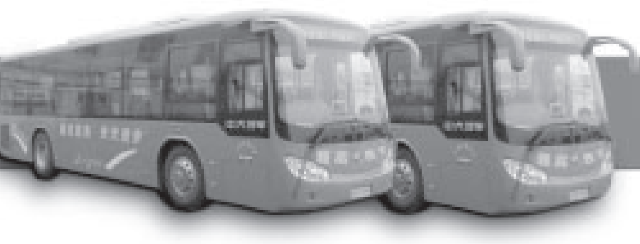
During the years ended 31 December 2006 and 2005, no emoluments were paid by the Group to any of the Employees as inducement to join or upon joining the Group.

The number of the Employees whose emoluments fell within the following bands:

	Number of employees	
	2006	2005
Nil to HK$1,000,000	**6**	4

30. FINANCE COSTS

	The Group	
		As restated
	2006	2005
	HK$'000	HK$'000
Interest expenses on bank loans and overdrafts:		
– Wholly repayable within 5 years	**1,429**	1,625
Interest expenses on other loans:		
– Wholly repayable within 5 years	**30**	1,153
	1,459	2,778



31. TAXATION

No provision for Hong Kong profits tax has been made as the Group did not have any assessable profits subject to Hong Kong Profits Tax for the year (2005: Nil). Taxation on PRC profits/revenue has been calculated on the estimated assessable profits for the year at the rates of taxation prevailing in the PRC.

	The Group	
		As restated
	2006	2005
	HK$'000	HK$'000
Current taxation		
PRC income tax provided for the year	**891**	198
Deferred taxation		
Charge for the year (Note 23)	**1,239**	3,007
Tax charge	**2,130**	3,205

The taxation on the Group's profit before taxation differs from the theoretical amount that could arise using the domestic taxation rates applicable to profits of the consolidated companies as follows:

	The Group	
	2006	2005
	HK$'000	HK$'000
Profit before taxation	**4,256**	2,305
Tax at the domestic tax rate of 17.5% (2005: 17.5%)	**745**	403
Income not subject to tax	**(529)**	(279)
Expenses not deductible for tax	**1,121**	1,464
Tax losses not recognised	**276**	162
Tax losses utilised from previous periods	**(126)**	(53)
Tax effect of different tax rates in other jurisdiction	**643**	1,508
Tax charge	**2,130**	3,205

32. DIVIDEND

The directors do not recommend the payment of any dividend in respect of the year ended 31 December 2006 (2005: Nil).

33. LOSS FOR THE YEAR ATTRIBUTABLE TO THE EQUITY HOLDERS OF THE COMPANY

The loss for the year attributable to the equity holders includes a loss of HK$2,877,000 (2005: HK$3,177,000) which has been dealt with in the financial statements of the Company.

34. LOSSES PER SHARE FOR LOSS ATTRIBUTABLE TO THE EQUITY HOLDERS OF THE COMPANY

The calculation of the basic losses per share is based on the Group's loss attributable to the shareholders for the year of HK$94,000 (2005: HK$2,672,000 as restated) and on the number of 180,000,000 (2005: 180,000,000) shares in issue during the years ended 31 December 2006 and 2005, respectively.

No diluted losses per share has been presented as there was no dilutive potential ordinary share during the year ended 31 December 2006 (2005: Nil).

35. EMPLOYEE BENEFITS

Retirement Benefit Scheme

Effective from 1 December 2000, the Group joined the Mandatory Provident Fund Scheme (the "MPF Scheme") for all of its employees employed under the jurisdiction of the Hong Kong Employment Ordinance. The MPF Scheme is registered with the Mandatory Provident Fund Authority under the Mandatory Provident Fund Schemes Ordinance (Chapter 485 of the Laws of Hong Kong) in Hong Kong. The assets of the MPF Scheme are held separately from those of the Group in funds under the control of an independent trustee. Under the rules of the MPF Scheme, the Group and its employees are each required to make contributions to the MPF Scheme at 5% of the employees' relevant income, subject to a cap of monthly relevant income of HK$20,000. No forfeited contribution is available to reduce the contribution payable in the future years. Contributions to the scheme vest immediately.

In pursuant to the PRC Government regulations, the Group is required to contribute to a central pension scheme in respect of certain of the Group's employees in the PRC and there is no forfeited contribution under the central pension scheme.

35. EMPLOYEE BENEFITS (Continued)

Equity Compensation Benefits

Share Option

On 30 July 2001, the shareholders of the Company approved a share option scheme (the "Scheme") under which its board of directors may, at its discretion, invite full-time employees of the Company or any of its subsidiaries, including directors, to take up options to subscribe for ordinary shares in the Company. The maximum number of shares in respect of which options may be granted under the Scheme shall not exceed 10% of the issued share capital of the Company from time to time. No employee can be granted an option under the Scheme which, if exercised in full, would result in such an employee becoming entitled to subscribe for such number of shares that would exceed 30% of the aggregate number of shares for the time being issued and issuable under the Scheme. The subscription price will be determined by the Company's board of directors and will be the highest of (i) the nominal value of the shares, (ii) the quoted closing price of the Company's shares on the trade day immediately preceding the date of offer of the options, and (iii) the average of the quoted closing price of the Company's shares on the five trading days immediately preceding the date of offer of the options.

