



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 RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2008

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

GEM has been positioned as a market designed to accommodate companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. 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.

Hong Kong Exchanges and Clearing Limited and the Stock Exchange take no responsibility for the contents of this announcement, make 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 announcement.

This announcement, 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 announcement 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 announcement misleading; and (3) all opinions expressed in this announcement have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

HIGHLIGHTS

- Turnover of the Group for the year ended 31 December 2008 was approximately HK\$185.2 million which was relatively stable when compared to turnover of approximately HK\$185.1 million in the previous year.
- Loss for the year of HK\$70.2 million was recorded mainly because of prolonged high level of fuel cost in the first half of 2008, newly promulgated Labour Law which resulted in significant rise in staff salaries and benefit and impairment loss on motor vehicles of HK\$41 million.
- Loss per share was approximately 26.2 HK cents for the year ended 31 December 2008 as compared with loss per share of approximately 5.07 HK cents recorded in 2007.
- The directors do not recommend the payment of any dividend in respect of the year (2007: HK\$ Nil).

ANNUAL RESULTS

The board of directors of the Company (the "Board") is pleased to announce the audited consolidated results of the Group for the year ended 31 December 2008 together with comparative figures for the corresponding period of the previous financial year (the "Relevant Period"), as follows:

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2008

	Note	2008 HK\$'000	2007 HK\$'000
Turnover	4, 5	185,213	185,069
Cost of sales		(199,860)	(173,300)
Gross (loss)/profit		(14,647)	11,769
Other revenue	6	42,387	20,365
Other net (loss)/income	6	(11,005)	356
Operating and administrative expenses		(42,592)	(33,648)
Impairment loss on property, plant and equipment		(41,024)	(9,872)
Loss from operations		(66,881)	(11,030)
Finance costs	7(a)	(3,273)	(1,669)
Loss before taxation	7	(70,154)	(12,699)
Income tax	8(a)	–	(277)
Loss for the year		(70,154)	(12,976)
Attributable to:			
Equity shareholders of the Company		(48,262)	(9,119)
Minority interests		(21,892)	(3,857)
Loss for the year		(70,154)	(12,976)
Loss per share			
Basic and diluted	10	HK26.2 cents	HK5.07 cents

CONSOLIDATED BALANCE SHEET

At 31 December 2008

	Note	2008 HK\$'000	2007 HK\$'000
Non-current assets			
Property, plant and equipment		154,280	133,415
Investment properties		1,626	1,380
Prepaid lease payments		5,417	5,140
Intangible assets		912	1,220
Goodwill		–	–
Available-for-sale financial assets		1,248	1,161
Deposit for acquisition of a subsidiary		5,000	–
		168,483	142,316
Current assets			
Inventories		2,920	2,315
Trade and other receivables	11	17,058	21,948
Pledged bank deposits		10,000	10,000
Cash and cash equivalents		26,647	36,640
		56,625	70,903
Current liabilities			
Bank borrowings		28,558	16,485
Trade and other payables	12	132,561	91,909
Payable under convertible bond subscription		–	6,948
		161,119	115,342
Net current liabilities		(104,494)	(44,439)
Total assets less current liabilities		63,989	97,877
Non-current liabilities			
Bank borrowings		4,023	10,620
Other loan		1,331	–
Other payables		1,071	–
Receipts in advance		2,847	3,763
Government grants		32,540	6,865
Deferred tax liabilities		1,036	963
		42,848	22,211
NET ASSETS		21,141	75,666
CAPITAL AND RESERVES			
Share capital		2,160	1,800
Reserves		12,711	48,318
Total equity attributable to equity shareholders of the Company		14,871	50,118
Minority interests		6,270	25,548
TOTAL EQUITY		21,141	75,666

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 December 2008

	2008 HK\$'000	2007 HK\$'000
Operating activities		
Loss before taxation	(70,154)	(12,699)
Adjustments for:		
Valuation gains on investment properties	(139)	(201)
Depreciation	20,707	17,390
Impairment loss on property, plant and equipment	41,024	9,872
Amortisation of prepaid lease payments	116	110
Amortisation of intangible assets	390	371
Loss on sale of property, plant and equipment	11,114	–
Reversal of previously recognised revaluation deficit on leasehold buildings	–	(155)
Government grants for purchase of motor vehicles	(1,992)	(191)
Interest income	(1,335)	(825)
Finance costs	3,273	1,669
Foreign exchange gain	(1,400)	–
Operating profit before changes in working capital	1,604	15,341
Increase in inventories	(431)	(498)
Decrease/(increase) in trade and other receivables	6,331	(605)
Increase in trade and other payables	17,227	23,695
Decrease in receipts in advance	(1,659)	(25)
Cash generated from operations	23,072	37,908
Tax paid		
PRC enterprise income tax	–	(4)
Net cash generated from operating activities	23,072	37,904
Investing activities		
Payment for the purchase of property, plant and equipment	(68,406)	(57,107)
Proceeds from sale of property, plant and equipment	1,415	1,504
Payment for deposit in respect of acquisition of a subsidiary	(5,000)	–
Proceeds from government grants for purchase of motor vehicles	27,151	7,056
Decrease in pledged deposits	–	8,278
Interest received	1,335	825
Net cash used in investing activities	(43,505)	(39,444)

