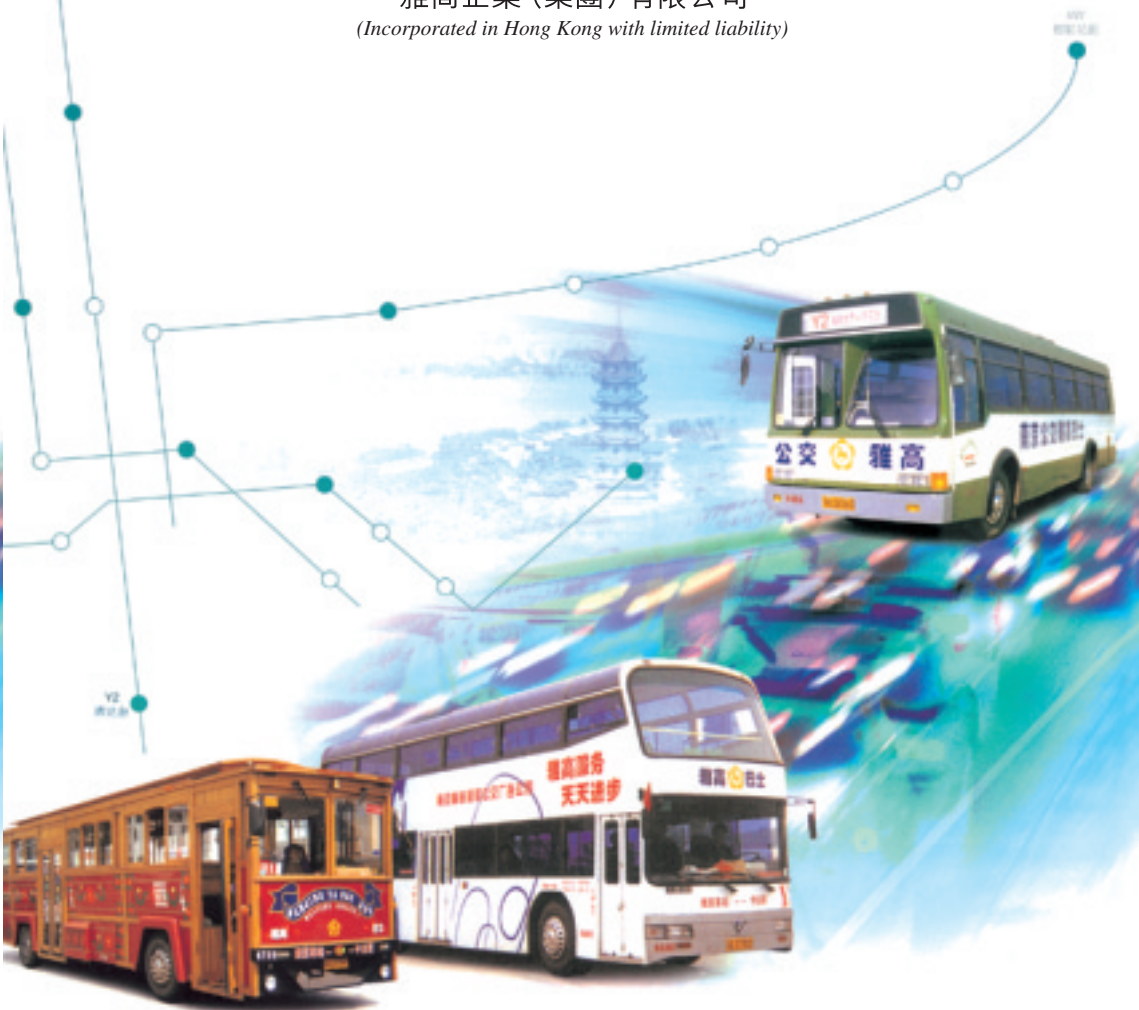


Argos

ARGOS ENTERPRISE (HOLDINGS) LIMITED

雅高企業(集團)有限公司

(Incorporated in Hong Kong with limited liability)



INTERIM REPORT
2001

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.

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

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This document, 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 document 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 document have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

CHAIRMAN'S STATEMENT

I am pleased to announce the interim results of Argos Enterprise (Holdings) Limited (the "Company") and its subsidiaries (together, the "Group") for the six months ended 30 June 2001.

