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 2007

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

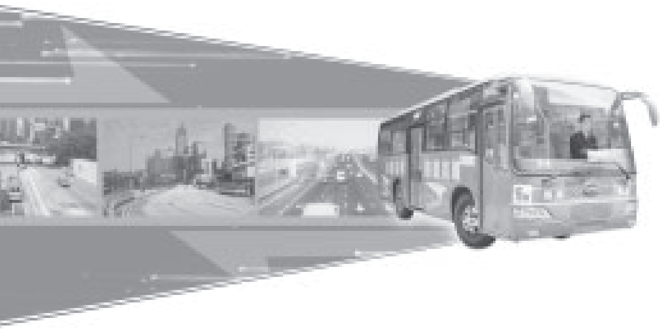
GEM has been established as a market designed to accommodate companies to which a high investment risk may be attached. In particular, companies may list on GEM with neither a track record of profitability nor any obligation to forecast future profitability. Furthermore, there may be risks arising out 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.

The Stock Exchange of Hong Kong Limited takes no responsibility for the contents of this report, makes no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever to any loss howsoever arising from or in reliance upon the whole or any part of the contents of this report.

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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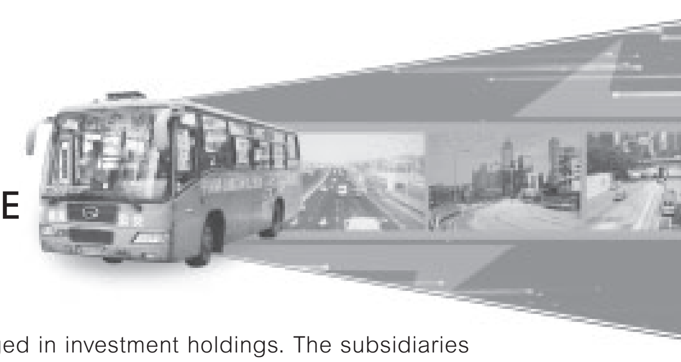
CORPORATE PROFILE



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

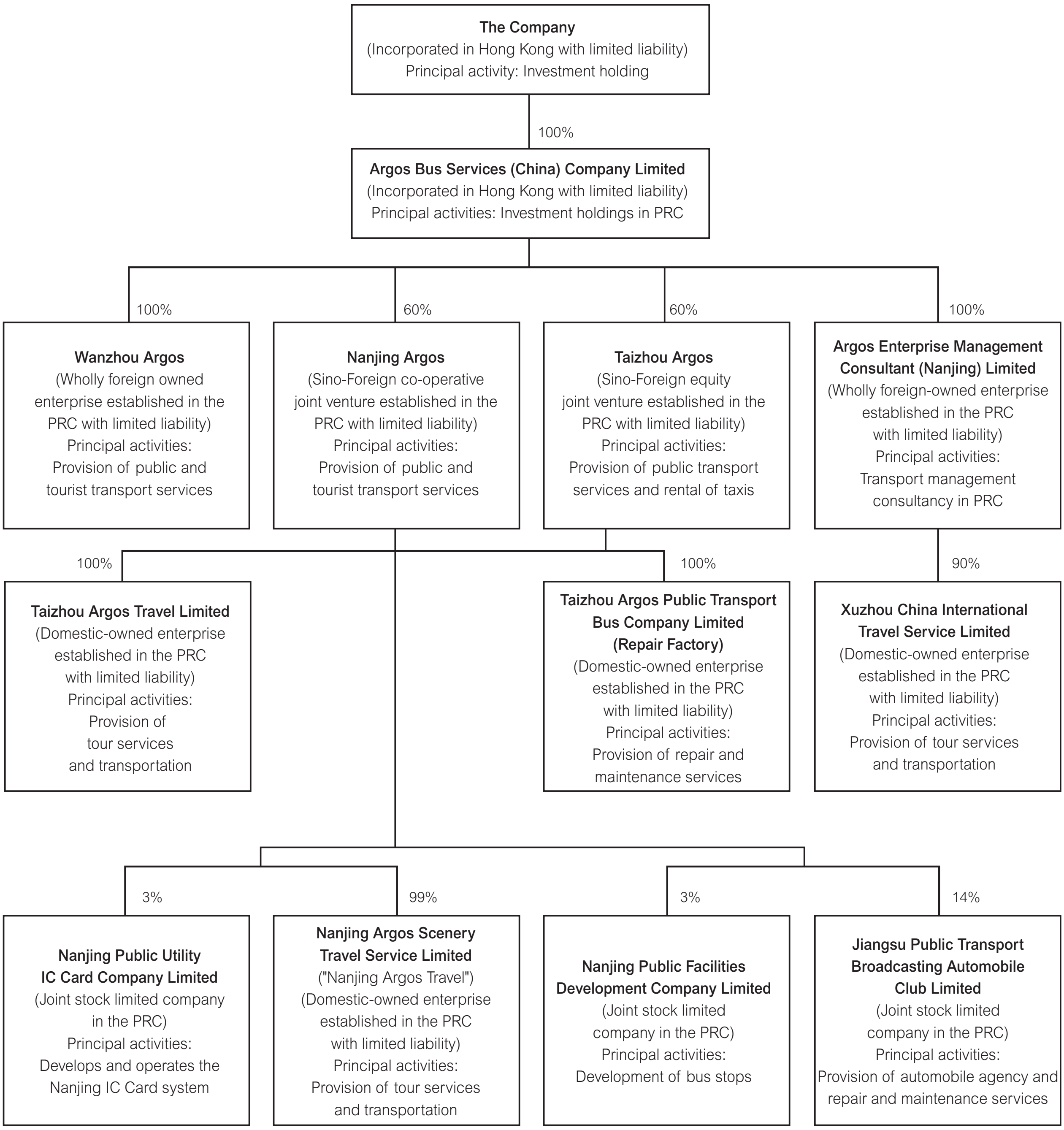
Through the above subsidiaries, the Group provides various forms of public transport services in the PRC including (1) public routes and tourist routes bus services with fixed fares, schedules and routes; (2) taxi services; (3) private bus chartered services, (4) tour services and (5) travel agents services.

Major Corporate Milestones:

- September 1997 – Tourist route service launched in Nanjing
- June 1998 – Public routes service launched in Nanjing, fleet size of the Group surpassed 100
- March 2001 – Public routes service launched in Wanzhou, fleet size of the Group surpassed 300
- August 2001 – Shares in the Company listed on the GEM
- September 2001 – Public routes and taxi services launched in Taizhou, 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

CORPORATE PROFILE

The following is the organisation structure of the Group



CORPORATE INFORMATION

DIRECTORS

Executive Directors

* Mr. Wong Wah Sang *(Re-designated on 14/2/2008)*
Mr. Wong Man Chiu, Ronnie
Mr. Yeung Wai Hung *(Resigned on 14/2/2008)*
Mr. Cheng Wing Hong *(Appointed on 14/2/2008)*
Mr. Chui Wai Cheung *(Appointed on 14/2/2008)*

Non-executive Directors

* Mr. Wong Wah Sang *(Re-designated on 14/2/2008)*
Mr. Wilkie Wong

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. Cheng Wing Hong

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

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 A, 9th Floor
Fortis Bank Tower
77-79 Gloucester Road
Wanchai
Hong Kong

STOCK CODE

8022

* Mr. Wong Wah Sang has re-designated from Executive Directors to Non-executive Directors on 14/2/2008.

CHAIRMAN'S STATEMENT

HIGHLIGHTS OF 2007 FISCAL YEAR OPERATION

Turnover of the Group for fiscal year ending 31 December, 2007 was approximately HKD185 million, representing a 19% increase compared to that of HKD156 million last year.

However, a loss of HKD13 million was recorded mainly due to impairment loss on motor vehicles and administrative expenses, compared to profit of HKD2 million in 2006.

Loss per share was approximately 5.07 HK cents, compared to 0.05 HK cents loss in 2006.

The Board of Directors does not recommend any dividend payment for the 2007 fiscal year.

2007 was a tough year for the Group due to the rocketing oil prices, coupled with increasing overhead, putting enormous pressure on the profit margin. Despite the difficult market conditions, our management in Hong Kong and China worked very hard. The loss recorded was attributed to the administrative expenses for trading resumption of the Company's share and impairment on bus fleets. During year 2007, the Group had acquired a number of new buses for replenishment, our services can then be upgraded which strengthened the competitiveness of the Group.

Better cost control will be implemented to safeguard our cost effectiveness. We have put extra effort in strengthening our management and staff in all positions to help achieve our objectives. I would like to take this opportunity to thank all our board colleagues and senior management for their contribution.

On behalf of the Board of Directors, I would like to express our gratitude, deeply from our hearts, to each and every one of our shareholders, customers, and suppliers, for their invaluable support, their patience, and their encouragement. Nevertheless, with confidence and determination, a bright future is still lying ahead of us; we will keep on our hard work, to the full extent, to maximize benefits of the Company and our shareholders.

Wong Wah Sang
Chairman

Hong Kong, 31 March 2008

MANAGEMENT DISCUSSION AND ANALYSIS

The Group's turnover in 2007 remained steady with slight increase in two major bus companies, Nanjing Argos & Wanzhou Argos. Despite the bright outlook for China economic growth, ever-increasing oil prices and fierce competition post great challenge on operation. National inflation caused operation costs and overhead soaring to new high, thus putting pressure on the bottom line profit figure.

The policies of Government subsidy still play an important role to our transportation operations subsidiaries covering excessive operational cost especially from high oil prices. In fiscal year 2007, the Chinese local government provided subsidies to the Group's companies in following areas, oil prices and new bus fleets acquisition. In the coming year, the management will negotiate with the local government for these subsidies and together apply for increase bus fare.

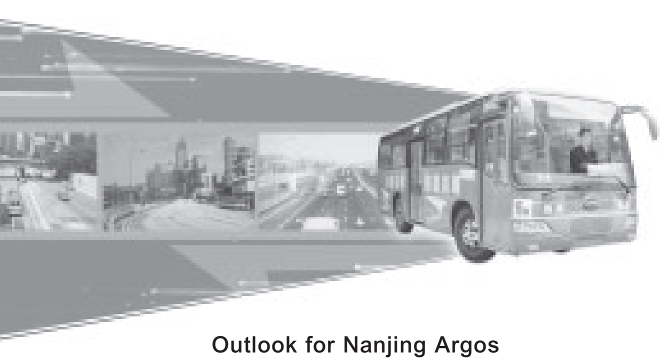
On the other hand, the management will put control on cost-saving and exploring new business opportunities for the future.

Nanjing Argos

An increase of 9.2% in turnover was recorded; however operating cost was up by 15%, mainly due to increasing oil prices and wages. Subsidies from local governments compensate the excessive outlays of oil expenditure and acquisition of new bus fleets incurred by Nanjing Argos. An impairment loss of RMB3.7 million which resulted in a loss of RMB5 million for 2007.

Major operational statistics of Nanjing Argos:

	2007	2006	2005	2004	2003
Number of routes operated	**18**	18	18	15	15
Number of employees	**1,067**	1,131	1,053	1,007	962
Fleet size	**410**	399	369	339	327
Total mileage operated (mn km)	**24.92**	24.46	22.84	22.53	21.11
Total passenger trip (mn trip)	**81.93**	80.22	78.08	98.94	67.88



Outlook for Nanjing Argos

Newly-announced change of national holiday pattern will somehow adversely influence passenger flow in major holiday breaks. As before, local government still imposes limits on fare increase; together with inevitable hike of fuel cost, wages, and social cost, a tough challenge is lying ahead. Nanjing management has somehow come up with a string of ideas and plans to offset above negative impacts. Existing routes are to be correspondingly re-adjusted, new sightseeing routes are to be opened; new bus coaches are to be purchased, with injection of additional capital. A better year is lying ahead therefore.

Wanzhou Argos

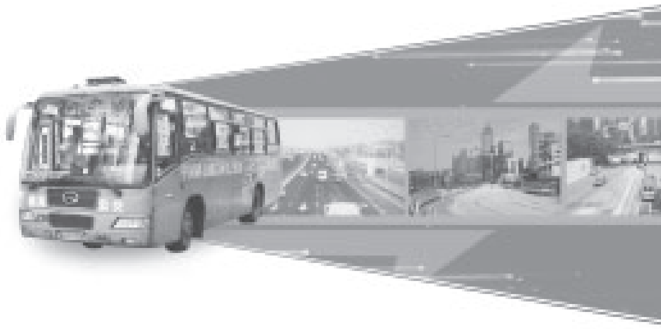
Wanzhou Argos recorded a 8.9% and 12.7% increase in turnover and operating cost respectively. Even so, a slight net income was still recorded. Due to the effective control on operating costs, impact from oil price increase had to a certain extent been lessened.

Major operational statistics of Wanzhou Argos:

	2007	2006	2005	2004	2003
Number of routes operated	**8**	8	6	6	5
Number of employees	**285**	280	271	276	366
Fleet size	**57**	63	57	52	90
Total mileage operated (mn km)	**5.15**	4.95	3.65	3.09	5.50
Total passenger trip (mn trip)	**12.24**	10.65	7.88	6.58	9.83

Outlook for Wanzhou Argos

New buses had been acquired during the year in order to improve our services. Our management will continue to negotiate with the local authority in order to extend more public routes which can broaden to Group's revenue and lead to more profitability. Wanzhou management is positive that net income for coming fiscal year may reach RMB0.8 million level.



Taizhou Argos

Turnover remained basically steady at previous year level with slight improvement. Increase in administration cost had been somehow offset by RMB2.5 million additional subsidy from government. The result was a net income of RMB0.6 million. There was an enormous outlay of RMB2 million compensation due to accidental claims, and higher insurance cost resulted. Re-education and training on the drivers is essential therefore.

Major operational statistics of Taizhou Argos:

	2007	2006	2005	2004	2003
Number of routes operated	**24**	21	22	21	22
Number of employees	**714**	743	767	745	495
Fleet size	**568**	538	528	516	481
Total mileage operated (mn km)	**60.12**	58.41	58.30	12.83	7.21
Total passenger trip (mn trip)	**16.75**	19.02	20.60	15.25	9.2

Outlook for Taizhou Argos

Management still expects slight increase in turnover for the coming year. Challenge of higher and higher oil prices, increasing direct cost such as replacement parts and cost, wages and salary will also be around. As usual, subsidies from government to help compensate the high energy cost and purchase of new bus coaches will help ease pressure to the operation (amount expected to be around RMB4.5 million for the coming year). Even so, management still needs to be prudent and pay more attention to cost control to maximize profit.

Xuzhou China International Travel

Generally, the travel industry market is continued to be very competitive. Principal business includes arrangement of major city tour in China and selling of flight tickets. Due to high competitive nature of the market and high operating cost (mainly wages and salary), the management expects a breakeven picture for the coming year.

We present below operating results of Xuzhou China International Travel:

	2007	2006	2005	2004
Turnover (RMB'000)	**21,677**	14,084	12,356	5,796
Cost (RMB'000)	**20,285**	12,969	11,325	5,403
Business tax (RMB'000)	**94**	62	57	22
Gross Profit (RMB'000)	**1,298**	1,053	974	371
Number of Employee	**29**	26	26	30
Gross profit %	**5.99%**	7.47%	7.88%	6.4%

Outlook for Xuzhou China International Travel

In the year 2008, we will concentrate on Hong Kong, Korea, and especially Macau tour markets. Over the year, there are many casinos and hotels newly open in Macau, hence attracting more tourists, we will focus more on these tours, will also cooperate with different sizes tourist agencies in Xuzhou in order to expand our operation in the year 2008.