CONSOLIDATED CASH FLOW STATEMENT (CONTINUED)

For the year ended 31 December 2008

	2008 HK\$'000	2007 HK\$'000
Financing activities		
Proceeds from new bank loans	12,643	17,272
Repayment of bank loans	(8,321)	(10,259)
Proceeds from convertible bond subscription	–	7,200
Proceeds from other loan	5,600	–
Repayment of other loan	(4,269)	–
Advance from a director	6,340	–
Advance from a minority equity holder	358	–
Interest paid	(3,100)	(1,459)
Capital contribution from a minority equity holder	–	2,556
Other borrowing costs paid	(173)	–
Net cash generated from financing activities	9,078	15,310
Net (decrease)/increase in cash and cash equivalents	(11,355)	13,770
Cash and cash equivalents at 1 January	26,084	10,210
Effect of foreign exchange rate changes	1,452	2,104
Cash and cash equivalents at 31 December	16,181	26,084

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2008

	Attributable to equity shareholders of the Company								Total	Minority interests	Total equity
	Share capital	Share premium	Merger reserve	Exchange reserve	Statutory reserve	Asset revaluation reserve	Convertible bond reserve	(Accumulated losses)/ retained profits			
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 January 2007	1,800	29,200	(490)	4,647	3,227	48	–	16,324	54,756	24,800	79,556
Exchange differences on translation of financial statements of subsidiaries outside Hong Kong	–	–	–	3,913	–	–	–	–	3,913	2,049	5,962
Revaluation surpluses	–	–	–	–	–	136	–	–	136	–	136
Equity component of convertible bonds	–	–	–	–	–	–	432	–	432	–	432
Capital contribution from a minority equity	–	–	–	–	–	–	–	–	–	2,556	2,556
Loss for the year	–	–	–	–	–	–	–	(9,119)	(9,119)	(3,857)	(12,976)
At 31 December 2007 and 1 January 2008	1,800	29,200	(490)	8,560	3,227	184	432	7,205	50,118	25,548	75,666
Exchange differences on translation of financial statements of subsidiaries outside Hong Kong	–	–	–	5,693	–	–	–	–	5,693	2,614	8,307
Shares issued upon conversion of convertible bond	360	7,272	–	–	–	–	(432)	–	7,200	–	7,200
Revaluation surpluses	–	–	–	–	–	122	–	–	122	–	122
Loss for the year	–	–	–	–	–	–	–	(48,262)	(48,262)	(21,892)	(70,154)
At 31 December 2008	2,160	36,472	(490)	14,253	3,227	306	–	(41,057)	14,871	6,270	21,141

Notes:

1. GENERAL INFORMATION

Argos Enterprise (Holdings) Limited (the "Company") is a limited liability company incorporated in Hong Kong and its shares are listed on the Growth Enterprise Market ("GEM") of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The Company acts as an investment holding company. Its subsidiaries are principally engaged in the business of provision of public bus transportation and related services in the People's Republic of China (the "PRC").

2. SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of compliance

These 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 provisions of the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited. A summary of the significant accounting policies adopted by the Group is set out below.

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 and the Company. 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.

(b) Basis of preparation of the financial statements

The consolidated financial statements for the year ended 31 December 2008 comprise the Company and its subsidiaries (together referred to as the "Group").

The measurement basis used in the preparation of the financial statements is the historical cost basis except where stated otherwise in the accounting policies set out below. The functional currencies of the Company and its subsidiaries in the PRC are Hong Kong dollars ("HK\$") and Renminbi ("RMB") respectively. For the purpose of presenting the consolidated financial statements, the Group adopted Hong Kong dollars as its presentation currency.

The preparation of financial statements in conformity with HKFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(b) Basis of preparation of the financial statements (continued)

In preparing the financial statements, the directors have considered the future liquidity of the Group notwithstanding:

- the consolidated loss of approximately HK\$48,262,000 attributable to equity shareholders of the Company for the year ended 31 December 2008;
- the consolidated net current liabilities of approximately HK\$104,494,000 as at 31 December 2008;
- the outstanding bank borrowings of approximately HK\$32,581,000, out of which an aggregate of approximately HK\$28,558,000 was due for repayment within the next twelve months after 31 December 2008.

The directors adopted the going concern basis in the preparation of the financial statements and implemented the following measures in order to improve the working capital position, immediate liquidity and cash flow position of the Group:

- (i) The Group will negotiate with its bankers to secure the necessary facilities in order to meet the Group's working capital and financial requirements in the near future.
- (ii) The Group is actively exploring the availability of alternative sources of external funding to strengthen the working capital position of the Group.
- (iii) The Group is expected to derive sufficient operating cash flow from its existing operation, and new operation which is to be operated in the mobile lottery recharging services in the sports lottery business in the PRC, through acquisition of a subsidiary in January 2009.
- (iv) The Group would take relevant measures in order to tighten cost controls over various operating expenses and to seek new investment and business opportunities with an aim to attain profitable and positive cash flow operations. The Group is expected to derive sufficient cash flow in 2009.

In the opinion of the directors, in light of the various measures/arrangements implemented to date together with the expected results of other measures, the Group will have sufficient cash resources to satisfy its future working capital and other financial requirements. Accordingly, the directors are satisfied that it is appropriate to prepare the financial statements on a going concern basis.