Our total turnover was approximately HK\$25,761,000 for the six months ended 30 June 2001, representing a 29 per cent. increase over the same period last year. Turnover for the three months ended 30 June 2001 was approximately HK\$13,835,000 representing a growth of 16 per cent. from the first quarter of 2001. Profit attributable to shareholders for the six months ended 30 June 2001 was approximately HK\$2,943,000, a 25 per cent. increase from the profit of approximately HK\$2,356,000 for the same period a year ago.

The bus operation in Nanjing Argos maintained a steady growth and made a stable contribution of profit to the Group. While the bus operation in Chongqing Wanzhou Argos has just commenced operation, it recorded a small loss which is common in our business during the transitional and starting up period. However, the Nanjing Argos Tours operation achieved a significant growth of over 250 per cent. in profit contribution over that of last year to the Group.

At first glance, the Group's business is categorized as traditional, unexciting and steady. This is what I was told during the two weeks after our prospectus was issued. I would like to take this opportunity to clarify our unique business model. We build a traditional and steady business based on a successful and profitable experience. Then we repeat this business practice in other cities. Therefore, we grow mainly by geographic expansion and investors should therefore focus on our ability in negotiating new routes in new cities.

On behalf of the board of the directors of the Company (the "Board"), I wish to express our sincere appreciation to all the employees of the Group for their commitment and contribution which is a critical factor for the continued business success of the Company in the future.

I also wish to express our deepest gratitude to our customers, our business partners and our shareholders for their support which is indispensable for the development of the Group.

**INTERIM
REPORT
2001**

ARGOS ENTERPRISE (HOLDINGS) LIMITED

INTERIM RESULTS (UNAUDITED)

The Board is pleased to announce the unaudited combined results of the Group for the six months and three months ended 30 June 2001 together with the comparative unaudited figures for the corresponding periods in 2000 (the "Relevant Periods") as follows:

	Notes	Six months ended 30 June		Three months ended 30 June	
		2001 HK\$'000	2000 HK\$'000	2001 HK\$'000	2000 HK\$'000
Turnover	2	25,761	19,918	13,835	10,486
Cost of services rendered		<u>(21,037)</u>	<u>(13,353)</u>	<u>(11,594)</u>	<u>(7,022)</u>
Gross profit		4,724	6,566	2,241	3,464
Other revenue	2	7,745	4,075	1,994	1,354
Interest income	2	339	198	40	85
Administrative expenses		<u>(3,789)</u>	<u>(3,463)</u>	<u>(2,104)</u>	<u>(1,640)</u>
Operating profit		9,019	7,375	2,171	3,263
Finance costs	3	<u>(1,163)</u>	<u>(570)</u>	<u>(1,001)</u>	<u>(550)</u>
Profit before taxation		7,856	6,805	1,170	2,713
Taxation	4	<u>(2,102)</u>	<u>(2,442)</u>	<u>157</u>	<u>(1,048)</u>
Profit after taxation		5,754	4,363	1,327	1,665
Minority interest		<u>(2,811)</u>	<u>(2,007)</u>	<u>(968)</u>	<u>(871)</u>
Profit attributable to shareholders		<u>2,943</u>	<u>2,356</u>	<u>359</u>	<u>794</u>
Earnings per share – basic (cents)	5	<u>1.96</u>	<u>1.57</u>	<u>0.24</u>	<u>0.53</u>

Notes:

1. Group reorganization and basis of presentation

The Company was incorporated in Hong Kong on 13 October, 2000 as a limited liability company under the Company Ordinance of Hong Kong, Pursuant to a group reorganization scheme (the "Group Reorganization") to rationalize the structure of the Group in preparation for the listing of the Company's shares on GEM of the Stock Exchange in August 2001, the Company became the holding company of the Group on 30 July 2001. Further details of the Reorganization are set out in the prospectus of the Company dated 31 July 2001 (the "Prospectus"). The Company's shares were listed on GEM of the Stock Exchange on 13 August 2001.

The Group's financial statements have been prepared in accordance with the Hong Kong Statement of Standard Accounting Practice, accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention.

The combined results of the Group for the Relevant Periods has been prepared as if the current group structure had been in existence throughout the Relevant Periods, or since their respective dates of incorporation or registration to 30 June 2001, wherever the shorter period. Under this basis, the Company has been treated as the holding company of its subsidiaries acquired through the Group Reorganisation.