FINANCIAL POSITION

The Group

As at 31 December 2007, the total assets of the Group was approximately HK$213 million (2006: HK$174 million), including cash and bank balances and deposits of approximately HK$47 million (2006: HK$38 million) of which HK$10 million (2006: HK$17 million) were pledged to secure banking facilities. Outstanding balance of bank loans, overdrafts and other loans as at 31 December 2007 was approximately HK$27 million (2006: HK$22 million) of which HK$17 million (2006: HK$21 million) are due within one year. Motor vehicles of the Group with carrying value amounted to approximately HK$127 million (2006: HK$98 million). The gearing ratio of the Group expressed in total debt as a percentage of net assets was 37% (2006: 25%).

The Company

At 31 December 2007, the Company has pledged a fixed deposit of HK$10 million (2006: HK$10 million) to secure banking facilities to the Company.

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, the details in note 37 to the financial statements.

Contingent liability

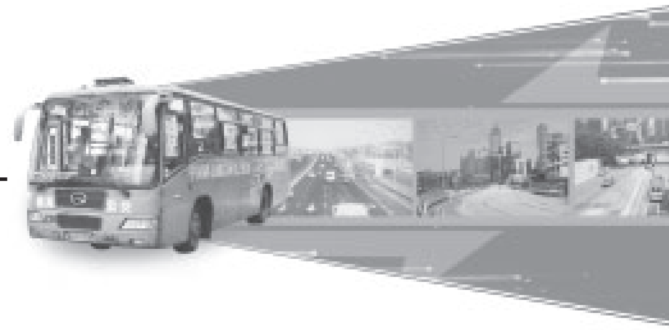
As of the date of this report, the Directors are not aware of any material contingent liabilities except to the note 35 to the financial statements.

Employees and remuneration policy

As at 31 December 2007, the Group had 2,285 (2006: 2,407) full-time employees. The total of employee remuneration, including that of the directors of the Company, for the year ended 31 December 2007 amounted to approximately HK$39 million (2006: HK$33 million). 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 2007, 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, 2007.

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. Throughout the year, the Company continued to strive for improvement on it's Corporate Governance by (i) internal control review conducted by independent accounting firm (ii) setup internal audit team (iii) restructuring of the Board.

Internal Control Reviews by independent accounting firm

Following to the discovery of the omission of RMB12 million bank loan as mentioned in annual report 2006, the Company has engaged Mabel Chan & Co. ("MCC") an independent accounting firm, to review the internal control procedures, risk management system and corporate governance practices of the Group in 30 May 2007 with the specific objective of identifying weakness areas which should be strengthened in order to prevent future financial reporting omissions and regulatory breaches. Based on the internal control review report ("ICR report") issued by MCC dated 13 September 2007, the following major weakness areas have been identified:

- Non-compliance with certain paragraphs of Appendix 15 "Code on Corporate Governance Practices" of the GEM Listing Rules;

- Inadequate company policies and procedures on operating cycles of the Company leading to the effect of unclear instructions given to staff;

- Insufficient knowledge of the management and finance staff on GEM Listing Rules and financial disclosures of a listing company for proper financial disclosures in annual reports;

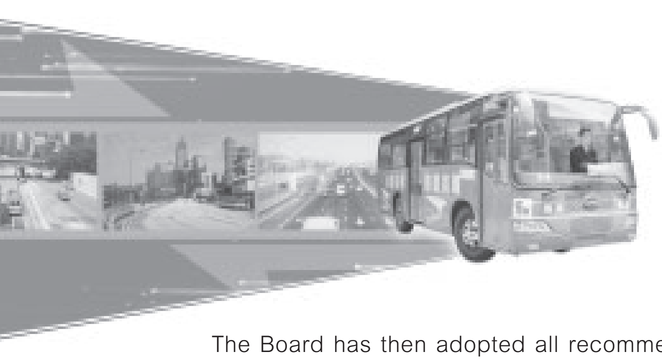
- The low awareness of the importance of internal control procedures by certain management and staff;

- Ineffective communication mechanism maintained within the Group;

- Insufficient information provided to management for monitoring purpose;

- Inadequate controls implemented in respect of financial reporting, accounting procedures and documentations; and

- Inadequate reporting and confirmation procedures implemented for related party transactions.



The Board has then adopted all recommendations as suggested in the ICR Report. Follow up reviews were further conducted by MCC on 31 October 2007 and 19 November 2007 respectively on the effective implementation of the reformed internal control system in respect of (i) corporate governance, (ii) financial reporting, (iii) accounting procedures and documentations.

The following significant Corporate Governance issues were considered effectively implemented by the follow up report issued by MCC dated 31 October 2007:

- Written terms of reference of audit committee.
- Adequacy of written policies and procedures, and monitoring controls procedures for management activities.
- Adequacy of training and continuous professional development program for Board of Directors, management and relevant staff to ensure that management of the company has sufficient knowledge regarding listing rules and relevant financial disclosure requirement for compliance purpose.
- The Board of Directors acknowledges responsibility and capability of presenting a balance, clear and understandable assessment to financial reports, price-sensitive announcements and financial disclosures required under the GEM Listing Rules, and reports to regulators any other information required to be disclosed pursuant to statutory requirements.
- The Board of Directors assumes responsibility to ensure the Company maintains sound and effective internal controls to safeguard the shareholders' investment and the Company's assets, the control environment, the monitoring control over risks and the system of internal control, implementation of effective internal control measures on significant risks identified.
- The existence of an efficient and effective communication mechanism for management and for the Board of Directors to enable adequate and timely information is provided for board decisions.
- The ability of the Board of Directors to give clear direction to management as to the matters that must be approved by the board before decisions are made.
- Adequacy of documentation for effective monitoring controls and their proper implementation on financial reporting and accounting procedures.

In respect of the internal controls on financial reporting and accounting procedures and documentations, another follow up review conducted by MCC identified the following issues with effectively implemented:

- The adequacy of newly written company policies and procedures, internal control procedures to ensure completeness and accuracy of accounting records, financial reporting and the compliance with relevant disclosure requirement.

- The effectiveness of communication of the written policies and procedures and guidelines and their proper implementation in the preparation of accounting records and financial reporting.

- The proper procedures adopted for monitoring of completeness and timely reporting of both intercompany transactions and related party transactions are fully captured by the newly internal control procedures and the communication procedures between Finance Department of subsidiaries and the holding Company setup by the holding Company and their newly setup communication procedure to the Finance Department of the holding company.

MCC concluded that the Company has adequate systems and controls in place to properly discharge its obligations under the GEM Listing Rules, including the Code on Corporate Governance Practices, financial reporting, accounting procedures and documentations.

Internal Audit Team

As mentioned previously, the Company has set up an internal audit team, which is led by a newly recruited consultant, who before joining the Company as consultant on 1 September 2007, had worked for an international accounting firm for about 12 years and held the position as senior manager. He is assisted by another member of the internal audit team who has thorough experiences in the public transportation operation in PRC and will station in the PRC to ensure that the group's revised financial reporting policies, procedures and control are properly complied with.

The management of the Company considers the members of the internal audit team, with their wide range experience in corporate governance, finance and accounting and public transportation operation, are capable of carrying out their function properly.

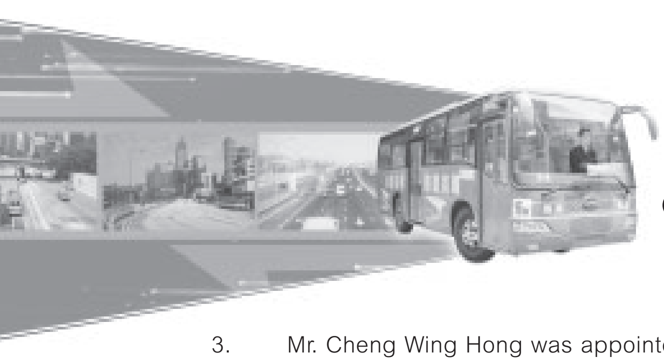
With the above-mentioned remedial and corrective measures undertaken by the Company, the Company's financial reporting reliability, corporate governance, internal control and regulatory compliance will be ensured.

Restructuring of the Board

A restructuring of the Board has been carried out with effect from 14 February 2008 whereby the Company has appointed two additional Executive Directors who are independent of the Controlling Shareholder and one of whom being a qualified professional to act as the Company's new Compliance Officer. A summary of the Board restructuring is set out below:

1. Mr. Wong Wah Sang was re-designated as Non-executive Director and Non-executive Chairman of the Company.

2. Mr. Yeung Wai Hung resigned as Executive Director and compliance officer of the Company.



3. Mr. Cheng Wing Hong was appointed as Executive Director and Compliance Officer of the Company.

4. Mr. Chui Wai Cheung was appointed as Executive Director of the Company.

The Directors consider that by restructuring the composition of the executive Board of Directors, it would be able to carry out improved corporate governance practices and financial control and reporting functions as well as a more balance-and-check function in the Board. As a result, the composition and function of the Board has been strengthened in terms of the level of expertise and independence.

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.

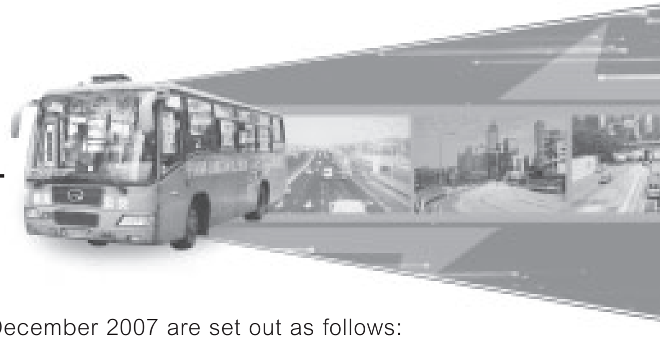
The Board of Directors (the "Board") and the management team are committed to high standards of corporate governance.

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 Directors	**Position**
Executive Directors	
*Mr. Wong Wah Sang *(Re-designated on 14/2/2008)*	Chairman
Mr. Wong Man Chiu, Ronnie	Executive Director
Mr. Yeung Wai Hung *(Resigned on 14/2/2008)*	Executive Director
Mr. Cheng Wing Hong *(Appointed on 14/2/2008)*	Executive Director
Mr. Chui Wai Cheung *(Appointed on 14/2/2008)*	Executive Director
Non-executive Directors	
*Mr. Wong Wah Sang *(Re-designated on 14/2/2008)*	Non-executive Chairman
Mr. Wilkie Wong	Non-executive Director
Independent Non-Executive Directors	
Mr. Sung Wai Tak, Herman	Independent non-executive Director
Mr. Cheung Man Yau, Timothy	Independent non-executive Director
Mr. Wong Lit Chor, Alexis	Independent non-executive Director

* Mr. Wong Wah Sang has re-designated from Executive Directors to Non-executive Directors on 14/2/2008.



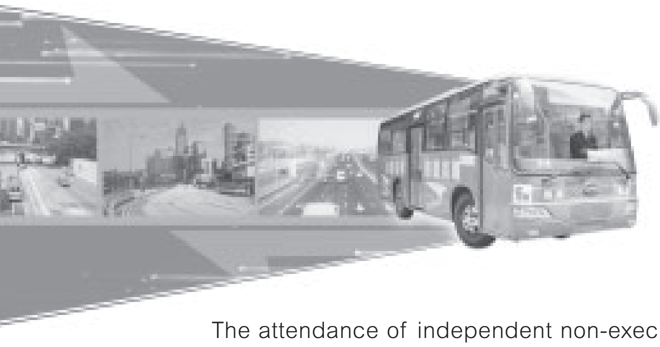
The attendance of directors at the board meetings for the year ended 31 December 2007 are set out as follows:

	1st QTR Report	2nd QTR Report	3rd QTR Report	Annual Report	Total
Executive Directors					
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	1	1	1	4
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	1	1	1	4
Mr. Wong Lit Chor, Alexis	1	1	1	1	4

Remuneration Committee

The Company has established a Remuneration Committee on 8 October 2007. The principal of the Company's remuneration committee is to formulate and review the remuneration policies and other remuneration related matters of the Directors and senior management of the Company and to made recommendations to the Board as deemed necessary.

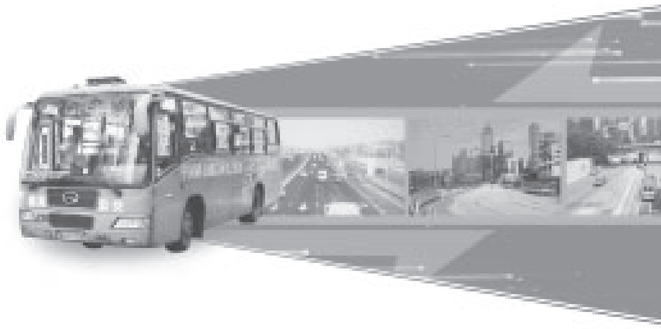
Nomination of directors

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 as 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 5.68 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$380,000 to the external auditors for performing the statutory audit work of 2007 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

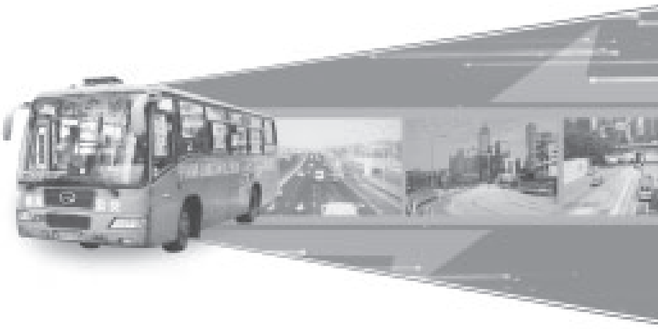
Mr. Wong Wah Sang, B.H., M.B.E., aged 84, is the chairman of the Company and is also the chairman of Wong's Investments (Holdings) Co., Ltd. Mr. Wong has been the co-founder and chairman of Argos Bus Services Company, Limited (hereinafter defined as "Argos Hong Kong"). He is also the founder of Chung 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 has been re-designated as a non-executive director of the Company on 14 February 2008.

Mr. Wong Man Chiu, Ronnie, J.P., B.Sc., M.B.A., aged 56, 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. Cheng Wing Hong, B.A., CPAA, HKICPA, aged 34, holds Bachelor's degrees in Finance and International Business from the University of Hawaii at Manoa and a Master's degree in Practicing Accounting granted jointly by the University of Hong Kong and Monash University. Mr. Cheng obtained the qualification of Certified Practising Accountant, Australia, since 2001 and Hong Kong Institute of Certified Public Accountants since 2008. Mr. Cheng has over ten-year accounting experience and has joined the Group since June 2006. Mr. Cheng is the Company Secretary and qualified accountant of the Company. Mr. Cheng has been appointed as an executive director of the company on 14 February 2008.

Mr. Chui Wai Cheung, aged 56, holds a Bachelor's degree in Science (Financial Management) from University of San Francisco, the United States of America. Mr. Chui has more than twenty years of experience in banking and financial control, and specialises in financial analysis, corporate management and supervision, cost control and cash management. Mr. Chui has been appointed as an executive director of the Company on 14 February 2008.

Mr. Yeung Wai Hung, aged 59, 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. Mr. Yeung resigned as an executive director of the Company on 14 February 2008.



NON-EXECUTIVE DIRECTORS

Mr. Wilkie Wong, B.Sc., M.Sc., M.B.A., aged 35, 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 49, 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 50, was appointed an independent non-executive director of the Company on 16 April 2004. He has more than 25 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 49, was appointed an independent non-executive director of the Company on 24 September 2004. Mr. Wong graduated from the University of Toronto, Canada 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 21 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 44, has been the General Manager of Nanjing Argos since its inception. Mr. Zhang has approximately 22 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.