Should the Group be unable to continue to operate as a going concern, adjustments would have to be made to write down the value of assets to their recoverable amounts, to provide for any further liabilities which might arise and to reclassify non-current assets and liabilities as current assets and liabilities respectively. The effect of these adjustments has not been reflected in the financial statements.

3. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

In the current year, the Group has applied, for the first time, the following new standards, amendments and interpretations ("new HKFRSs") issued by the HKICPA, which are effective for the Group's financial year beginning on 1 January 2008.

HKAS 39 & HKFRS 7 (Amendment)
HK(IFRIC) – Int 11

Reclassification of Financial Assets
HKFRS 2: Group and Treasury Share Transactions

The adoption of the new HKFRSs had no material effect on the results and financial position for the current or prior accounting periods. Accordingly, no prior period adjustments has been required.

4. TURNOVER

Turnover comprises revenue from the operation of bus transportation and related services. The amount of each significant category of revenue recognised in turnover during the year is as follows:

	2008 HK\$'000	2007 HK\$'000
Fare revenue from public route services	110,789	106,895
Revenue from tourist route and tour related services	23,588	31,954
Revenue from "Hire-a-bus" services	34,503	31,101
Taxi rental income	14,006	12,674
Bus rental income	142	170
Management fee income	2,185	2,275
	185,213	185,069

5. SEGMENT REPORTING

Segment information is presented in respect of the Group's business and geographical segments. Business segment information is chosen as the primary reporting format because this is more relevant to the Group's internal financial reporting.

Business segments

The Group comprises the following main business segments:

Public routes:	the provision of bus service by designated routes as approved by local transport authorities in the PRC
Tourist routes:	the provision of bus service to tourists connecting various sightseeing points and travel related services including sightseeing tickets sales and touring
Hire-a-Bus :	the provision of bus service offered for the carriage of members of the public to and/or from designated destinations with no fixed schedule on route
Taxi rental:	the provision of taxi rental services
Bus rental:	the provision of bus rental services
Bus management:	the provision of management of bus related service

5. SEGMENT REPORTING (CONTINUED)

Business segments (continued)

	2008						Consolidated HK\$'000
	Public routes HK\$'000	Tourist routes HK\$'000	Hire-a-bus HK\$'000	Taxi rental HK\$'000	Bus rental HK\$'000	Bus management HK\$'000	
Revenue from external customers	110,789	23,588	34,503	14,006	142	2,185	185,213
Segment results	(43,904)	(8,491)	(11,122)	(3,237)	(20)	(748)	(67,522)
Interest income							1,335
Unallocated operating income							8,853
Unallocated operating expenses							(9,547)
Loss from operations							(66,881)
Finance costs							(3,273)
Loss before taxation							(70,154)
Taxation							-
Loss for the year							(70,154)
Depreciation and amortisation for the year	12,981	766	4,095	3,313	58	-	21,213
Impairment of property, plant and equipment	38,148	-	2,876	-	-	-	41,024
Valuation gain on investment properties	-	-	-	-	-	-	139
Segment assets	94,754	39,538	42,525	28,973	3,580	790	210,160
Unallocated corporate assets							14,948
Consolidated total assets							225,108
Segment liabilities	128,926	5,524	23,902	13,392	129	2,181	174,054
Unallocated corporate liabilities							29,913
Consolidated total liabilities							203,967
Capital expenditure incurred during the year	78,365	-	-	7,517	-	-	85,882

5. SEGMENT REPORTING (CONTINUED)

Business segments (continued)

	2007						Consolidated HK\$'000
	Public routes HK\$'000	Tourist routes HK\$'000	Hire-a-bus HK\$'000	Taxi rental HK\$'000	Bus rental HK\$'000	Bus management HK\$'000	
Revenue from external customers	106,895	31,954	31,101	12,674	170	2,275	185,069
Segment results	(16,688)	(1,725)	2,615	2,025	50	208	(13,515)
Interest income							825
Unallocated operating income							8,699
Unallocated operating expenses							(7,039)
Loss from operations							(11,030)
Finance costs							(1,669)
Loss before taxation							(12,699)
Taxation							(277)
Loss for the year							(12,976)
Depreciation and amortisation for the year	11,952	1,478	2,005	2,311	125	–	17,871
Impairment of property, plant and equipment	9,636	31	205	–	–	–	9,872
Valuation gain on investment properties	–	–	–	–	–	–	201
Reversal of previously recognised revaluation deficit on leasehold buildings – unallocated	–	–	–	–	–	–	155
Segment assets	116,628	9,256	9,127	22,067	4,720	2,852	164,650
Unallocated corporate assets							48,569
Consolidated total assets							213,219
Segment liabilities	66,840	3,666	3,551	13,153	2,973	2,241	92,424
Unallocated corporate liabilities							45,129
Consolidated total liabilities							137,553
Capital expenditure incurred during the year	38,554	143	3,060	7,743	–	–	49,500

Geographical segments

No analysis of the Group's turnover and contribution from operations by geographical segment has been presented as almost all the Group's operating activities are carried out in the PRC. There is no other geographical segment with segment assets equal to or greater than 10 per cent of the Group's total assets.