All significant intra-group transactions and balances have been eliminated on combination.

2. Turnover and revenue

The company is engaged in the rendering of bus services through public routes, tourist routes, hire-a-bus and employee services as well as sightseeing ticket sales and tours. Revenue recognized during the Relevant Periods are as follows:

	Six months ended 30 June		Three months ended 30 June	
	2001 HK\$'000	2000 HK\$'000	2001 HK\$'000	2000 HK\$'000
Turnover				
Public routes	18,668	14,658	9,888	7,538
Tourist routes	2,998	1,989	1,550	1,058
Hire-a-bus and employee services	2,931	2,701	1,704	1,558
Sightseeing ticket sales and tours	1,164	570	693	332
	<u>25,761</u>	<u>19,918</u>	<u>13,835</u>	<u>10,486</u>
Other revenue	7,745	4,075	1,994	1,354
Interest income	339	198	40	85
Total revenue	<u>33,845</u>	<u>24,191</u>	<u>15,869</u>	<u>11,925</u>

3. Finance costs

	Six months ended 30 June		Three months ended 30 June	
	2001 HK\$'000	2000 HK\$'000	2001 HK\$'000	2000 HK\$'000
Interest on bank loans and overdrafts	1,163	570	1,001	550

4. Taxation

The taxation charge comprises:

	Notes	Six months ended 30 June		Three months ended 30 June	
		2001 HK\$'000	2000 HK\$'000	2001 HK\$'000	2000 HK\$'000
Hong Kong profits tax	(i)	-	-	-	-
Overseas taxation	(ii)	2,102	2,442	(157)	1,048

- (i) No provision for Hong Kong profits tax has been made in the accounts as the Group has no estimated assessable profit for the relevant periods.
- (ii) Overseas taxation represents tax charges on the assessable profits of the subsidiaries operating in the People's Republic of China (the "PRC") calculated at the applicable rates.

5. Earnings per share

The calculation of the basic earnings per share is based on profit from the ordinary activities attributable to shareholders for the six months and the three months ended 30 June 2001 of HK\$2,943,000 and HK\$359,000 respectively and on the assumption that 150,000,000 shares were deemed to have been issued, comprising 100,000,000 shares in issue as at 30 July 2001 and 50,000,000 shares to be issued pursuant to the capitalisation issue upon the resolutions of the shareholders of the Company passed on 30 July 2001. The basic earnings per share for the six months and the three months ended 30 June 2000 is based on profit of HK\$2,356,000 and HK\$794,000 respectively and on the assumption that 150,000,000 shares had been in issue throughout the respectively periods.

There were no potentially dilutive shares outstanding during the Relevant Periods. No dilutive earning per share is presented.

6. Reserves

There has been no movement of reserves, other than retained earnings, during the Relevant Periods (2000: Nil).

7. Sale, purchase and redemption of Listed Securities

The Group did not implement any sales, purchases and redemption of listed securities during the Relevant Periods since the Company was not listed on the GEM during the Relevant Periods.

INTERIM DIVIDENDS

The Board does not recommend the payment of interim dividend for the six months ended 30 June 2001 (2000: HK\$Nil).

BUSINESS REVIEW

The Group achieved another satisfactory performance in the second quarter which resulted mainly from the increasing market share of the public transport market in Nanjing, especially the dominance in the tourist routes market, whereas, the tours business made greater contribution to the overall performance of the Group. For the six months ended 30 June 2001, the unaudited turnover of the Group was approximately HK\$25,761,000, representing an increase of 29 per cent. over the corresponding period in 2000, while the profit attributable to shareholders was approximately HK\$2,943,000 as compared to a profit of HK\$2,356,000 over the corresponding period in 2000, representing an increase of 25 per cent.. The results showed a steady growth in business and in profits for our established business in Nanjing.

The directors of the Company (the "Directors") are pleased with the performance of the Group during the six months ended 30 June 2001. The Directors believe that further execution of joint venture contracts in Taizhou and Wuhu will generate more recurrent income to the Group by end of this year.