Ms. Zhu Xiu Ying, aged 61, 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 public bus company is crucial to Nanjing Argos' success in cost control.

Mr. Lu Xiang Dong, aged 58, the General Manager of Wanzhou Argos. Mr. Lu has served in both Nanjing Argos and Wanzhou Argos. Mr. Lu has joined 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 operation, his experience is in the area of safety and operational management.

Ms. Tian Ling, aged 62, 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 operation she has exercised a lead in cost control and management decision.

Mr. Zhu Wing Wah, aged 63, 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 44, 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.

REPORT OF THE DIRECTORS

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 2007.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The activities of its subsidiaries are set out in Note 17 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 of principal activities for the year ended 31 December 2007 is as follows:

	2007		2006	
	Turnover HK$'000	**Segment Results HK$'000**	Turnover HK$'000	Segment Results HK$'000
Public Routes	**123,249**	**(9,887)**	105,944	(959)
Tourist Routes and Sightseeing Ticket	**31,954**	**(1,794)**	22,708	(1,018)
"Hire a Bus" Services	**11,981**	**(883)**	9,938	775
Taxi Rental	**12,674**	**230**	13,001	858
Rental Income	**2,936**	**44**	2,505	1,490
Management Fee Income	**2,275**	**469**	2,064	355
	185,069	**(11,821)**	156,160	1,501
Other Income and Gains, Net		**20,721**		14,728
Administrative Expenses		**(19,930)**		(10,514)
Operating (Loss)/Profit		**(11,030)**		5,715

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

FINANCIAL STATEMENTS

The results of the Group for the year ended 31 December 2007 are set out in the consolidated income statement on page 29.

The states of affairs of the Group and of the Company as at 31 December 2007 are set out in the balance sheets on pages 30 and 32 respectively.

The cashflows of the Group are set out in the statement on page 34 and 35.

DIVIDENDS

The directors do not recommend any payment of dividend nor transfer of any amount to reserves for the year (2006: 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				
	2007	2006	2005	2004	2003
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Turnover	**185,069**	156,160	136,547	119,364	98,178
(Loss)/profit before taxation	**(12,699)**	4,256	2,305	8,870	4,267
Taxation	**(277)**	(2,130)	(3,205)	(3,307)	(1,113)
(Loss)/profit before minority interests	**(12,976)**	2,126	(900)	5,563	3,154
Minority interests	**3,857**	(2,220)	(1,772)	(3,305)	(3,006)
Net (loss)/profit from ordinary activities attributable to shareholders	**(9,119)**	(94)	(2,672)	2,258	148

	As at 31 December				
	2007	2006	2005	2004	2003
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Total assets	**213,219**	173,745	178,808	178,145	172,986
Total liabilities	**(137,553)**	(94,189)	(103,761)	(104,569)	(107,760)
Minority interests	**(25,548)**	(24,800)	(22,007)	(20,229)	(17,173)
Shareholders funds	**50,118**	54,756	53,040	53,347	48,053

Certain figures for the years ended 31 December 2004 and 2005 have been restated.

PROPERTY, PLANT AND EQUIPMENT AND INVESTMENT PROPERTIES

Details of the movements in property, plant and equipment and investment properties of the Group during the year are set out in notes 13 and 14 to the financial statements.

DISTRIBUTABLE RESERVES

As at 31 December 2007, 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 (2006: Nil).

SHARE CAPITAL, SHARE OPTIONS AND CONVERTIBLE BONDS

Detail of movements in the Company's share capital, share options and convertible bonds during the year are set out in notes 23, 32 and 30 to the financial statements.

DONATIONS

No charitable donations was made by the Group during the year (2006: Nil).

DIRECTORS

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

Executive Directors	***Position***
* Mr. Wong Wah Sang *(Redesignated on 14/2/2008)*	*Chairman*
Mr. Wong Man Chiu, Ronnie	*Executive Director*
Mr. Yeung Wai Hung *(Resigned on 14/2/2008)*	*Executive Director*
Mr. Cheng Wing Hong *(Appointed on 14/2/2008)*	*Executive Director*
Mr. Chui Wai Cheung *(Appointed on 14/2/2008)*	*Executive Director*
Non-executive Directors	
* Mr. Wong Wah Sang *(Redesignated on 14/2/2008)*	*Non-executive Chairman*
Mr. Wilkie Wong	*Non-executive Director*
Independent non-executive Directors	
Mr. Sung Wai Tak, Herman	*Independent Non-executive Director*
Mr. Cheung Man Yau, Timothy	*Independent Non-executive Director*
Mr. Wong Lit Chor, Alexis	*Independent Non-executive Director*

* Mr. Wong Wah Sang has re-designated from Executive Directors to Non-executive Directors on 14/2/2008.

In accordance with Articles 121 of the Company's Articles of Association, Mr. Wilkie Wong and Mr. Sung Wai Tak Harman shall retire by rotation and, being eligible, offer themselves for re-election.

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, any of its holding companies or 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

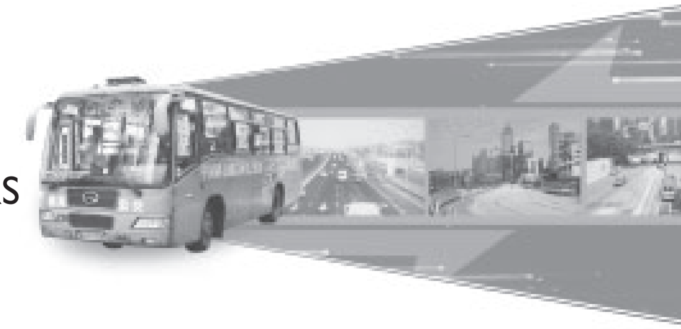
As at 31 December 2007, the following Directors have the following interests in the share capital of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) which were notified to the Company and the Stock Exchange pursuant to Section 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 5.46 to 5.67 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	1,400,000	1%

At 31 December 2007, 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.

Note:

1. 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 2007, 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 2007 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 2007 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 SHAREHOLDERS OF THE COMPANY

As at 31 December 2007, the register of substantial shareholders (other than a 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	Notes	Number of Shares	Percentage of issued share capital
Sino Market Enterprises Limited	1	112,284,000	62.38%
Sinoman International Limited	1	112,284,000	62.38%
Twilight Enterprises Limited	2	112,284,000	62.38%
Mellin Enterprises Limited	3	112,284,000	62.38%
Chiu Gee Chai	4	112,284,000	62.38%

As at 31 December 2007 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 112,284,000 shares are held by Sino Market Enterprises Limited which is beneficially owned as to 54.8 per cent. by Sinoman International Limited and as to 22.6 per cent. by Mellin Enterprises Limited and as to 22.6 percent by Mr. Yeung Wai Hung, an executive director of the Company.

2. Sinoman International Limited is beneficially owned as to 100 per cent. by Twilight enterprises Limited which is beneficially owned by Mr. Wilkie Wong, a non-executive director of the company, as to 12.5 per cent.; Mr. Wong Wai Lok, William, as to 12.5 per cent.; Ms. Wong Wai Yee, Winnie, as to 12.5 per cent.; Ms. Wong Wai Ying, Vivian, as to 12.5 per cent.; and as to 50 per cent. by Madam Chiu Gee Chai, the wife of Mr. Wilson Wong.

3. The issued share capital of Mellin Enterprises Limited is beneficially owned by Mr. Wong Wah Sang, an executive Director and chairman of the Company, as to 50 per cent., Mr. Wong Man Chiu, Ronnie, an executive Director, as to 50 per cent.. Mr. Wong Wah Sang is the father of Mr. Wong Man Chiu, Ronnie.

4. By virtue of Part XV of the SFO, Madam Chiu Gee Chai is deemed to be interested in 112,284,000 shares.

5. By virtue of Part XV of the SFO, each of Sino Market Enterprises Limited, Sinoman International Limited, Mellin 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.

Save as disclosed above, no person has registered an interest or short position in the share capital of the Company that was required under Section 336 of the SFO.

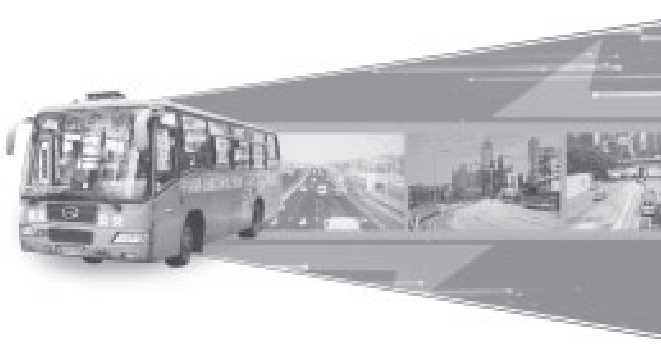
MANAGEMENT CONTRACTS

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.

COMPETING INTERESTS

The Directors have substantial experience in the operation of transportation companies especially bus services, with over 21 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 and 15 per cent by Twilight Enterprises Limited.

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.



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 2007.

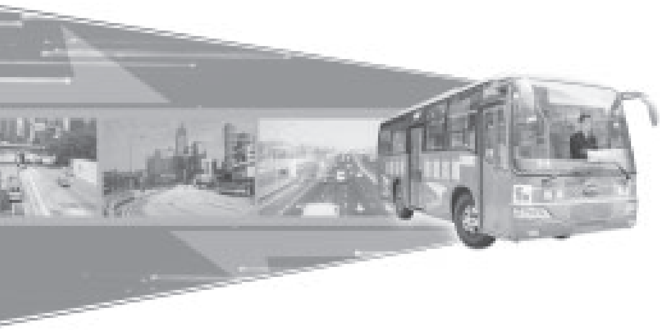
AUDITORS

Messrs. Ting Ho Kwan & Chan have been the auditors of the Company for the years ended 31 December 2006 and 2007. The financial statements for the year ended 31 December 2005 was 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, 31 March 2008



INDEPENDENT AUDITOR'S REPORT

TING HO KWAN & CHAN
CERTIFIED PUBLIC ACCOUNTANTS (PRACTISING)

9th Floor, Tung Ning Building
249-253 Des Voeux Road Central
Hong Kong

香港德輔道中249－253號
東寧大廈9字樓

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 29 to 98, which comprise the consolidated and Company balance sheets as at 31 December 2007, 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 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

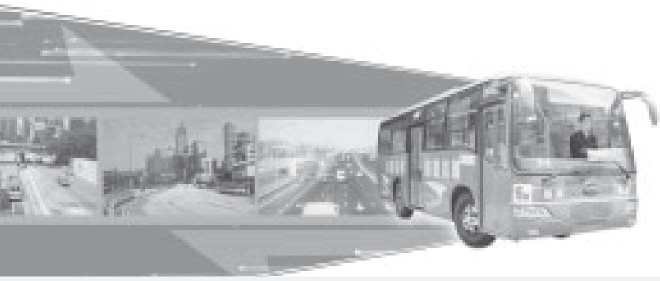
In our opinion, the financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2007 and of the Group's loss and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the Hong Kong Companies Ordinance.

Emphasis of matter

Without qualifying our opinion, we draw attention to note 39 to the financial statements which indicates that the Group incurred a net loss of HK$9,119,000 during the year ended 31 December 2007 and, as of that date, the Group's current liabilities exceeded its current assets by approximately 51,420,000 as at 31 December 2007. 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, 31 March 2008

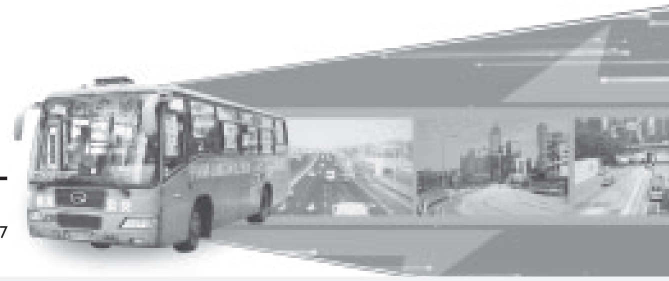


CONSOLIDATED INCOME STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2007

	Notes	2007 HK$'000	2006 HK$'000
Turnover	5	**185,069**	156,160
Cost of sales		**(173,300)**	(136,648)
Gross profit		**11,769**	19,512
Other income and gains, net	5	**20,721**	14,728
Administrative expenses		**(33,648)**	(28,525)
Impairment loss on property, plant and equipment		**(9,872)**	–
Operating (loss)/profit	6	**(11,030)**	5,715
Finance costs	8	**(1,669)**	(1,459)
(Loss)/profit before taxation		**(12,699)**	4,256
Taxation	9	**(277)**	(2,130)
(Loss)/profit for the year		**(12,976)**	2,126
Attributable to:			
Equity holders of the Company	11	**(9,119)**	(94)
Minority interests		**(3,857)**	2,220
		(12,976)	2,126
Loss per share attributable to the equity holders of the Company			
– Basic	12	**5.07 cents**	0.05 cents
– Diluted		**N/A**	N/A

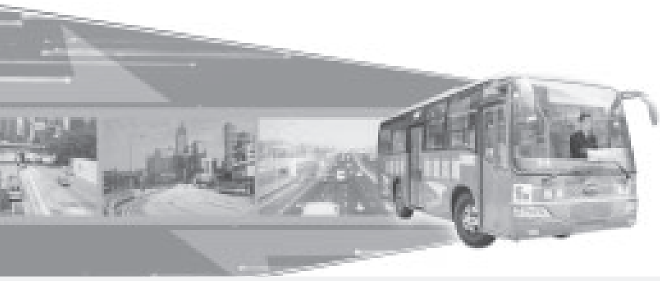
The notes on pages 36 to 98 are an integral part of these financial statements.



CONSOLIDATED BALANCE SHEET

AS AT 31 DECEMBER 2007

	Notes	2007 HK$'000	2006 HK$'000
ASSETS			
Non-current assets			
Property, plant and equipment	13	**133,415**	104,519
Investment properties	14	**1,380**	1,097
Lease premium for land	15	**5,256**	4,992
Intangible assets	16	**1,220**	1,480
Available-for-sale financial assets	18	**1,161**	1,080
		142,432	113,168
Current assets			
Inventories	19	**2,315**	1,616
Trade and other receivables	20	**21,832**	20,802
Pledged bank deposit		**10,000**	17,428
Cash and cash equivalents	22	**36,640**	20,731
		70,787	60,577
Total assets		**213,219**	173,745
EQUITY			
Equity attributable to equity holders of the Company:			
Share capital	23	**1,800**	1,800
Reserves	25	**48,318**	52,956
		50,118	54,756
Minority interests		**25,548**	24,800
Total equity		**75,666**	79,556

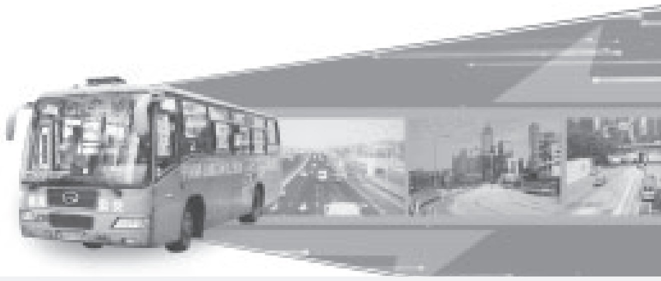


	Notes	2007 HK$'000	2006 HK$'000
LIABILITIES			
Non-current liabilities			
Bank borrowings	26	**10,620**	476
Advertising income on fleet body receipt in advance	27	**3,763**	4,379
Deferred tax liabilities	28	**963**	690
		15,346	5,545
Current liabilities			
Bank borrowings	26	**16,485**	21,011
Advertising income on fleet body receipt in advance	27	**1,093**	479
Trade and other payables	29	**90,007**	66,529
Convertible bonds	30	**6,948**	–
Deferred income	31	**6,865**	–
Tax payable		**809**	625
		122,207	88,644
Total liabilities		**137,553**	94,189
Total equity and liabilities		**213,219**	173,745
Net current liabilities		**(51,420)**	(28,067)
Total assets less current liabilities		**91,012**	85,101

The financial statements were approved and authorised for issue by the Board of Directors on 31 March 2008 and are signed on its behalf by:

Ronnie Man Chiu Wong	**Chui Wai Cheung**
DIRECTOR	*DIRECTOR*

The notes on pages 36 to 98 are an integral part of these financial statements.