6. OTHER REVENUE AND OTHER NET (LOSS)/INCOME

	2008 HK\$'000	2007 HK\$'000
Other revenue		
Interest income from banks	1,022	724
Other interest income	313	101
<hr/>		
Total interest income on financial assets not at fair value through profit or loss	1,335	825
Government grants (<i>note</i>)	32,199	10,841
Advertising income on fleet body	7,460	6,418
Repair service income	497	505
Handling fee income	176	1,154
Sundry income	720	622
<hr/>		
	42,387	20,365
<hr/>		
Other net (loss)/income		
Net (loss)/gain on sale of property, plant and equipment	(11,144)	–
Net fair value gains on investment properties	139	201
Reversal of previously recognised revaluation deficit on leasehold buildings	–	155
<hr/>		
	(11,005)	356
<hr/>		

Note: Government grants represent various forms of incentives and subsidies given to the Group by the local governmental authorities in the PRC. These grants are generally made for business support and awarded to enterprises on a discretionary basis. The Group received these government grants because of its investments and operations of bus business in the PRC. Government grants of approximately HK\$30,207,000 (2007: HK\$10,650,000) are related to compensation for the expenses incurred by the Group and approximately HK\$1,992,000 (2007: HK\$191,000) are related to the compensation for financing the Group's purchases of motor vehicles.

7. LOSS BEFORE TAXATION

Loss before taxation is arrived at after charging:

	2008 HK\$'000	2007 HK\$'000
(a) Finance costs		
Interest on bank advances and other borrowings wholly repayable within five years	2,806	1,459
Interest on convertible bond	294	–
Others	173	210
Total interest expense on financial liabilities not at fair value through profit or loss	3,273	1,669
(b) Staff costs (including directors' remuneration)		
Contributions to defined contribution retirement plans	8,758	7,249
Salaries, wages and other benefits	54,876	32,141
	63,634	39,390
(c) Other items		
Amortisation		
– prepaid lease payments	116	110
– intangible assets	390	371
Depreciation		
– assets held for use under operating leases	3,561	3,905
– other assets	17,146	13,485
Impairment loss on property, plant and equipment	41,024	9,872
Net foreign exchange loss	1,151	549
Auditors' remuneration		
– current year	280	380
– under-provision in respect of prior years	75	106
Operating lease charges in respect of property rentals:		
minimum lease payments	1,061	537
Cost of inventories	79,370	59,331

8. INCOME TAX IN THE CONSOLIDATED INCOME STATEMENT

(a) Taxation in the consolidated income statement represents:

	2008 HK\$'000	2007 HK\$'000
Current tax		
Provision for the PRC income tax for the year	–	4
Deferred tax		
Original and reversal of temporary differences	–	273
	–	277

No provision for Hong Kong Profit Tax has been made as the Group has no estimated assessable profits arising in Hong Kong for the years ended 31 December 2008 and 2007. PRC income tax is computed according to the relevant legislation, interpretations and practices in respect thereof during the year. The applicable PRC income tax rate is 25% (2007: 33%).

(b) Reconciliation between tax expense and accounting loss at applicable tax rates:

	2008 HK\$'000	2007 HK\$'000
Loss before taxation	(70,154)	(12,699)
Notional tax on loss before taxation, calculated at the rates applicable to losses in the tax jurisdictions concerned	(17,538)	(4,190)
Effect of different tax rates in other tax jurisdictions	773	673
Tax effect on non-deductible expenses	15,102	4,456
Tax effect of non-taxable income	(415)	(535)
Tax effect of unused tax losses not recognised	2,078	41
Decrease in deferred tax liabilities resulting from decrease in applicable tax rate	–	(168)
Actual tax expense	–	277

9. DIVIDENDS

The directors do not recommend the payment of any dividend for the year ended 31 December 2008 (2007: HK\$ Nil).

10. LOSS PER SHARE

The calculation of the basic loss per share is based on the loss attributable to ordinary equity shareholders of the Company of HK\$48,262,000 (2007: HK\$9,119,000) and the weighted average of 184,156,000 (2007: 180,000,000) ordinary shares in issue during the year, calculated as follows.

Weighted average number of ordinary shares

	2008	2007
	'000	'000
Issued ordinary shares at 1 January	180,000	180,000
Effect of conversion of convertible bonds	4,156	–
Weighted average number of ordinary shares at 31 December	184,156	180,000

The diluted loss per share for the year ended 31 December 2008 is equal to the basic loss per share as the outstanding convertible bonds were anti-dilutive.

The diluted loss per share for the year ended 31 December 2007 is equal to the basic loss per share as there were no diluted potential ordinary shares in existence during the year ended 31 December 2007.

11. TRADE AND OTHER RECEIVABLES

Included in trade and other receivables are trade debtors with an ageing analysis at the balance sheet date as follows:

	The Group	
	2008	2007
	HK\$'000	HK\$'000
Within 1 month	4,945	4,655
More than 1 month but within 3 months	896	680
More than 3 months but within 6 months	250	266
More than 6 months	1,004	265
	7,095	5,866

Trade debtors are generally granted with credit terms ranging from 30 days to 180 days. The Group may, on a case by case basis and after evaluation of the business relationship and creditworthiness, extend the credit period upon customers' requests. Further details on the Group's credit policy are set out in note 36(a).