During the year ended 31 December 2006, no option has been granted or agreed to be granted to the directors of the Company under the scheme.

36. COMMITMENTS UNDER OPERATING LEASES

As Lessee

The Group leases office under non-cancellable operating lease agreement. The future aggregate minimum lease payments under non-cancellable operating lease are as follows:

	The Group	
	2006	2005
	HK$'000	HK$'000
Within one year	**326**	147
In the second to fifth year inclusive	**585**	604
More than five year	**1,283**	1,804
	2,194	2,555

37. MATERIAL RELATED PARTY TRANSACTIONS

(a) Transactions with related parties are as follows:

Name	Notes	Relationship	Nature	2006 HK$'000	As restated 2005 HK$'000
Argos Bus Services Company Limited ("Argos Hong Kong")	(i)	Related company	Rental paid	**120**	89
	(ii)		Interest paid	**–**	997
Argos Recreation and Sport (Nanjing) Company Limited	(iii)	Related company	Interest received	**753**	561
Nanjing Public Transport Company ("Nanjing Transport")	(iv)	Minority shareholder	Salary paid	**–**	2,208

(b) Key management compensation

Remuneration for key management personnel, including amounts paid to the Company's directors as disclosed in note 29 is as follows:

	2006 HK$'000	2005 HK$'000
Salaries and other employees benefits	**1,532**	867
Employer contribution to pension scheme	**77**	33

(c) Banking facilities granted by banks have been secured by personal guarantees executed by certain directors of the Group.

37. MATERIAL RELATED PARTY TRANSACTIONS (Continued)

Notes:

(i) Rental expenses were determined in accordance with the tenancy agreement entered into between Argos Hong Kong and Argos China.

(ii) Interest was charged on the advances from Argos Hong Kong at P+2% per annum.

(iii) In 2005, interest of 6.13% per annum was charged on the advances to Argos Recreation and Sport (Nanjing) Company Limited except for a loan of RMB12,000,000 which is interest bearing at rates ranging from 5.58% to 5.84% per annum.

Details of interest charged in 2006 were set out in note 16 to the financial statements.

(iv) Nanjing Argos agreed to bear some of the surplus staff cost of Nanjing Public Transport Company. The salaries paid were determined in accordance with the terms contained in the agreement. During the year, it was agreed by both parties that no payment has to be made by Nanjing Argos.

38. CAPITAL COMMITMENTS

The Group and Company has no capital commitments at both year end dates.

39. SUBSEQUENT EVENTS

(i) Subsequent to the balance sheet date, on 16 July 2007, Argos China entered into the Amendment Agreement with Nanjing Transport in relation to the amendments of the Joint Venture Agreement and the articles of association of Nanjing Argos. The parties to the Amendment Agreement agreed that the registered capital of Nanjing Argos will be increased from US$3,800,000 to US$6,430,000. As such, there will be an increase in the registered capital of Nanjing Argos by US$2,630,000, of which RMB8,000,000 (equivalent to approximately US$1,050,000 and representing 40% of the increase in the registered capital of Nanjing Argos) will be contributed by Nanjing Transport and as to the remaining balance of RMB12,000,000 (equivalent to approximately US$1,580,000 and representing 60% of the increase in the registered capital of Nanjing Argos) will be contributed by Argos China.

(ii) On 7 August 2007, the Company and the subscriber, an independent third party, entered into a subscription agreement in respect of the issue of the convertible bonds in the principal amount of HK$7,200,000.

The bonds carry interest at the rate of 1% per annum and will be convertible, subject to certain conditions, into the Company's new ordinary shares at an initial conversion price of HK$0.2 per ordinary share.

Upon the full conversion of the convertible bonds, the subscriber will hold 36,000,000 ordinary shares which is equivalent to approximately 20% of the existing issued capital of the Company. Up to the date of this report, the subscription agreement is not yet completed.

Subsequent to the balance sheet date, the Company has no other significant event taken place.

40. COMPARATIVE FIGURES

Comparative figures are extracted from the audited financial statements of the Group for the year ended 31 December 2005 with restatement of comparative figures as indicated in the note 2 on the financial statements. On 7 May 2007, the firm of auditors who reported on the financial statements of the Group for the years ended 31 December 2004 and 31 December 2005 notified the Company of the withdrawal of their audit reports.

INVESTMENT PROPERTIES

Particulars of investment properties as at 31 December 2006 are as follows:

Address	Area	Type	Group's Tenure	Interest
中國重慶市萬州區 五橋萬順路 42, 44, 46及48號	165.09 m^2	Commercial	Medium-term lease	100%
中國重慶市萬州區 五橋百安商業街8號 附9, 10, 11, 12及13號	195.49 m^2	Commercial	Medium-term lease	100%
中國重慶市萬州區 五橋百安商業街18號 附10, 11, 12, 13及14號	228.99 m^2	Commercial	Medium-term lease	100%
中國重慶市萬州區 五橋長岭鎮梨樹村	5,336.43 m^2	Commercial	Medium-term lease	100%