	Notes	2007 HK$'000	2006 HK$'000
ASSETS			
Non-current assets			
Property, plant and equipment	13	**334**	116
Interests in subsidiaries	17	**23,658**	23,296
		23,992	23,412
Current assets			
Other receivables		**110**	35
Pledged bank deposit		**10,000**	10,000
		10,110	10,035
Total assets		**34,102**	33,447
EQUITY			
Share capital	23	**1,800**	1,800
Reserves	25	**12,473**	16,032
Total equity		**14,273**	17,832
LIABILITIES			
Current liabilities			
Bank borrowings	26	**10,556**	10,521
Other payables	29	**2,325**	5,094
Convertible bonds	30	**6,948**	–
		19,829	15,615
Total liabilities		**19,829**	15,615
Total equity and liabilities		**34,102**	33,447
Net current liabilities		**(9,719)**	(5,580)
Total assets less current liabilities		**14,273**	17,832

Ronnie Man Chiu Wong	**Chui Wai Cheung**
DIRECTOR	*DIRECTOR*

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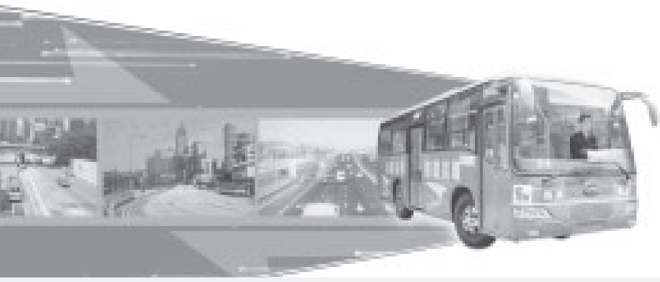
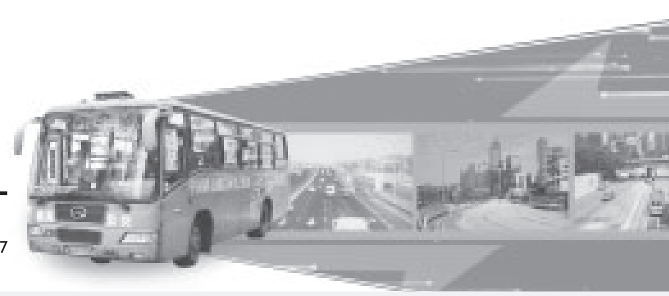


CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2007

	Attributable to equity holders of the Company									
	Share capital	Share premium	Exchange reserve	Merger reserve	General reserve	Revaluation reserve	Convertible bonds reserve	Retained earnings	Minority interests	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Balance at 1 January 2006	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
Changes in fair value of leasehold buildings	–	–	–	–	–	(31)	–	–	–	(31)
Currency translation differences	–	–	1,841	–	–	–	–	–	573	2,414
Balance at 31 December 2006	1,800	29,200	4,647	(490)	3,227	48		16,324	24,800	79,556
Loss for the year	–	–	–	–	–	–	–	(9,119)	(3,857)	(12,976)
Changes in fair value of leasehold buildings	–	–	–	–	–	136	–	–	–	136
Recognition of equity component of convertible bonds	–	–	–	–	–	–	432	–	–	432
Capital contribution from a minority shareholder	–	–	–	–	–	–	–	–	2,556	2,556
Currency translation differences	–	–	3,913	–	–	–	–	–	2,049	5,962
Balance at 31 December 2007	1,800	29,200	8,560	(490)	3,227	184	432	7,205	25,548	75,666

The notes on pages 36 to 98 are an integral part of these financial statements.



CONSOLIDATED CASH FLOW STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2007

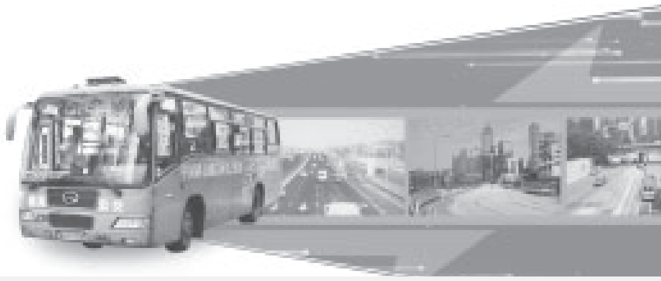
	2007 HK$'000	2006 HK$'000
Operating activities		
(Loss)/profit before taxation	**(12,699)**	4,256
Adjustments for:		
Amortisation of lease premium for land	**110**	102
Amortisation of intangible assets	**371**	341
Depreciation of property, plant and equipment	**17,390**	15,281
Net gain on sale of property, plant and equipment	**–**	(102)
Reversal of revaluation deficit previously recognised	**(155)**	(1)
Impairment loss on property, plant and equipment	**9,872**	–
Interest income	**(825)**	(1,473)
Interest expense	**1,669**	1,459
Allowance for impairment of bad and doubtful debts	**–**	167
Fair value gains on investment properties	**(201)**	(42)
Operating cash flows before movements in working capital	**15,532**	19,988
Inventories	**(498)**	(222)
Trade and other receivables	**(605)**	3,776
Trade and other payables	**24,373**	1,994
Advertising income on fleet body receipt in advance	**(25)**	(583)
Cash generated from operations	**38,777**	24,953
Taxation paid	**(46)**	(380)
Net cash generated from operating activities	**38,731**	24,573
Investing activities		
Payment for the purchase of property, plant and equipment	**(57,107)**	(14,476)
Proceeds from sale of property, plant and equipment	**868**	149
Capital contribution from a minority shareholder	**2,556**	–
Decrease/(increase) pledged bank deposit	**8,278**	(3,259)
Interest received	**825**	1,473
Net cash used in investing activities	**(44,580)**	(16,113)

CONSOLIDATED CASH FLOW STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2007

	Note	2007 HK$'000	2006 HK$'000
Financing activities			
Proceeds from new bank borrowings		**17,272**	24,172
Repayment of bank borrowings		**(10,259)**	(35,714)
Net proceeds from issue of convertible bonds issued		**7,200**	–
Government grants		**6,865**	–
Interest paid		**(1,459)**	(1,459)
Net cash generated from/(used in) financing activities		**19,619**	(13,001)
Net increase/(decrease) in cash and cash equivalents		**13,770**	(4,541)
Effect of foreign exchange rate changes		**2,104**	(635)
Cash and cash equivalents at 1 January		**10,210**	15,386
Cash and cash equivalents at 31 December	22	**26,084**	10,210

The notes on pages 36 to 98 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 A, 9th Floor, Fortis Bank Tower, 77–79 Gloucester Road, Wanchai, Hong Kong. The principal activities of its principal subsidiaries are set out in note 17 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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

The consolidated financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs"), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong and the requirements of the Hong Kong Companies Ordinance. These financial statements also comply with the applicable disclosure provision of the Rules Governing the Listing of Securities on the GEM of The Stock Exchange of Hong Kong Limited. The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of investment properties and properties which are carried at fair value.

A summary of the significant accounting policies adopted by the Company is set out below.

The prepared of these 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 consolidated financial statements, are disclosed in Note 38.

The HKICPA has issued certain new and revised HKFRSs that are first effective or available for early adoption for the current accounting period of the Group. Note 3 provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current and prior accounting periods reflected in these financial statements.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(b) Basis of preparation of consolidation

The consolidated financial statements include the financial statements of the Company and all its subsidiaries made up to 31 December 2007.

(c) Subsidiaries and minority interests

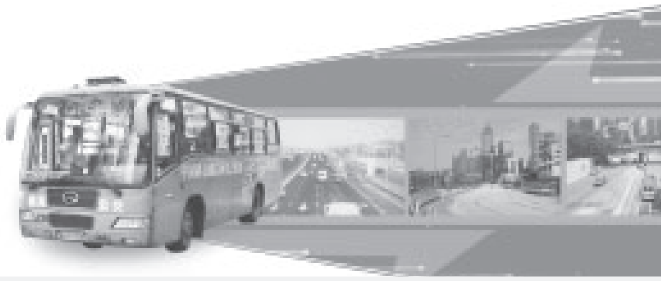
Subsidiaries are all entities over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity.

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.

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 portion of the net assets of subsidiaries attributable to interests that are not owned by the Company, whether directly or indirectly through subsidiaries, and in respect of which the Group has not agreed any additional terms with the holders of those interests which would result in the Group as a whole having a contractual obligation in respect of those interests that meets the definition of a financial liability. Minority interests are presented in the consolidated balance sheet within equity, separately from equity attributable to the equity shareholders of the Company. Minority interests in the results of the Group are presented on the face of the consolidated income statement as an allocation of the total profit or loss for the year between minority interests and the equity shareholders of the Company.



2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(c) Subsidiaries and minority interest (Continued)

Where losses applicable to the minority exceed the minority's interest in the equity of a subsidiary, the excess, and any further losses applicable to the minority, are charged against the Group's interest except to the extent that the minority has a binding obligation to, and is able to, make additional investment to cover the losses. If the subsidiary subsequently reports profits, the Group's interest is allocated all such profits until the minority's share of losses previously absorbed by the Group has been recovered.

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

(d) 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.

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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(e) Translation of foreign currencies

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.

Foreign currency transactions during the year are translated at the foreign exchange rate ruling at the transactions dates. Monetary assets and liabilities denominated in foreign exchange currencies are translated at the foreign exchange rates ruling at the balance sheet date. Exchange gains and losses are recognised in profit or loss, except those arising from foreign currency borrowings used to hedge a net investment in a foreign operation which are recognised directly in equity.

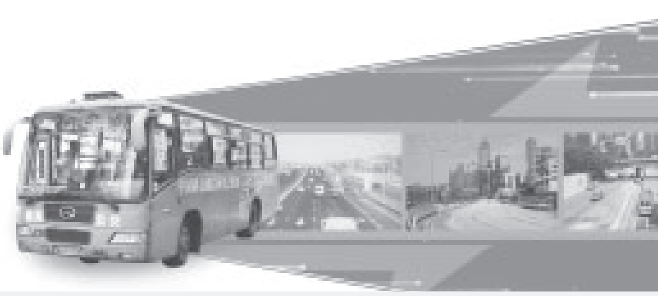
Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the foreign exchange rates ruling at the transaction dates. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated using the foreign exchange rates ruling at the dates the fair value was determined.

The results of foreign operations are translated into Hong Kong dollars at the exchange rates approximating the foreign exchange rates ruling at the dates of the transactions. Balance sheet items, including goodwill arising on consolidation of foreign operations acquired on or after 1 January 2005, are translated into Hong Kong dollars at the foreign exchange rates ruling at the balance sheet date. The resulting exchange differences are recognised directly in a separate component of equity. Goodwill arising on consolidation of a foreign operation acquired before 1 January 2005 is translated at the foreign exchange rate that applied at the date of acquisition of the foreign operation.

On disposal of a foreign operation, the cumulative amount of the exchange differences recognised in equity which relate to that foreign operation is included in the calculation of the profit or loss on disposal.

(f) Investment properties

When the Group holds a property interest under an operating lease to earn rental income and/or for capital appreciation, the interest is classified and accounted for as an investment property on a property-by-property basis. Any such property interest which has been classified s an investment property is accounted for as if it were held under a finance lease (see note 2(h)), and the same accounting policies are applied to that interest as are applied to other investment properties leased under finance leases. Lease payments are accounted for as described in note 2(h).



2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(f) Investment properties (Continued)

Investment properties are stated in the balance sheet at fair value. Any gains or loss arising from a change in fair value or from the retirement or disposal of an investment property is recognised in profit or loss. Rental income from investment properties is accounted for as described in note 2(v)(ii).

Investment properties are land and/or buildings which are owned or held under a leasehold interest (see note 2(h)) to earn rental income and/or for capital appreciation. These include land held for a currently undetermined future use.

(g) Property, plant and equipment

Property, plant and equipment are stated in the balance sheet at cost less accumulated depreciation and any accumulated impairment losses.

Depreciation is calculated to write off the cost of items of property, plant and equipment, less their estimated residual value, if any, using the straight line method over their estimated useful lives as follows:

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

The residual value (if any) and the useful life of an asset are reviewed at least at each financial year-end.

Gains or losses arising from the retirement or disposal of an item of property, plant and equipment are determined as the difference between the net disposal proceeds and the carrying amount of the item and are recognised in profit or loss on the date of retirement or disposal.

(h) Leases

An arrangement, comprising a transaction or a series of transactions, is or contains a lease if the Group determines that the arrangement conveys a right to use a specific asset or assets for an agreed period of time in return for a payment or a series of payments. Such a determination is made based on an evaluation of the substance of the arrangement and is regardless of whether the arrangement takes the legal form of a lease.

Leases of assets are classified as finance leases when the leases transfer substantially all risks and rewards incidental to ownership of the assets to the Group. All other leases are classified as operating leases.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(h) Leases (Continued)

(i) Finance leases

Assets held under finance leases are recognised in the balance sheet at amounts equal to the fair value of the leased assets, or, if lower, the present value of the minimum lease payments, each determined at the inception of the lease. The corresponding liabilities, net of finance charges, on the finance leases are recorded as obligations under finance leases. All assets held under finance leases are classified as property, plant and equipment, except for those properties held to earn rental income which are classified as investment property, in the balance sheet.

Depreciation and impairment loss are calculated and recognised in the same manner as the depreciation and impairment loss on property, plant and equipment as set out in note 2(g), except for the estimated useful lives cannot exceed the relevant lease terms, if shorter.

Minimum lease payments are apportioned between finance charge and the reduction of the outstanding liabilities. The finance charge is recognised in profit or loss over the period of the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

(ii) Leases of land and buildings

Whenever necessary in order to classify and account for a lease of land and buildings, the minimum lease payments (including any lump-sum upfront payments) are allocated between the land and the building elements in proportion to the relative fair values of the leasehold interests in the land element and building element of the lease at the inception of the lease.

The land element is classified as an operating lease unless title is expected to pass to the lessee by the end of the lease term. The building element is classified as a finance or operating lease in the same way as leases of other assets. The payments made on acquiring land held under an operating lease are recognised in the balance sheet as lease premium for land which are stated at cost and are amortised on a straight line basis over the period of the lease term except where the property is classified as an investment property using fair value model or is held for development for sale.

If the lease payments on a lease of land and building cannot be allocated reliably between the land and building elements at the inception of the lease, the entire lease is classified as a finance lease, unless it is clear that both elements are operating leases, in which case the entire lease is classified as an operating lease.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(h) Leases (Continued)

(iii) Operating leases

Where the Group is the lessee, lease payments under an operating lease are recognised as an expense on a straight-line basis over the lease term. Where the Company 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 on a straight line basis over the lease period.