12. TRADE AND OTHER PAYABLES

Included in trade and other payables are trade creditors with an ageing analysis at the balance sheet date as follows:

	The Group	
	2008	2007
	HK\$'000	HK\$'000
Within 1 month	1,861	3,405
More than 1 month but within 2 months	383	377
More than 2 months but within 3 months	61	154
Over 3 months	293	395
	2,598	4,331

13. COMMITMENTS

- (a) Capital commitments in respect of acquisition of assets and liabilities through acquisition of a subsidiary outstanding at 31 December 2008 not provided for in the financial statements were as follows:

	The Group	
	2008	2007
	HK\$'000	HK\$'000
Contracted for (<i>note</i>)	690,000	–

Note: During the year ended 31 December 2008, the Group entered into a sale and purchase agreement dated 23 September 2008 with an independent third party for the acquisition of equity interest of a company, which indirectly held a subsidiary to be operated in the mobile lottery recharging services in the sports lottery business in the PRC. The total purchase consideration was at the maximum of approximately HK\$695,000,000 at which (i) HK\$5,000,000 in cash, (ii) the allotment and issue of 44,000,000 ordinary shares of the Company, (iii) the issue of convertible bonds of HK\$409,200,000, and (iv) the issue of promissory notes of HK\$254,400,000 by the Company. At 31 December 2008, approximately HK\$5,000,000 had been paid and recognised as "Deposit for acquisition of a subsidiary" in the consolidated balance sheet as at 31 December 2008, resulting in a capital commitment of approximately HK\$690,000,000. The transaction was completed in January 2009. The fair value of the shares issued by the Company amounted to approximately HK\$22,400,000 at the date of completion.

- (b) Capital emoluments in respect of acquisition of property, plant and equipment outstanding at 31 December 2008 not provided for in the financial statements were as follows:

	The Group	
	2008	2007
	HK\$'000	HK\$'000
Contracted for	690	920

13. COMMITMENTS (CONTINUED)

- (c) At 31 December 2008, the total future minimum lease payments in respect of land and buildings under non-cancellable operating leases are payable as follows:

	The Group		The Company	
	2008 HK\$'000	2007 HK\$'000	2008 HK\$'000	2007 HK\$'000
Within 1 year	717	736	416	624
After 1 year but within 5 years	1,203	865	–	416
After 5 years	6,371	842	–	–
	8,291	2,443	416	1,040

The Group and the Company are the lessees in respect of a number of properties held under operating leases. The leases typically run for an initial period of one to ten years. The leases did not include extension options. None of the leases includes contingent rentals.

14. CONTINGENT LIABILITIES

(a) **Financial guarantee issued to a subsidiary of the Company**

As at 31 December 2008, the Company has issued a single guarantee to the extent of approximately HK\$6,897,000 (2007: Nil) to a bank in respect of banking facilities granted to its subsidiary.

As at 31 December 2008, the directors do not consider it probable that a claim will be made against the Company under any of the guarantees. The maximum liability of the Company at 31 December 2008 under the single guarantees issued is the outstanding amount of the facility drawn down by the subsidiary of approximately HK\$6,897,000 (2007: Nil). No recognition was made because the fair value of the guarantee was insignificant and that the directors did not consider it probable that a claim would be made against the Company under the guarantee.

(b) **Financial guarantee issued to a related company**

As at 31 December 2007, the Company has issued a single guarantee to the extent of approximately HK\$1,000,000 to a bank in respect of banking facilities granted to a related company. The guarantee was discharged in March 2008.

As at 31 December 2007, the directors do not consider it probable that a claim will be made against the Company under the guarantee. The maximum liability of the Company at 31 December 2007 under the guarantee issued is the outstanding amount of the facility drawn down by the related company of approximately HK\$1,000,000. No recognition was made because the fair value of the guarantee was insignificant and that the directors did not consider it probable that a claim would be made against the Company under the guarantee.

EXTRACTED FROM INDEPENDENT AUDITOR'S REPORT

The following paragraphs extracted from the independent auditor's report on the Group's financial statements for the year ended 31 December 2008.

Basis for qualified opinion

Scope limitation – Deferred tax and opening balances

The Group recognised the deferred tax liabilities of approximately HK\$963,000 in the consolidated balance sheet as at 31 December 2007 and deferred tax charge of approximately HK\$273,000 in the consolidated income statement for the year ended 31 December 2007. The directors of the Company estimated the deferred tax, but we were unable to obtain detailed documentation to assess the deferred tax. Due to lack of sufficient and appropriate evidence, we were not able to satisfy ourselves as to whether the carrying amount of the deferred tax liabilities as at 31 December 2007 and the deferred tax charge for the year ended 31 December 2007 were fairly stated. We were not able to carry out alternative audit procedures to satisfy ourselves as to the matters set out above. Any adjustment that might have been found to be necessary in respect thereof had we obtained sufficient and appropriate evidence would have had a consequential effect on the financial position of the Group as at 31 December 2007, and the loss of the Group for the prior year and the related disclosures thereof in the financial statements. In respect of the limitation of scope in the areas as described above, we were not able to express our opinion as to whether the balances brought forward as at 1 January 2008 and the comparative figures were fairly stated.

Any adjustment that might have been found to be necessary in respect of the matters set out above would have had a consequential effect on the financial position of the Group as at 31 December 2008, and the loss of the Group for the year then ended and the related disclosures in the financial statements.

Qualified opinion arising from limitation of audit scope

In our opinion, except for the effects of such adjustments, if any, as might have been determined to be necessary had we been able to satisfy ourselves as to the matters as set out in the basis for qualified opinion section, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2008 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.

Without qualifying our opinion, we draw attention to note 2(b) to the consolidated financial statements which indicates that the Group incurred a consolidated loss attributable to equity shareholders of the Company of approximately HK\$48,262,000 for the year ended 31 December 2008 and, as of that date, the Group's current liabilities exceeded its current assets by approximately HK\$104,494,000. These conditions, along with other matters as set forth in note 2(b), indicate the existence of a material uncertainty which may cast significant doubt about the Group's ability to continue as a going concern.

Report on matters under sections 141(4) and 141(6) of the Hong Kong companies ordinance

In respect alone of the limitation on our work relating to matters described in the scope limitation above:

- we have not obtained all the information and explanations that we considered necessary for the purpose of our audit; and
- we were unable to determine whether proper books of account had been kept.

MANAGEMENT DISCUSSION AND ANALYSIS

The Group's turnover in 2008 remained steady in three major bus operation subsidiaries and one major travel company, namely Nanjing Argos, Wanzhou Argos, Taizhou Argos and Xuzhou China International Travel. The increasing oil prices in first half of 2008 and fierce competition post great challenge on operation, the national-wide inflation also 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 bus operations subsidiaries. In fiscal year 2008, the Chinese local government provided various subsidies to the Group's companies in following areas: oil prices, new bus fleets acquisition and fare. In the coming year, the management will continue to negotiate with the local government for these subsidies together with implementing a more tight cost control on its subsidiaries.

Nanjing Argos

As compared to the year 2007, the turnover of 2008 was stable; however operating cost was up by 24%, mainly due to increase in 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.

Major operational statistics of Nanjing Argos:

	2008	2007	2006
Number of routes operated	18	18	18
Number of employees	1,144	1,067	1,131
Fleet size	427	410	399
Total mileage operated (mn km)	26.96	24.92	24.46
Total passenger trip (mn trip)	80.69	81.93	80.22

Outlook for Nanjing Argos

A total of 104 new motor vehicles had been acquired in the year 2008 to replace the old buses in order to improve our services. Local government still imposes limits on bus fare increase; together with inevitable hike of fuel cost, wages, and social charge, a tough challenge is lying ahead.

Wanzhou Argos

A slight net loss of RMB386,000 was recorded. Due to the effective control on operating costs, impact from high oil price had been lessened. Similar to Nanjing Argos, the oil price and wage increase at a very fast rate which has a negative impact on the Group.

Major operational statistics of Wanzhou Argos:

	2008	2007	2006
Number of routes operated	8	8	8
Number of employees	277	285	280
Fleet size	61	57	63
Total mileage operated (mn km)	5.18	5.15	4.95
Total passenger trip (mn trip)	12.26	12.24	10.65

Outlook for Wanzhou Argos

A total of 22 new motor vehicles 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 the Group's revenue base and hopefully lead to a more favorable operating result.

Taizhou Argos

A total of 135 new motor vehicles had been acquired during the year in order to improve our services. The turnover of Taizhou Argos remained basically steady as compared to that of previous year. Increase in both oil price and wage cost are also the major negative impact on Taizhou Argos' operation in the year 2008. The result was a loss of RMB3.8 million.

Major operational statistics of Taizhou Argos:

	2008	2007	2006
Number of routes operated	27	24	21
Number of employees	734	714	743
Fleet size	569	568	538
Total mileage operated (mn km)	69.25	60.12	58.41
Total passenger trip (mn trip)	17.18	16.75	19.02

Outlook for Taizhou Argos

Management expects the operation of Taizhou Argos will improve for the coming year due to the decrease in oil price. Direct costs such as wages and salary and other administrative costs would expect to stabilize in 2009. Even so, management still needs to be prudent and pay more attention to cost control to maximize profit.

Xuzhou China International Travel

The travel industry market is continued to be very competitive in the PRC. Principal business includes arrangement of major city tour in China and selling of flight tickets. Due to highly competitive nature of the market and high operating cost on wages and salary, the management expects a difficult environment in the coming years for travel industry due to the downtrend of the world economy.

We present below operating results of Xuzhou China International Travel:

	2008	2007	2006
Turnover (RMB'000)	15,881	20,276	14,158
Cost (RMB'000)	15,435	18,975	13,100
Gross Profit (RMB'000)	446	1,302	1,058
Number of Employee	24	29	26
Gross profit %	2.81%	6.42%	7.47%

Outlook for Xuzhou China International Travel

In the year 2009, we will concentrate on Hong Kong, and Macau tour markets. We will also focus more on cooperating with different sizes of tourist agencies in Xuzhou in the year 2009.