Contingent rentals are charged/credited as an expense/income in the periods in which they are incurred.

(i) Borrowing costs

Borrowing costs are expensed in profit or loss in the period in which they are incurred, except to the extent that they are capitalised as being directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to get ready for its intended use or sale.

The capitalisation of borrowing costs as part of the cost of a qualifying asset commences when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalisation of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or complete.

(j) 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 any accumulated impairment losses (see note 2(k)(ii))). 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. Trademark 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 trademark and licences over their estimated useful lives of 8 years for taxi licences and of 10 years for travel agent licences.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(k) Impairment of assets

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

Investments in debt and equity securities (other than investments in subsidiaries, associates and jointly controlled entities: see note (ii) below) 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. Objective evidence of impairment includes observable data that comes to the attention of the Group about one or more of the following loss events:

– significant financial difficulty of the debtors;

– a breach of contract, such as a default or delinquency in interest or principal payments;

– it becoming probable that the debtor will enter bankruptcy or other financial reorganisation;

– significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtors; and

– a significant or prolonged decline in the fair value of an investment in an equity instrument below its cost.

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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(k) Impairment of assets (Continued)

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

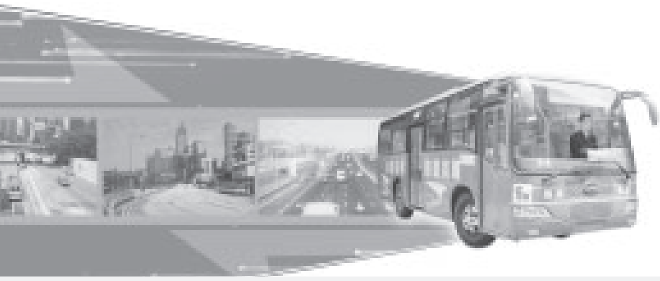
– For trade and other current receivables and other financial assets carried at amortised cost, the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition of these assets), where the effect of discounting is material. This assessment is made collectively where financial assets carried at amortised cost share similar risk characteristics, such as similar past due status, and have not been individually assessed as impaired. Future cash flows for financial assets which are assessed for impairment collectively are based on historical loss experience for assets with credit risk characteristics similar to the collective group.

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 any 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 securities 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-sale 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.



2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(k) Impairment of assets (Continued)

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

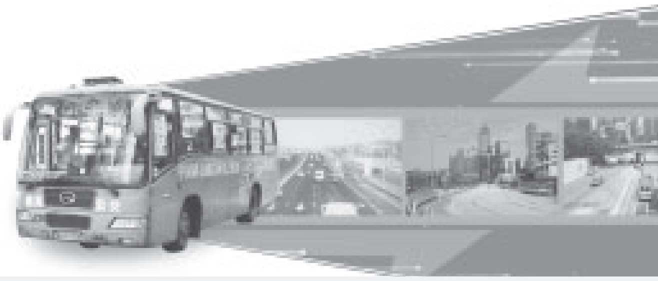
Impairment losses are written off against the corresponding assets directly, except for impairment losses recognised in respect of trade debtors and bills receivables included within trade and other receivables, whose recovery is considered doubtful but not remote. In this case, the impairment losses for doubtful debts are recorded using an allowable account. When the Group is satisfied that recovery is remote, the amount considered irrecoverable is written off against trade debtors and bills receivable directly and any amounts held in the allowance account relating to that debt are reversed. Subsequent recoveries of amounts previously charged to the allowance account are reversed against the allowance account. Other changes in the allowance account and subsequent recoveries of amounts previously written off directly are recognised in profit or loss.

(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);
– pre-paid interest in leasehold land classified as being held under an operating lease;
– intangible assets;
– investments in subsidiaries, associates and joint ventures (except for those classified as held for sale or included in a disposal group that is classified as held for sale); 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.



2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(k) Impairment of assets (Continued)

(ii) Impairment of other assets (Continued)

– 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-generating 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 cashgenerating 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.

– 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(l) Other investments in debt and equity securities

The Group's policies for investment 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 Group 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 any impairment losses (see note 2(k)).

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 any impairment losses (see note 2(k)).

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 2(k)), 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 they expire.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(m) 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 2(m)(iii) if and when (i) it becomes probable that the holder of the guarantee will call upon the Group under the guarantee, and (ii) 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.

(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 2(m)(iii). Contingent liabilities acquired in a business combination that cannot be reliably fair valued are disclosed in accordance with note 2(m)(iii).

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

(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 nonoccurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

(n) Inventories

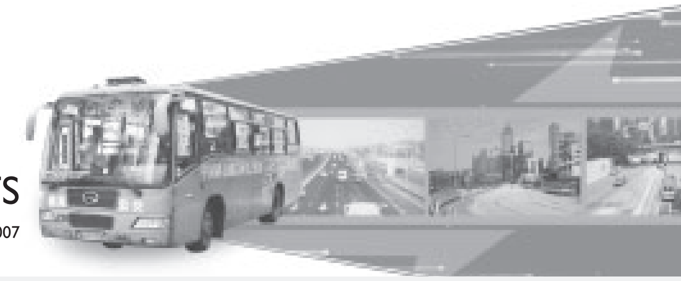
Inventories are stated at the lower of cost and net realisable value. Cost is determined using the weighted average method. The cost of finished goods and work in progress comprises raw materials, direct labour, other direct costs and related production overheads (based on normal operating capacity).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

(o) Trade and other receivables

Trade and other receivables are initially measured at fair value and, after initial recognition, at amortised cost less any allowance for impairment of bad and doubtful debts, 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 allowance for impairment of 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 allowance for impairment of bad and doubtful debts.



2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(p) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition. Bank overdrafts that are repayable on demand and form an integral part of the company's cash management are also included as a component of cash and cash equivalents for the purpose of the cash flow statement.

(q) Trade and other payables

Trade and other payables are initially measured at fair value. Except for financial guarantee contracts measured in accordance with cost 2(m)(i), trade and other payables are subsequently stated 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; and

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

(r) Interest-bearing borrowings

Interest-bearing borrowings, comprising mainly bank loans and overdrafts, are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost with any difference between the amount initially recognised and the redemption value is recognised in the income statement over the period of the borrowings, together with any interest and fees payable using the effective interest method.

Interest-bearing borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liabilities for at least 12 months after the balance sheet date.

(s) Income tax

Income tax for the year comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognised in profit or loss except to the extent that they relate to items recognised directly in equity, in which case they are recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(s) Income tax (Continued)

Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits. Apart from differences which arise on initial recognition of assets and liabilities, all deferred tax liabilities, and all deferred tax assets to the extent that it is probable that future taxable profits will be available against which the asset can be utilised, are recognised.

The amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date. Deferred tax assets and liabilities are not discounted.

(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

The Group operates an equity-settled, share option scheme plan. The fair value of the employee services received in exchange for the grants of the options is recognised as an expenses. The total amount to expensed over the vesting period (if any) is determined by reference to the fair value of the options granted, excluding the impact of any non-market vesting conditions (for example, profitability and sales growth targets). Non-market vesting conditions are included in assumptions about the number of options that are expected to become exercisable. At each balance sheet date, the entity revises its estimates of the number of options that are expected to become exercisable. It recognises the impact of the revision of original estimates, if any, in the income statement, and a corresponding adjustment to equity over the remaining vesting period.

The proceeds received net of any directly attributable transactions costs are credited to share capital (nominal value) and share premium when the options are exercised.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(u) Convertible bonds that contain an equity component

Convertible bonds that can be converted to equity share capital at the option of the holder, where the number of shares that would be issued on conversion and the value of the consideration that would be received at that time do not vary, are accounted for as compound financial instruments which contain both a liability component and an equity component.

An initial recognition of the liability component of the convertible bonds is measured as the present value of the future interest and principal payments, discounted at the market rate of interest applicable at the time of initial recognition to similar liabilities that do not have a conversion option. Any excess of proceeds over the amount initially recognised as the liability component is recognised as the equity component. Transactions costs that relate to the issue of a compound financial instrument are allocated to the liability and equity components in proportion to the allocation of proceeds.

The liability component is subsequently carried at amortised cost. The interest expense recognised in profit or loss on the liability component is calculated using the effective interest method. The equity component is recognised in the capital reserve until either the bond is converted or redeemed.

If the bond is converted, the capital reserve, together with the carrying amount of the liability component at the time of conversion, is transferred to share capital and share premium as consideration for the share issued. If the bond is redeemed, the capital reserve is released directly to retained earnings.

(v) 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(v) Revenue recognition (Continued)

(vi) 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.

(vii) From government subsidies, when they are received or when there is reasonable assurance that the subsidies will be received and on the basis set out under the accounting policy heading "Government grants".

(w) Related parties

For the purpose of these financial statements, a party is considered to be 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;

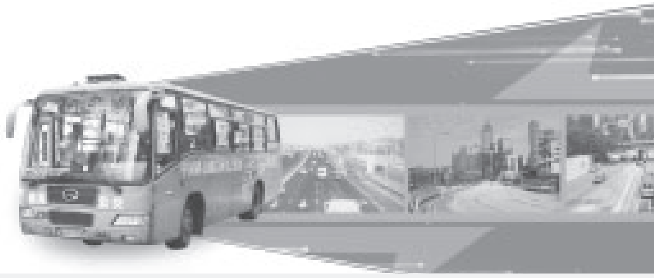
(iii) the party is an associate;

(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.



2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(x) Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised as income over the periods necessary to match the grant on a systematic basis to the costs that it is intended to compensate. Where the grant relates to an asset, the fair value is credited to deferred income account and is released to the income statement over the expected useful life of the relevant asset by equal annual instalments or is deducted from carrying amount of the asset and released to income statement by way of a reduced depreciation charge.

3. ADOPTION OF NEW ACCOUNTING POLICIES

The HKICPA has issued a number of new and revised HKFRSs and Interpretations that are first effective or available for early adoption for the current accounting period of the Group.

There have been no significant changes to the accounting policies applied in these financial statements for the years presented as a result of these developments. However, as a result of the adoption of HKFRS 7, "Financial instruments: Disclosures" and the amendment to HKAS 1 "Presentation of financial statements: Capital disclosures", there have been some additional disclosures provided as follows:

As a result of the adoption of HKFRS 7, the financial statements include expanded disclosure about the significance of the financial instruments and the nature and extent of risks arising from those instruments, compared with the information previously required to be disclosed by HKAS 32, "Financial instruments: Disclosure and presentation". These disclosures are provided throughout these financial statements, in particular in note 37.

The amendment to HKAS 1 introduces additional disclosure requirements to provide information about the level of capital and the Group's and the Company's objectives, policies and processes for managing capital. These new disclosures are set out in note 24.

Both HKFRS 7 and the amendment to HKAS 1 do not have any material impact on the classification, recognition and measurement of the amounts recognised in the financial instruments.

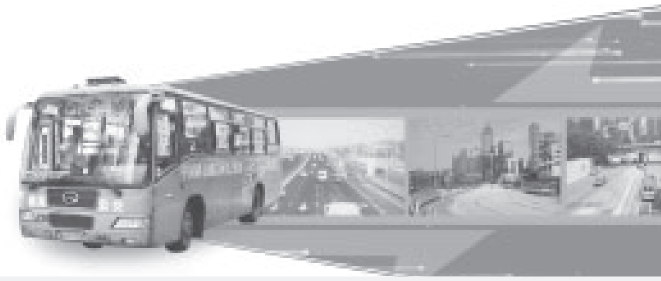
The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period (see note 41).

4. 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

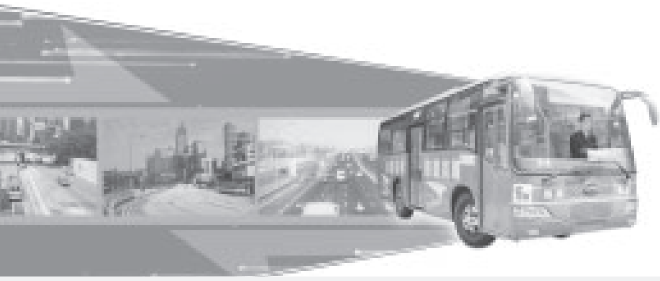
	2007						
	Public routes HK$'000	Tourist routes and sightseeing tciket HK$'000	"Hire a bus" services HK$'000	Taxi rental HK$'000	Rental income HK$'000	Management fee income HK$'000	Total HK$'000
Turnover	123,249	31,954	11,981	12,674	2,936	2,275	185,069
Cost of sales	(116,970)	(29,665)	(11,426)	(10,923)	(2,540)	(1,776)	(173,300)
Gross profit	6,279	2,289	555	1,751	396	499	11,769
Administrative expenses	(16,166)	(4,083)	(1,438)	(1,521)	(352)	(30)	(23,590)
Segment results	(9,887)	(1,794)	(883)	230	44	469	(11,821)
Unallocated items							
Other income							20,520
Gains, net							201
Administrative expenses							(19,930)
Operating loss							(11,030)
Finance costs							(1,669)
Loss before taxation							(12,699)
Taxation							(277)
Loss before minority interests							(12,976)
Minority interests							3,857
Loss attributable to shareholders							(9,119)



4. BUSINESS AND GEOGRAPHICAL SEGMENTS (Continued)

(a) Business segments (Continued)

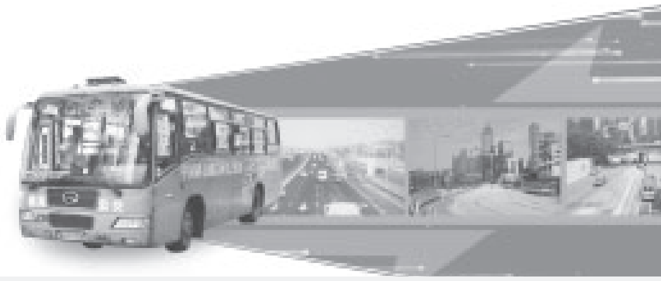
	2007						
	Public routes	Tourist routes and sightseeing tciket	"Hire a bus" services	Taxi rental	Rental income	Management fee income	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Assets							
Segment Assets	116,628	9,256	9,127	22,067	4,720	2,852	164,650
Available for sale financial assets							1,161
Unallocated corporate assets							47,408
Consolidated total assets							213,219
Liabilities							
Segment liabilities	67,040	3,666	3,351	13,153	2,973	2,241	92,424
Unallocated corporate liabilities							45,129
Consolidated total liabilities							137,553
Other information:							
Depreciation and amortisation for the year	11,885	1,478	2,005	2,311	125	67	17,871
Impairment loss on property, plant and equipment for the year	7,267	31	205	2,355	3	11	9,872
Segment assets Trade receivables	5,094	279	447	46	–	–	5,866
Capital expenditure incurred during the year	38,082	143	3,060	7,743	–	472	49,500
Allowances for impairment of bad and doubtful debts	–	–	–	–	–	–	–
Reversal of revaluation deficit previously recognised	–	–	–	–	(155)	–	(155)



4. BUSINESS AND GEOGRAPHICAL SEGMENTS (Continued)

(a) Business segments (Continued)

	2006						
	Public routes HK$'000	Tourist routes and sightseeing tciket HK$'000	"Hire a bus" services HK$'000	Taxi rental HK$'000	Rental income HK$'000	Management fee income HK$'000	Total HK$'000
Turnover	105,944	22,708	9,938	13,001	2,505	2,064	156,160
Cost of sales	(94,179)	(21,625)	(7,924)	(10,400)	(820)	(1,700)	(136,648)
Gross profit	11,765	1,083	2,014	2,601	1,685	364	19,512
Administrative expenses	(12,724)	(2,101)	(1,239)	(1,743)	(195)	(9)	(18,011)
Segment results	(959)	(1,018)	775	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)



4. BUSINESS AND GEOGRAPHICAL SEGMENTS (Continued)

(a) Business segments (Continued)

	2006						
	Public routes HK$'000	Tourist routes and sightseeing tciket HK$'000	"Hire a bus" services HK$'000	Taxi rental HK$'000	Rental income HK$'000	Management fee income HK$'000	Total HK$'000
Assets							
Segment Assets	88,126	8,116	14,919	22,385	1,878	1,380	136,804
Available for sale financial assets							1,080
Unallocated corporate assets							35,861
Consolidated total assets							173,745
Liabilities							
Segment liabilities	44,768	3,182	776	12,174	57	1,945	62,902
Unallocated corporate liabilities							31,287
Consolidated total liabilities							94,189

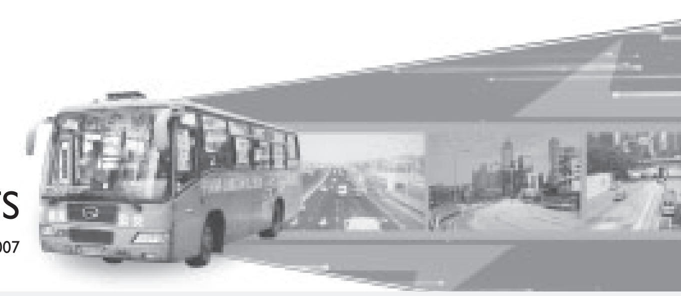
	Public routes HK$'000	Tourist routes and sightseeing tciket HK$'000	"Hire a bus" services HK$'000	Taxi rental HK$'000	Rental income HK$'000	Management fee income HK$'000	Un-allocated HK$'000	Total HK$'000
Other information:								
Depreciation and amortisation for the year	10,380	636	1,591	2,964	–	153	–	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
Allowance for impairment of bad and doubtful debts	–	–	–	–	–	–	167	167
Reversal of revaluation deficit previously recognised	–	–	–	–	(1)	–	–	(1)

(b) No geographical segment analysis is presented as over 90% of the customers, asset and liabilities are located in the PRC.