FINANCIAL POSITION

Liquidity and Financial Resources

As at 31 December 2008, the total assets of the Group was approximately HK\$225 million (2007: HK\$213 million), including cash and bank balances and deposits of approximately HK\$37 million (2007: HK\$47 million) of which HK\$10 million (2007: HK\$10 million) were pledged to secure banking facilities. Outstanding balance of bank loans, overdrafts and other loans as at 31 December 2008 was approximately HK\$34 million (2007: HK\$27 million) of which HK\$29 million (2007: HK\$17 million) are due within one year. Motor vehicles of the Group with carrying value amounted to approximately HK\$146 million (2007: HK\$127 million). The gearing ratio of the Group expressed in total debt as a percentage of net assets was 160% (2007: 37%).

Significant Impairment Loss on Motor Vehicles

Due to the unsatisfactory operating performance of the bus transportation segment, the Board carried out an assessment of the recoverable amount of certain motor vehicles of Nanjing Argos, Wanzhou Argos and Taizhou Argos in 2008. Based on this assessment, the carrying amount of these motor vehicles was impaired by approximately HK\$41,024,000 (2007: HK\$9,872,000). The estimates of recoverable amount were assessed based on discounted cashflow method which is performed by an independent valuer, while the assessment in year 2007 was determined by reference to the recent observable market prices for similar assets.

Charges on Group's Assets

At 31 December 2008, the Company has pledged a fixed deposit of HK\$10 million (2007: HK\$10 million) to secure banking facilities to the Company.

Capital Structure

Pursuant to the subscription agreement dated 7 August 2007 and the extension letter dated 31 December 2007 entered into between the Company and Sharp Mode Limited (the "Subscriber"), the convertible bonds of HK\$7,200,000 (the "Convertible Bonds") were officially issued on 30 June 2008. The Convertible Bonds could be converted into shares of the Company at an initial conversion price of HK\$0.20 per share (subject to adjustments in accordance with the terms of the Convertible Bonds) during its conversion period. In September and December 2008, the Subscriber transferred a total of HK\$5,000,000 Convertible Bonds to four different individual parties which has immediately been converted into 25,000,000 shares of the Company. On 3 December 2008, the Subscriber also converted the remaining HK\$2,200,000 Convertible Bonds into 11,000,000 shares; therefore, the Convertible Bonds of HK\$7,200,000 were fully converted into 36,000,000 shares during the year. As a result, the total number of issued share capital is 216,000,000 shares as at 31 December 2008.

SIGNIFICANT INVESTMENT HELD

The Group has purchased 261 motor vehicles for the year ended 31 December 2008.

CAPITAL COMMITMENTS

The details of the capital commitments incurred during the year ended 31 December 2008 are set out in note 13 to the financial statements.

MATERIAL ACQUISITIONS/DISPOSAL OF SUBSIDIARIES AND ASSOCIATED COMPANIES

The acquisition of 65% equity interest in Wisdom In Holdings Limited took place on 8 January 2009. More details of the acquisition had been published on (i) the announcements of the Company dated 15 October 2008 and 8 January 2009; (ii) the circular of the Company dated 5 November 2008; and (iii) the announcement of the Company dated 26 November 2008 of the results of extraordinary general meeting of the Company held on 26 November 2008.

Save for disclosed above and in this section of "Management Discussion and Analysis", the Group had no other material acquisitions/disposal of subsidiaries and associated corporation during the year under review.

SEGMENT INFORMATION

An analysis of the Group's turnover and contribution to profit from operations of principal activities for the year ended 31 December 2008 is as follows:

	2008		2007	
	Turnover HK\$'000	Segment Results HK\$'000	Turnover HK\$'000	Segment Results HK\$'000
Public Routes	110,789	(43,904)	106,895	(16,688)
Tourist Routes	23,588	(8,491)	31,954	(1,725)
Hire-a-Bus	34,503	(11,122)	31,101	2,615
Taxi Rental	14,006	(3,237)	12,674	2,025
Bus Rental	142	(20)	170	50
Bus Management	2,185	(748)	2,275	208
	185,213	(67,522)	185,069	(13,515)
Unallocated operating income and interest income		10,188		9,524
Unallocated operating expenses		(9,547)		(7,039)
Operating Loss		(66,881)		(11,030)

No geographical analysis is presented as all turnover is attributable to services rendered in the PRC.

POST BALANCE SHEET EVENTS

Except for the acquisition of 65% equity interest in Wisdom In Holdings Limited took place on 8 January 2009, there is no other post balance sheet events of the Group.

DETAILS OF FUTURE PLANS FOR MATERIAL INVESTMENT OR CAPITAL ASSETS

Save as disclosed above and in this section of "Management Discussion and Analysis", the Directors do not have any future plans for material investment or capital assets.

FOREIGN CURRENCY RISK

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

CONTINGENT LIABILITIES

As at 31 December 2008, the Directors are not aware of any material contingent liabilities except to the note 14 to the financial statements.

EMPLOYEES AND REMUNERATION POLICY

As at 31 December 2008, the Group had 2,364 (2007: 2,285) full-time employees. The total of employee remuneration, including that of the directors of the Company, for the year ended 31 December 2008 amounted to approximately HK\$64 million (2007: HK\$39 million). The Group remunerates its employees based on their performance, experience and the prevailing industry practice.

SHARE OPTION SCHEME

On 30 July 2001, a share option scheme of the Company was approved by the shareholders of the Company. As at 31 December 2008, no option was granted or outstanding under the share option scheme.

CORPORATE GOVERNANCE

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

The Company has applied the Principles as set out in the CG Code that are considered to be relevant to the Company and has complied the Code Provision of the CG Code during the year ended 31 December 2008 except that the Code Provisions A.2.1 and A.4.1 of the CG Code as disclosed in the following relevant paragraphs. Throughout the year, the Company continued to strive for improvement on its Corporate Governance by (i) internal control review conducted by independent accounting firm and (ii) internal audit review.

Chairman and Chief Executive Officer

Under the Code Provision A.2.1 of the CG Code, the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. The division of responsibilities between the chairman and chief executive officer should be clearly established and set out in writing.

During the year ended 31 December 2008, no individual was appointed as Chief Executive Officer of the Company (the "CEO"). The role of the CEO has been performed collectively by all the Executive Directors, including the Chairman of the Company, until the appointment of Mr. Cheung Man Yau, Timothy as the CEO on 8 July 2008 that the roles of the Chairman and CEO are segregated and performed by Mr. Wong Wah Sang and Mr. Cheung Man Yau, Timothy respectively thereon. This segregation ensures a clear distinction between the Chairman's and the CEO's responsibilities which allows a balance of power between the Board and the management of the Group, and ensures their independence and accountability. Save as disclosed in the section of "Biographical Details of Directors and Senior Management", there is no financial, business, family or other material/relevant relationship between the Chairman and the CEO and among the members of the Board.

Upon the resignation of Mr. Wong Wah Sang as Chairman and Non-Executive Director on 9 March 2009, the office of the Chairman was vacated and the Board will appoint a suitable candidate at the earliest feasible time in order to comply with the requirements of the GEM Listing Rules.

Specific term of service

According to the Code Provision A.4.1 of the CG Code, non-executive Directors should be appointed for a specific term of service. None of the Independent Non-executive Directors have entered into an appointment letter with the Company for a specific term of service but their appointment is subject to retirement by rotation and offers himself for re-election in accordance with the Articles of Association of the Company.

Confirmation of compliance with model code

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in 5.48 to 5.67 of the GEM Listing Rules as the code of conduct regarding Directors' securities transactions on terms no less exacting than the required standard. The directors have confirmed, following specific inquiry by the Company that they have complied with the required standard and code of conduct as set out in the Model Code during the year under review.

NON-COMPLIANCE WITH INDEPENDENT NON-EXECUTIVE DIRECTOR REQUIREMENTS AND AUDIT COMMITTEE REQUIREMENTS

The Company has complied with rule 5.05(1) of the GEM Listing Rules throughout the year ended 31 December 2008 except for the period from 8 July 2008 to 12 August 2008. Following the re-designation of Mr. Cheung Man Yau, Timothy from Independent Non-executive Director and Chairman of the Audit Committee to Executive Director and Chief Executive Officer of the Company on 8 July 2008, the Company has only two Independent Non-executive Directors, the number of which falls below the minimum number required under rule 5.05(1) of the GEM Listing Rules; and fails to have one Independent Non-executive Director obtained appropriate qualification, or accounting or related financial management expertise as required by rules 5.05(2) and 5.28 of the GEM Listing Rules. The Company strived to find the suitable person to fill the casual vacancy for the post of Independent Non-executive Director and the chairmanship of the audit committee. Finally, Mr. Fung Wai Shing has been appointed as the Independent Non-executive Director and chairman of the audit committee with effect from 12 August 2008 to fill the casual vacancy of the said positions and to comply with the rules 5.05(1), 5.05(2) and 5.28 of the GEM Listing Rules.

COMPLIANCE ADVISER'S INTERESTS

Pursuant to the agreement dated 26 June 2008 entered into between the Company and GF Capital (Hong Kong) Limited ("GF Capital"), GF Capital has received a fee for acting as the Company's compliance adviser commenced on 30 June 2008, the date on which the trading in shares of the Company were resumed, and ending on the date on which the Company complies with Rule 18.03 of the GEM Listing Rules in respect of its financial results for the second full financial year commencing from the date of the appointment of compliance adviser.

Neither GF Capital nor its director or employees or associates had any interests in the securities of the Company, or any right to subscribe for or to nominate persons to subscribe for the securities of the Company as at 31 December 2008.

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. Fung Wai Shing (Chairman) and Mr. Wong Lit Chor, Alexis.

The audit committee has reviewed with the management and external auditors, 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 2008.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

During the year ended 31 December 2008, neither the Company nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities (2007: Nil).

On behalf of the Board
Argos Enterprise (Holdings) Limited
Wong Man Chiu, Ronnie
Executive Director

Hong Kong, 30 March 2009

As of the date hereof, the executive Directors are Mr. Wong Man Chiu, Ronnie, Mr. Cheung Man Yau, Timothy, Mr. Chan Kin Yip and Mr. Cheng Wing Hong; the independent non-executive Directors are Mr. Fung Wai Shing, Mr. Sung Wai Tak, Herman and Mr. Wong Lit Chor, Alexis.

This announcement, for which the Directors 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 the Company. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief: (1) the information contained in this announcement 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 announcement misleading; and (3) all opinions expressed in this announcement have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

This announcement will remain on the GEM website on the "Latest Company Announcements" page for at least 7 days from the date of its posting and on the website of the Company at www.argosenterprise.com.