5. 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	
	2007	2006
	HK$'000	HK$'000
Turnover		
Public routes	**123,249**	105,944
Tourist routes and sightseeing ticket	**31,954**	22,708
"Hire a bus" services	**11,981**	9,938
Taxi rental	**12,674**	13,001
Rental income	**2,936**	2,505
Management fee income	**2,275**	2,064
	185,069	156,160
Other income		
Advertising income on fleet body	**6,418**	4,745
Subsidies from local authorities	**10,841**	5,819
Repair service income	**505**	371
Sundry income	**1,776**	2,175
Bank interest income	**724**	612
Other interest income	**101**	861
	20,365	14,583
Gains, net		
Net gain on sale of property, plant and equipment	**–**	102
Fair value gains on investment properties (Note 14)	**201**	42
Reversal of revaluation deficit previously recognised	**155**	1
	20,721	14,728
Total	**205,790**	170,888



6. OPERATING (LOSS)/PROFIT

Operating (loss)/profit is arrived at after charging:

	The Group	
	2007	2006
	HK$'000	HK$'000
Amortisation of intangible assets *(Note 16)*	**371**	341
Auditors' remuneration		
– Current year	**380**	980
– Prior years	**106**	–
Depreciation of property, plant and equipment *(Note 13)*	**17,390**	15,281
Amortisation of lease premium for land *(Note 15)*	**110**	102
Allowance for impairment of bad and doubtful debts	**–**	167
Operating leases rentals in respect of rented premises	**537**	120
Exchange loss	**549**	298
Employee benefit expenses *(Note 7)*	**39,390**	33,195

7. EMPLOYEE BENEFIT EXPENSES

	The Group	
	2007	2006
	HK$'000	HK$'000
Salaries and other employee benefits	**32,141**	26,412
Retirement benefits scheme contributions	**7,249**	6,783
	39,390	33,195

7. EMPLOYEE BENEFIT EXPENSES (Continued)

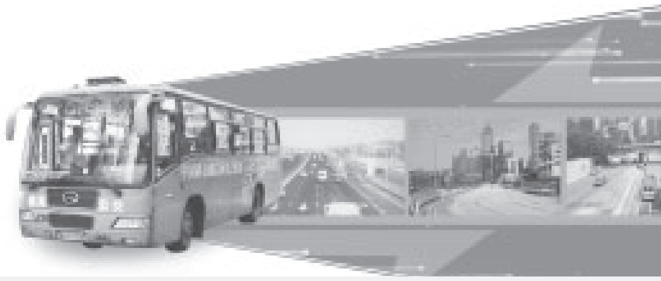
(a) Directors' emoluments

The remuneration of every director for the year ended 31 December 2007 is set out below:

	Fee	Salary	Other benefits	Employer's Contributions to pension scheme	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Executive directors					
WONG Wah Sang*	–	–	–	–	–
WONG Man Chiu, Ronnie	–	170	–	–	170
YEUNG Wai Hung#	–	200	30	10	240
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	370	30	10	560

* Mr. Wong Wah Sang was redesignated as Non-executive Director subsequent to the year end on 14 February 2008.

Mr. Yeung Wai Hung was resigned subsequent to year end on 14 February 2008.



7. EMPLOYEE BENEFIT EXPENSES (Continued)

(a) Directors' emoluments (Continued)

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

No directors of the Company waived any emoluments during the years ended 31 December 2007 and 2006.

During the years ended 31 December 2007 and 2006, 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 32 to the financial statements.

7. EMPLOYEE BENEFIT EXPENSES (Continued)

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year include two (2006: three) directors of the Company, details of whose emoluments are set out above. The emoluments payable to the remaining three (2006: two) individuals (the "Employees") during the year are as follows:

	2007 HK$'000	2006 HK$'000
Basic salaries and benefits	1,065	1,532
Contributions to provident fund	95	77
	1,160	1,609

During the years ended 31 December 2007 and 2006, 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	
	2007	2006
Nil to HK$1,000,000	3	2

8. FINANCE COSTS

	The Group	
	2007 HK$'000	2006 HK$'000
Interest on bank loans and overdraft		
– wholly repayable within 5 years	1,459	1,429
Interest on other loans		
– wholly repayable within 5 years	–	30
Interest on convertible bonds *(Note 30)*	210	–
	1,669	1,459

9. INCOME TAX IN THE CONSOLIDATED INCOME STATEMENT

(a) Taxation in the consolidated income statement represents:

	The Group	
	2007	2006
	HK$'000	HK$'000
Current tax:		
PRC income tax provided for the year	**4**	891
Deferred tax:		
Charge for the year *(Note 28)*	**273**	1,239
Tax charge	**277**	2,130

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 (2006: Nil). Taxation on profits/revenue arising in the PRC has been calculated on the estimated assessable profits for the year at the rates of taxation prevailing in the PRC.

(b) Reconciliation between tax expenses and accounting (loss)/profit at applicable tax rates:

	The Group	
	2007	2006
	HK$'000	HK$'000
(Loss)/profit before taxation	**(12,699)**	4,256
Notional tax calculated at the applicable rates	**(2,222)**	745
Tax effect of decrease in opening deferred taxation	**167**	–
Tax effect of non-taxable income	**(87)**	(529)
Tax effect on non-deductible expenses	**1,396**	1,121
Tax losses not recognised	**1,079**	276
Tax losses utilised from previous periods	**–**	(126)
Tax effect of different tax rates on other countries	**(56)**	643
Tax charge at the Group's effective rates	**277**	2,130

10. DIVIDEND

The directors do not recommend the payment of any dividend in respect of the year ended 31 December 2007 (2006: Nil).

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

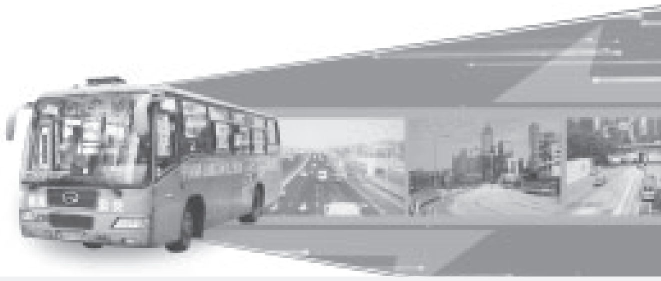
The loss for the year attributable to the equity holders of the Company includes a loss of HK$3,991,000 (2006: loss of HK$2,877,000) which has been dealt with in the financial statements of the Company.

12. LOSS PER SHARE ATTRIBUTABLE TO THE EQUITY HOLDERS OF THE COMPANY

The calculation of the basic loss per share is based on the Group's loss attributable to the shareholders for the year of HK$9,119,000 (2006: HK$94,000) and on the number of 180,000,000 (2006: 180,000,000) shares in issue during the years ended 31 December 2007 and 2006, respectively.

Diluted loss per share for the year ended 31 December 2007 has not been shown as the convertible bonds outstanding had an anti-dilutive effect on the basic loss per share for the year.

No diluted loss per share had been presented as there was no dilutive potential ordinary share during the year ended 31 December 2007.

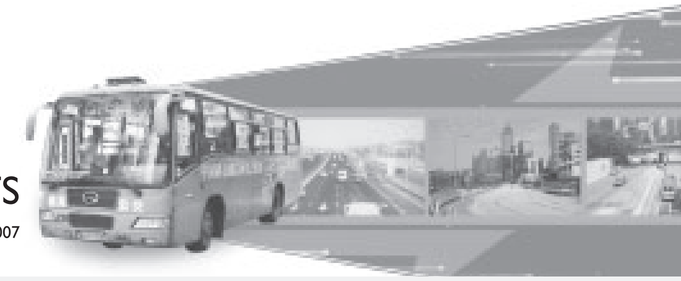


13. PROPERTY, PLANT AND EQUIPMENT

	Leasehold buildings HK$'000	Leasehold improvements HK$'000	Furniture, fixtures and equipment HK$'000	Motor vehicles HK$'000	Total HK$'000
The Group					
COST OR VALUATION					
At 1 January 2006	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
Currency realignment	163	211	408	12,627	13,409
Additions	–	78	614	48,808	49,500
Disposals	–	–	(127)	(27,778)	(27,905)
Adjustment on revaluation	227	–	–	–	227
At 31 December 2007	2,572	3,228	6,382	201,691	213,873
Analysis of cost or valuation:					
At 31 December 2007					
At cost	–	3,228	6,382	201,691	211,301
At valuation	2,572	–	–	–	2,572
	2,572	3,228	6,382	201,691	213,873
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

13. PROPERTY, PLANT AND EQUIPMENT (Continued)

	Leasehold buildings HK$'000	Leasehold improvements HK$'000	Furniture, fixtures and equipment HK$'000	Motor vehicles HK$'000	Total HK$'000
The Group					
DEPRECIATION AND IMPAIRMENT					
At 1 January 2006	–	578	3,042	54,047	57,667
Currency realignment	–	14	75	1,328	1,417
Depreciation charge	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
Currency realignment	–	53	273	5,212	5,538
Depreciation charge	64	146	653	16,527	17,390
Impairment	–	–	–	9,872	9,872
Disposals	–	–	(110)	(26,291)	(26,401)
Eliminated on revaluation	(64)	–	–	–	(64)
At 31 December 2007	–	919	4,472	75,067	80,458
NET BOOK VALUES					
At 31 December 2007	2,572	2,309	1,910	126,624	133,415
At 31 December 2006	2,182	2,219	1,831	98,287	104,519



13. PROPERTY, PLANT AND EQUIPMENT (Continued)

	Leasehold improvements HK$'000	Furniture, fixtures and equipment HK$'000	Total HK$'000
The Company			
COST OR VALUATION			
At 1 January 2006	108	19	127
Additions	–	9	9
At 31 December 2006	108	28	136
Additions	78	170	248
At 31 December 2007	186	198	384
DEPRECIATION AND IMPAIRMENT			
At 1 January 2006	5	4	9
Depreciation charge	5	6	11
At 31 December 2006	10	10	20
Depreciation charge	7	23	30
At 31 December 2007	17	33	50
NET BOOK VALUES			
At 31 December 2007	169	165	334
At 31 December 2006	98	18	116

13. 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	
	2007	2006
	HK$'000	HK$'000
The net book value of medium-term leasehold buildings comprises:		
In the PRC, at valuation	**2,572**	2,182

The Group's leasehold buildings were valued at 31 December 2007 by independent valuers, Chongqing Dahua Assets Appraisal Company Limited, Messrs Taizhou Xingrui Certified Public Accountants and Messrs Xuzhou Huaxing Certified Public Accountants, on an open market value basis.

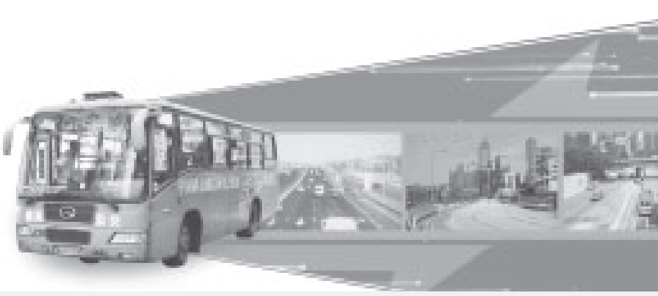
At 31 December 2007, certain of the Group's leasehold buildings in the PRC with a carrying value of approximately HK$455,000 (2006: HK$389,000) were pledged to secure bank borrowings granted to the Group (Note 26).

Had leasehold buildings been carried at cost less accumulated depreciation and amortisation, the carrying value of leasehold buildings would have been HK$2,518,000 (2006: HK$3,084,000).

14. INVESTMENT PROPERTIES

	The Group	
	2007	2006
	HK$'000	HK$'000
At 1 January	**1,097**	1,029
Currency realignment	**82**	26
Fair value gains	**201**	42
At 31 December	**1,380**	1,097

The Group's investment properties are all situated in the PRC are held under medium term leases. The cost of investment properties was HK$1,129,000 (2006: HK$1,129,000). The Group's investment properties were valued at 31 December 2007 by independent valuers, Chongqing Dahua Assets Appraisal Company Limited, on an open market value basis. The fair value gains during the year amounted HK$201,000 (2006: Fair value gains of HK$42,000) and are credited to the consolidated income statement under gains, net (Notes 5).



15. LEASE PREMIUM FOR LAND

	The Group	
	2007	2006
	HK$'000	HK$'000
COST		
At 1 January	**5,196**	5,072
Currency realignment	**388**	124
At 31 December	**5,584**	5,196
AMORTISATION		
At 1 January	**204**	100
Currency realignment	**14**	2
Amortisation	**110**	102
At 31 December	**328**	204
NET BOOK VALUES		
At 31 December	**5,256**	4,992

At 31 December 2007, lease premium for land of approximately HK$746,000 (2006: HK$762,000) has been pledged as collateral for Group's bank borrowings (Note 26). The lease premium for land in the PRC is held under medium term leases.

16. INTANGIBLE ASSETS

The Group

	Goodwill	Travel Agent licences	Taxi licences	Total
	HK$'000	HK$'000	HK$'000	HK$'000
COST				
At 1 January 2006	381	742	2,320	3,443
Currency realignment	–	20	57	77
At 31 December 2006	381	762	2,377	3,520
Currency realignment	–	57	178	235
At 31 December, 2007	381	819	2,555	3,755
AMORTISATION AND IMPAIRMENT				
At 1 January 2006	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
Currency realignment	–	11	113	124
Amortisation for the year	–	86	285	371
At 31 December 2007	381	249	1,905	2,535
NET BOOK VALUES				
At 31 December 2007	–	570	650	1,220
At 31 December 2006	–	610	870	1,480

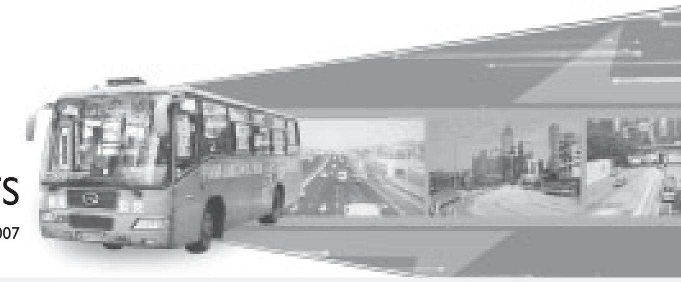
(i) Travel agent licences

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

(ii) 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.



17. INTERESTS IN SUBSIDIARIES

	The Company	
	2007	2006
	HK$'000	HK$'000
Unlisted shares, at cost	**990**	990
Amount due from a subsidiary	**22,668**	22,306
	23,658	23,296

The amount due from a subsidiary which is unsecured and interest free, would not likely be repaid in the following year and is therefore shown as non-current.

Details of the principal subsidiaries at 31 December 2007 are as follows:

Name	Place/Country of incorporation/ establishment and operation	Principal activities	Issued and fully paid share capital/ registered capital	Interest held Directly %	Interest held Indirectly %
Argos Bus Services (China) Company Limited ("Argos China")	Hong Kong	Investment holding	HK$500,000	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	RMB45,732,679	–	60

17. INTERESTS IN SUBSIDIARIES (Continued)

Name	Place/Country of incorporation/ establishment and operation	Principal activities	Issued and fully paid share capital/ registered capital	Interest held Directly %	Indirectly %
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 sighting agent	RMB2,500,000	–	59.4
Taizhou Argos Public Transport Bus Company Limited ("Repair Factory")	PRC	Provision of repair service	RMB200,000	–	60
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.

18. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	The Group	
	2007	2006
	HK$'000	HK$'000
Unlisted equity securities, at cost		
At 1 January	**1,080**	1,024
Currency realignment	**81**	56
At 31 December	**1,161**	1,080

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. The available-for-sale financial assets are not impaired.

19. INVENTORIES

	The Group	
	2007	2006
	HK$'000	HK$'000
Spare parts of motor vehicles	**2,315**	1,616

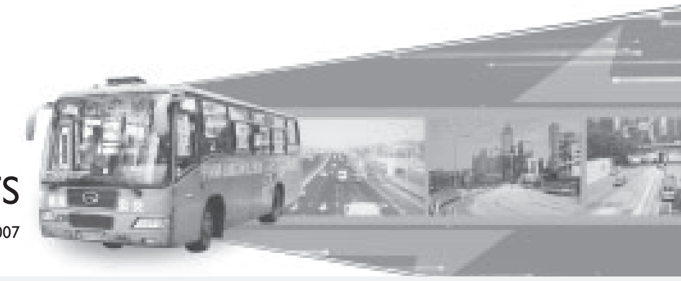
20. TRADE AND OTHER RECEIVABLES

	The Group	
	2007	2006
	HK$'000	HK$'000
Trade receivables	**5,866**	4,724
Amount due from a related company (Note 21)	**–**	2,681
Amount due from a minority shareholder	**729**	679
Prepayment, deposits and other receivables	**15,237**	12,718
	21,832	20,802

At each of the balance sheet date, the Group's allowances for impairment of trade receivables were individually determined based on the credit history of its customers, such as financial difficulties or default in payments, and current market conditions. Consequently, specific impairment allowances were recognised. All of the trade and other receivables are expected to be received or recognised as expense within one year.

The Group allows a credit period from 30 days to 90 days to its trade customers. The following is an aged analysis of net trade receivables at the balance sheet date:

	The Group	
	2007	2006
	HK$'000	HK$'000
Current	**4,655**	4,189
31 – 60 days	**680**	243
61 – 90 days	**266**	93
Over 90 days	**265**	199
	5,866	4,724



20. TRADE AND OTHER RECEIVABLES (Continued)

The ageing analysis of trade receivables that are not impaired is as follows:

	2007 HK$'000	2006 HK$'000
Neither past due nor impaired	**4,661**	4,206
Past due but not impaired	**1,205**	518
	5,866	4,724

As of 31 December 2007, trade receivables of HK$1,205,000 (2006: HK$518,000) was past but not impaired. These related to a number of independent customers for whom there is no recent history of default. The ageing analysis of these receivables is as follows:

	2007 HK$'000	2006 HK$'000
31 – 60 days	**674**	254
61 – 90 days	**266**	72
Over 90 days	**265**	192
	1,205	518

The directors considered that the carrying amounts of trade and other receivables approximate to their fair values. Trade and other receivables are all denominated in Renminbi for both 2007 and 2006.

The carrying amounts of the Group's trade receivables are denominated in the following currency:

	The Group	
	2007	2006
Renminbi	**5,487**	4,749

21. AMOUNT DUE FROM A RELATED COMPANY

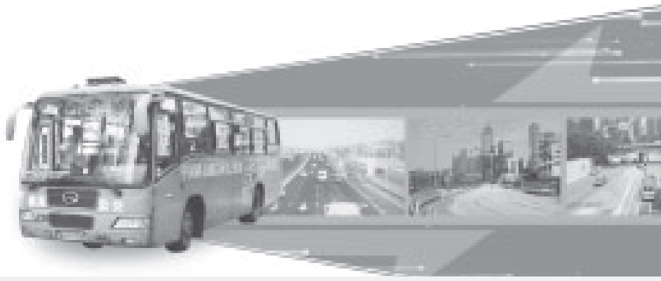
Particulars of amount due from a related company disclosed pursuant to Section 161B of The Hong Kong Companies Ordinance are as follows:

The Group	Balance at 1 January 2006	Balance at 31 December 2006	Balance at 31 December 2007	Maximum balance outstanding during 2006	Maximum balance outstanding during 2007
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Argos Recreation and Sport (Nanjing) Company Limited ("ARSN")	10,378	2,681	–	15,422	5,340

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 in 2006 which is interest bearing at rates ranging from 5.58% to 5.841% per annum.

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

As ARSN is a connected corporation of the Company, the lending of loan to ARSN 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.



22. CASH AND CASH EQUIVALENTS

	The Group	
	2007	2006
	HK$'000	HK$'000
Cash and bank	**36,640**	20,731
Cash and cash equivalents in the balance sheet	**36,640**	20,731
Bank overdraft (Note 26)	**(10,556)**	(10,521)
Cash and cash equivalents in the cash flow statement	**26,084**	10,210

The carrying amounts of the Group's cash and cash equivalents are denominated in the following currency:

	The Group	
	2007	2006
Renminbi	**34,273**	20,833

23. SHARE CAPITAL

	2007 and 2006	
	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 in Note 32 to the financial statements.

24. CAPITAL MANAGEMENT

The Group's capital management objectives are:

(i) To ensure the Group's ability to continue as a going concern;

(ii) To provide an adequate return to shareholders;

(iii) To support the Group's sustainable growth; and

(iv) To provide capital for the purpose of potential mergers and acquisitions.

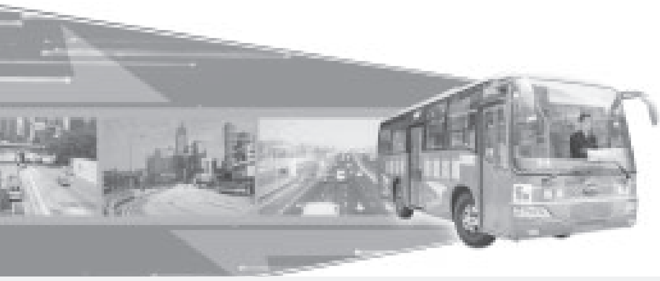
The Group sets the amount of equity capital in proportion to its overall financing structure. This ratio is calculated as overall financing divided by capital. Overall financing is calculated as bank borrowings (including current and non-current bank borrowings as shown in the consolidated balance sheet) plus convertible bonds (both equity and liability components), and amount due to a minority shareholder. Capital is calculated as total equity as shown in the consolidated balance sheet, less equity component of convertible bonds. The Group manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares, or sell assets to reduce debt.

24. CAPITAL MANAGEMENT (Continued)

During 2007, the Group's strategy, which was unchanged from 2006, was to maintain a capital-to-overall financing ratio within 35% – 50%. The capital-to-overall financing ratios as at 31 December 2007 and 2006 were as follows:

	2007 HK$'000	2006 HK$'000
Total bank borrowings	**27,105**	21,487
Add: Convertible bonds – equity and liability components (Note 30)	**7,200**	–
Amount due to a minority shareholder	**1,735**	7,542
Overall financing	**36,040**	29,029
Total equity	**75,666**	79,556
Less: Convertible bonds – equity components	**432**	–
Capital	**75,234**	79,556
Capital-to-overall financing ratio	**48%**	36%

Neither the Company nor any of its subsidiaries are subject to externally imposed capital requirements.



25. 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$'000	Convertible bonds reserve HK$'000	Retained earnings HK$'000	Total HK$'000
At 1 January 2006	29,200	2,806	(490)	3,227	79	–	16,418	51,240
Loss for the year	–	–	–	–	–	–	(94)	(94)
Changes in fair value of leasehold buildings	–	–	–	–	(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
Loss for the year	–	–	–	–	–	–	(9,119)	(9,119)
Changes in fair value of leasehold buildings	–	–	–	–	136	–	–	136
Recognition of equity component of convertible bonds	–	–	–	–	–	432	–	432
Currency translation differences	–	3,913	–	–	–	–	–	3,913
At 31 December 2007	29,200	8,560	(490)	3,227	184	432	7,205	48,318

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.

25. RESERVES (Continued)

The Company

	Convertible bonds reserve HK$'000	Share premium HK$'000	Accumulated losses HK$'000	Total HK$'000
At 1 January 2006	–	29,200	(10,291)	18,909
Loss for the year	–	–	(2,877)	(2,877)
At 31 December 2006	–	29,200	(13,168)	16,032
Loss for the year	–	–	(3,991)	(3,991)
Recognition of equity component of convertible bonds	432	–	–	432
At 31 December 2007	432	29,200	(17,159)	12,473

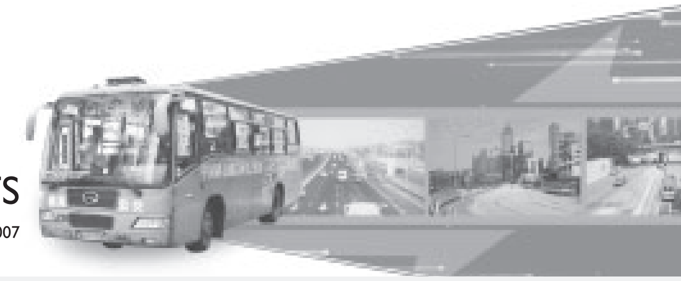
In the opinion of the directors, there is no reserve available for distribution to shareholders of the Company.

26. BANK BORROWINGS

	The Group		The Company	
	2007	2006	**2007**	2006
	HK$'000	HK$'000	**HK$'000**	HK$'000
Bank overdraft – secured	**10,556**	10,521	**10,556**	10,521
Bank loans – secured	**16,549**	10,966	**–**	–
	27,105	21,487	**10,556**	10,521
The term of repayment of the bank borrowings are analysed as follows:				
– Within one year	**16,485**	21,011	**10,556**	10,521
– In the second year	**6,467**	48	**–**	–
– In the third to fifth years, inclusive	**3,927**	164	**–**	–
– Over five years	**226**	264	**–**	–
	27,105	21,487	**10,556**	10,521
Less: Portion classified as current liabilities	**16,485**	21,011	**10,556**	10,521
Non-current portion	**10,620**	476	**–**	–
The carrying amounts of bank borrowings are denominated in the following currencies:				
Hong Kong dollar	**10,556**	10,521	**10,556**	10,521
Renminbi	**15,480**	11,024	**–**	–

The bank borrowings carry interest at rates ranging from 4.87% to 7.56% p.a. (2006: 5.85% to 6.73%) for borrowings denominated in Renminbi or at the prevailing market rates for borrowings denominated in Hong Kong dollars.

The fair values of current bank borrowings equal to their carrying amounts as the impact of discounting is not significant.



27. ADVERTISING INCOME ON FLEET BODY RECEIPT IN ADVANCE

	The Group	
	2007	2006
	HK$'000	HK$'000
Balance at 31 December	**4,856**	4,858
Less: Portion classified as current liabilities	**1,093**	479
Non-current portion	**3,763**	4,379

28 INCOME TAX IN THE BALANCE SHEET

(a) Deferred tax assets and liabilities recognised:

	The Group	
	2007	2006
	HK$'000	HK$'000
Deferred tax (liabilities)/assets at the beginning of the year	**(690)**	549
Charged to income statement for the year *(Note 9(a))*	**(273)**	(1,239)
Deferred tax liabilities at the end of the year	**(963)**	(690)

The components of deferred tax assets/(liabilities) recognised in the consolidated balance sheet and the movements during the year are as follows:

	Accelerated tax depreciation	**Others**	**Total**
	HK$'000	HK$'000	HK$'000
At 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)
(Charged)/credited to income statement	(407)	134	(273)
At 31 December 2007	(2,700)	1,737	(963)

28 INCOME TAX IN THE BALANCE SHEET (Continued)

(b) Deferred tax assets not recognised

	The Group	
	2007	2006
	HK$'000	HK$'000
Unused tax losses	**6,677**	512

The tax losses do not expire under current tax legislation.

The Company has no significant tax losses at both year end dates.

29. TRADE AND OTHER PAYABLES

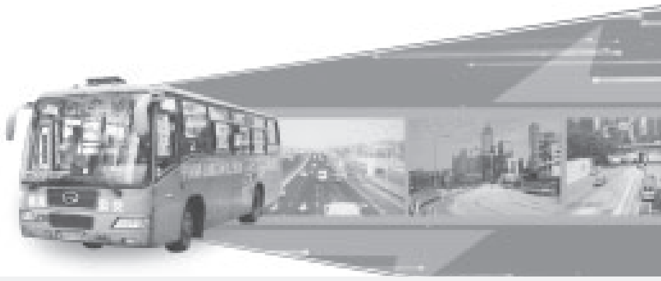
	The Group		The Company	
	2007	2006	**2007**	2006
	HK$'000	HK$'000	**HK$'000**	HK$'000
Trade payables	**4,331**	4,629	**–**	–
Security deposits received from drivers (Note (i))	**19,691**	20,258	**–**	–
Other deposits and accruals	**63,597**	34,000	**2,325**	1,564
Amounts due to subsidiaries	**–**	–	**–**	3,530
Amount due to a minority shareholder	**1,735**	7,542	**–**	–
Amount due to a director	**–**	100	**–**	–
Amount due to a related company	**653**	–	**–**	–
	90,007	66,529	**2,325**	5,094

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.

All of the other trade and other payable, apart from that mentioned in note(i), are expected to be settled or recognised as income within one year or are repayable on demand.

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



29. TRADE AND OTHER PAYABLES (Continued)

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

	The Group	
	2007	2006
	HK$'000	HK$'000
Current	**3,405**	958
31 – 60 days	**377**	2,582
61 – 90 days	**154**	747
Over 90 days	**395**	342
	4,331	4,629

Trade and other payables are all denominated in Renminbi for both 2007 and 2006.

30. CONVERTIBLE BONDS

The Group and Company

	2007	2006
	HK$'000	HK$'000
Convertible bonds	**6,948**	–

The convertible bonds were issued on 7 August 2007. The bonds are convertible into ordinary shares of the Company at any time between the date of issue of the notes and their loan maturity date. The bonds can be converted into 36,000,000 ordinary shares per HK$0.2 bond at par.

The fair value of the liability component, included in the convertible bonds, was calculated using a market interest rate for an equivalent non-convertible bond. The residual amount, representing the value of the equity conversion component, is included in shareholders' equity in convertible bond equity reserve, net of deferred taxes.

The carrying amount of the convertible bonds is denominated in Hong Kong dollars.

At 31 December 2007, the convertible bonds were repayable within one year.

30. CONVERTIBLE BONDS (Continued)

The convertible bonds recognised in the balances sheet are calculated as follows:

	2007	2006
	HK$'000	HK$'000
Face value of convertible bonds issued on 7 August 2007	**7,200**	–
Equity component	**432**	–
Liability component on initial recognition	**6,768**	–
Imputed interest expense	**180**	–
Liability component at 31 December	**6,948**	–

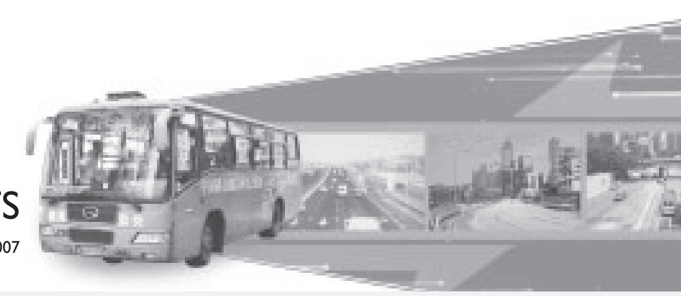
The directors considered that the carrying amounts of convertible bonds approximate to their fair value.

Interest expense of HK$210,000 *(Note 8)* (2006: Nil) has been recognised in the income statement in respect of the convertible bonds for the year ended 31 December 2007, using the effective interest method by applying effective interest rate of 7% to the liability component.

31. DEFERRED INCOME

In June 2007, a subsidy of RMB6,600,000 was granted by 南京市財政局 for acquisition of motor vehicles in relation of the bus operation, of which RMB180,000 has been released to the income statement to match the depreciation charged for the motor vehicles acquired.

The Company has no deferred income at both year ended dates.



32. EMPLOYEE BENEFITS

Retirement Benefits 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.

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 2007, no option has been granted or agreed to be granted to the directors or employee of the Company and its subsidiaries under the scheme.

33. 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		The Company	
	2007	2006	**2007**	2006
	HK$'000	HK$'000	**HK$'000**	HK$'000
Within one year	**781**	326	**624**	–
In the second to fifth years inclusive	**1,045**	585	**416**	–
More than five years	**1,222**	1,283	**–**	–
	3,048	2,194	**1,040**	–

34. OTHER COMMITMENTS

	2007	2006
	HK$'000	HK$'000
Capital expenditure contracted for but not provided for motor vehicles:	**920**	–

35. FINANCIAL GUARANTEES AND COTINGENT LIABILITIES

	The Group		The Company	
	2007	2006	**2007**	2006
	HK$'000	HK$'000	**HK$'000**	HK$'000
Guarantee given to financial institution in respect of credit facilities utilised by:				
– a related company	**1,000**	1,000	**1,000**	1,000

In the opinion of the directors, the fair value of the liabilities in relation to the above guarantees is insignificant as at 31 December 2007 and 31 December 2006. Subsequently the guarantees has been discharged on 18 March 2008.

36. MATERIAL RELATED PARTY TRANSACTIONS

(a) The Group had the following material transactions with related parties during the year.

Name	Relationship	Nature	Notes	2007 HK$'000	2006 HK$'000
Argos Bus Services Company Limited ("ABSHK")	Related company	Rental paid	(i)	**180**	120
Argos Recreation and Sport (Nanjing) Company Limited ("ARSN")	Related company	Interest received	(ii)	**101**	753
		Rental paid	(iii)	**112**	95
		Sales of property, plant and equipment	(iv)	**43**	–

Notes:

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

(ii) Interest was charged on the advances to ARSN at 8% per annum.

(iii) Rental expenses were determined in accordance with the tenancy agreement entered into between ARSN and Argos Management.

(iv) Sales proceeds from disposal of property, plant and equipment were determined in accordance with agreed terms between ARSN and Nanjing Argos.

(b) **Key management compensation**

Remuneration for key management personnel, including amounts paid to the Company's directors as disclosed in note 7 is as follows:

	2007 HK$'000	2006 HK$'000
Salaries and other employees benefits	**1,065**	1,532
Employer contribution to pension scheme	**95**	77

36. MATERIAL RELATED PARTY TRANSACTIONS (Continued)

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

(ii) An overdraft banking facility totalling of HK$11,500,000 has been granted by a bank against pledge of the Company's fixed deposit of HK$10,000,000 of which HK$1,000,000 was allocated to Argos Bus Services Company Limited.

(iii) A subcontracting agreement was entered into by Argos Recreation and Sports Development Company Limited ("ARSHK") and Nanjing Fitness Centre Limited for the operation of Nanjing Fitness Centre in which Argos Enterprises Management and Consultant (Nanjing) Limited, a subsidiary of the Company, acted as the guarantor to a RMB5,000,000 performance guarantee in favour of ARSHK in respect of the due observance of ARSHK's obligation stipulated in the subcontracting agreement.

37. FINANCIAL INSTRUMENTS

The Group's activities expose it to a variety of financial risks: market risk (including currency risk, cash flow and fair value interest rate risk and price risk), credit risk, liquidity 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

The Group is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to Renminbi ("RMB"). Foreign exchange risk arises from future commercial transactions, recognised assets and liabilities and net investments in foreign operations. In addition, the conversion of RMB into foreign currencies is subject to the rules and regulations of foreign exchange control promulgated by the PRC government. This currency exposure is managed primarily through sourcing raw material denominated in the same currency.

During the year ended 31 December 2007, if HK$ had strengthened/weakened by 5% against the RMB, with all other variable held constant, the effect on loss for the year is immaterial, equity would have been approximately HK$1,100,000 (2006: HK$560,000) lower or higher.

The above sensitivity analysis has been determined assuming that a change in foreign exchange rates had occurred at the balance sheet date and had been applied to the exposure to foreign exchange risk for financial instruments in existence at that date. The 5 percentage point increase or decrease represents management's assessment of a reasonably possible change in exchange rates over the period until the next annual balance sheet date. The analysis was performed on the same basis for 2006.

37. FINANCIAL INSTRUMENTS (Continued)

(a) Market risk (Continued)

(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.

(iii) Interest rate risk

Risk profile
As the Group has no significant interest-bearing assets, the Group's income and operating cash flows are substantially independent of changes in market interest rates.

The Group's interest-rate risk arises from long-term borrowings and bank deposits. 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 bank borrowings are set out in note 26. 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.

37. FINANCIAL INSTRUMENTS (Continued)

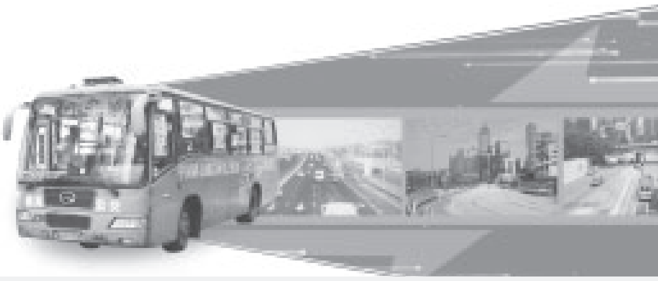
(a) Market risk (Continued)

(iii) Interest rate risk (Continued)

Risk profile (Continued)

The following table details the interest rate profile of the Group's and the Company's borrowings (as defined above) at the balance sheet date.

	Effective Interest rate %	The Group 2007 HK$'000	Effective Interest rate %	The Company 2007 HK$'000
Fixed rate borrowings:				
Bank loans	7	512	–	–
Convertible bonds	1	6,948	1	6,948
Other loan	5.31	658	–	–
		8,118		6,948
Variable rate borrowings:				
Bank loans	4.43	16,037	–	–
Bank overdraft	5.12	10,556	5.12	10,556
		26,593		10,556
Total borrowings		34,711		17,504
Fixed rate borrowings as a percentage of total borrowings		24%		40%



37. FINANCIAL INSTRUMENTS (Continued)

(a) Market risk (Continued)

(iii) Interest rate risk (Continued)

Risk profile (Continued)

	Effective Interest rate %	The Group 2006 HK$'000	Effective Interest rate %	The Company 2006 HK$'000
Fixed rate borrowings:				
Bank loans	6.73	521	–	–
Other loan	5.21	658	–	–
		1,179		–
Variable rate borrowings:				
Bank loans	4.38	10,445	–	–
Bank overdraft	5.12	10,521	5.12	10,521
		20,966		10,521
Total borrowings		22,145		10,521
Fixed rate borrowings as a percentage of total borrowings		5%		0%

Sensitivity analysis

At 31 December 2007, it is estimated that a general increase or decrease of 2 percentage point in interest rates, with all other variables held constant, would decrease or increase the Group's loss after tax and retained earnings by approximately HK$509,000 or HK$614,000 (2006: HK$11,000).

The above sensitivity analysis has been determined assuming that a change in interest rates had occurred at the balance sheet date and had been applied to the exposure to interest rate risk for financial instruments in existence at that date. The 2 percentage point increase or decrease represents management's assessment of a reasonably possible change in interest rates over the period until the next annual balance sheet date. The analysis was performed on the same basis for 2006.

37. FINANCIAL INSTRUMENTS (Continued)

(b) Credit risk

The Group's maximum exposure to credit risk is limited to the carrying amount of each financial asset shown in the consolidated balance sheet. Further quantitative disclosure in respect of the Group's exposure to credit risk arising from trade and other receivables are set out in note 20.

The Group continuously monitors default of customers and other counterparties, identifies either individually or by group, and incorporates this information into its credit risk controls. Where available at reasonable cost, external reports on customers and other counterparties are obtained and used. The Group's policy is to deal only with creditworthy counterparties.

The Group's management considers that all the above financial assets that are not impaired for each of the reporting dates under review are of good credit quality, including those that are past due.

None of the Group's financial assets are secured by collateral or other credit enhancements.

In respect of trade and other receivables, the Group is not exposed to any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics. Also the Group has no significant concentration of credit risk. The credit risk for liquid funds is considered negligible, since the counterparties are reputable banks with high quality external credit ratings.

(c) Liquidity risk

Individual operating entities within the Group are responsible for their own cash management, include raising of loan and advance from related companies to cover expected cash demands, subject to board approval. The Group's policy us to regularly monitor current and expected liquidity requirements and its compliance with lending covenants to ensure that it maintains sufficient amount of cash and adequate committed line of funding from major financial institutions and advances from related companies to meet its liquidity requirements in the short and longer term.

37. FINANCIAL INSTRUMENTS (Continued)

(c) Liquidity risk (Continued)

The table below categorised the Group's financial liabilities into relevant maturity grouping based on the remaining period from the balance sheet to the contractual maturity date. The tabulated amounts are the contractual undiscounted cash flows.

	Total carrying amount	Total	Less than 1 year or payable on demand	Between 1 to 2 years	Between 2 to 5 years	Over 5 years
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
2007						
Bank overdraft	10,556	11,097	11,097	–	–	–
Trade payables	4,331	4,331	4,331	–	–	–
Other payables	83,288	83,288	83,288	–	–	–
Secured loans	16,549	18,165	6,460	7,044	4,339	322
Convertible bonds	6,948	6,948	6,948	–	–	–
Amount due to a minority shareholder	1,735	1,735	1,735	–	–	–
Amount due to a related company	653	653	653	–	–	–
	124,060	126,217	114,512	7,044	4,339	322

	Total carrying amount	Total	Less than 1 year or payable on demand	Between 1 to 2 years	Between 2 to 5 years	Over 5 years
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
2006						
Bank overdraft	10,521	11,027	11,027	–	–	–
Trade payables	4,629	4,629	4,629	–	–	–
Other payables	54,258	54,258	54,258	–	–	–
Secured loans	10,966	11,956	11,225	81	260	390
Amount due to a minority shareholder	7,542	7,542	7,542	–	–	–
Amount due to a director	100	100	100	–	–	–
	88,016	89,512	88,781	81	260	390

37. FINANCIAL INSTRUMENTS (Continued)

(d) Fair value estimation

The fair value of cash and bank balances, trade and other receivables, trade and other payables, bank loans and bank overdraft are not materially different from their carrying amounts because of the immediate or short term maturity of these financial instruments.

38. 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 2(j)(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 16).

(ii) Estimate of fair value of unlisted securities

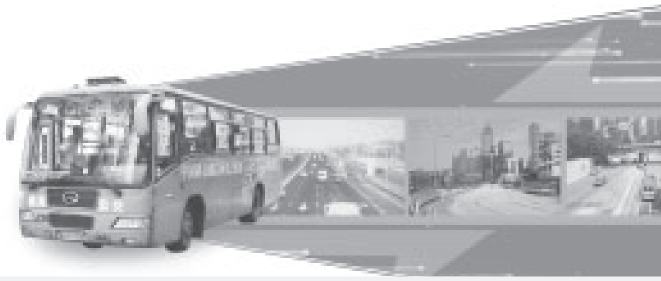
Certain unlisted securities included in available-for-sale financial assets are stated at cost less any accumulated impairment losses at the balance sheet date as the Group determines the fair value of such financial assets closely approximates to the carrying cost.

(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

(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.



38. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (Continued)

(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.

39. FINANICAL SUPPORT

In preparing the consolidated financial statements the directors have given consideration to the future liquidity of the Group. While recognised that the Group had sustained a net current liabilities of HK$51,420,000 as at 31 December 2007, 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.

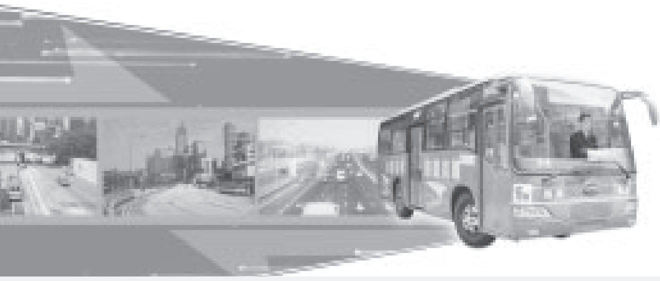
40. COMPARATIVE FIGURES

As a result of adopting HKFRS 7 "Financial instruments: Disclosures" and the amendments to HKAS 1 "Presentation of financial statements: Capital disclosures", certain comparative figures have been adjusted to conform with changes in disclosures in the current year and to show separately comparative amounts in respect of items disclosed for the first time in 2007. Further details of these developments are disclosed in note 2.

41. POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2007

Up to the date of issue of these financial statements, the HKICPA has issued a number of amendments, new standards and interpretations which are not yet effective for the year ended 31 December 2007 and which have not been adopted in these financial statements.

The Group is in the process of making an assessment of what the impact of these amendments, new standards and new interpretations is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the Group's results of operations and financial position.



INVESTMENT PROPERTIES

Particulars of investment properties as at 31 December 2007 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 五橋長嶺鎮梨樹村	5,336.43 m^2	Commercial	Medium-term lease	100%