FUTURE PROSPECTS

In accordance with the Group's development objectives and strategies determined and stated on the Prospectus, the Group is devoted to generate growing recurrent income by repeating the successful public transportation business strategy of Nanjing Argos, in Wanzhou, Taizhou and Wuhu in later part of this year. The Group is determined to explore opportunities for provision of public routes, tourist routes, hire-a-bus and employee services in Wanzhou, Taizhou and Wuhu. The Group will fully explore any business opportunities by embracing a positive and practical approach in business development.

The Board has confidence in fulfilling the objectives planned in the Prospectus and the Board will endeavour to deliver a satisfactory return to the shareholders.

On behalf of the Board, I would like to extend my sincere gratitude towards all shareholders who provide support to us and towards our dedicated and hardworking staff.

DIRECTORS' SHAREHOLDING INTERESTS IN THE COMPANY

Subsequent to the listing of the Company on the GEM on 13 August 2001, the interests of the Directors in the share capital of the Company pursuant to Section 29 of the Hong Kong Securities (Disclosure of Interests) Ordinance ("the SDI Ordinance") are as follows:

Name	Type of interest	Number of issued Shares held
Mr. Wong, Wilson (Notes 1 to 2)	Corporate	61,518,240
Mr. Yeung Wai Hung (Notes 1 to 2)	Corporate	15,379,560
Mr. Wong Wah Sang (Notes 1 to 3)	Corporate	9,795,027
Mr. Wong Man Chiu, Ronnie (Notes 1 to 3)	Corporate	4,895,310

Notes:

1. Sino Market Enterprises Limited ("Sino Market") is a company incorporated in Hong Kong. The issued share capital of Sino Market are beneficially owned by Sinoman International Limited ("Sinoman International") as to 61.03 per cent., Kenworth Enterprises Limited ("Kenworth Enterprises") as to 34.97 and Via Roma Limited as to 4 per cent.
2. The issued share capital of Sinoman International is beneficially owned by Twilight Enterprises Limited, a company incorporated in the British Virgin Islands with limited liability, as to 80 per cent., and Mr. Yeung Wai Hung as to 20 per cent., Twilight Enterprises Limited is beneficially owned by Mr. Wong, Wilson as to 50 per cent. and Ms. Chiu Gee Chai, his wife, as to 50 per cent. and Mr. Wong, Wilson is deemed to be interested in 30,759,120 shares by virtue of SDI Ordinance.

3. The issued share capital of Kenworth Enterprises is beneficially owned by Mr. Wong Wah Sang as to 22.23 per cent., Mr. Wong Man Fung, Anthony as to 11.11 per cent., Mr. Wong Man Che, Edward as to 11.11 per cent., Mr. Wong Man Ka, Stephen as to 11.11 per cent., Ms. Wong Man Hing, Alice as to 11.11 per cent., Mr. Wong Man Chiu, Ronnie as to 11.11 per cent., Mr. Wong Man Kon, John as to 11.11 per cent., and Mr. Wong Man Kong, Peter as to 11.11 per cent.. Mr. Wong Wah Sang is the father of the other shareholders mentioned above and is also the elder brother of Mr. Wong, Wilson.

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 executive 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 30 per cent. of the shares in issue from time to time (excluding shares which have been allotted and issued pursuant to the share option scheme).

As at 13 August 2001, no option has been granted or agreed to be granted under the aforementioned share option scheme.

DIRECTORS' RIGHTS TO ACQUIRE SHARES

Except the share option disclosed above, at no time during the six months ended 30 June 2001 was the Company, any of its holding companies, fellow subsidiaries or subsidiaries 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 of 18, had any right to subscribe for the shares of the Company, or had exercised any such rights.

SUBSTANTIAL SHAREHOLDERS OF THE COMPANY

So far as the Directors are aware, subsequent to the listing of the Company on the GEM on 13 August 2001, the following persons are entitled to exercise or control the exercise of 10 per cent., or more of the then issued shares for the purposes of the SDI Ordinance:

Name	Number or attributable number of Shares held	Approximate percentage or attributable percentage of shareholding in the Company
Sino Market (Note 2)	126,000,000	70.0000
Sinoman International (Note 3)	76,897,800	42.7210
Twilight Enterprises Limited (Note 3)	61,518,240	34.1768
Mr. Wong, Wilson (Note 3)	30,759,120	17.0884
Ms. Chiu Gee Chai (Note 3)	30,759,120	17.0884
Kenworth Enterprises (Note 4)	44,062,200	24.4790

Notes:

1. Each of the Initial Management Shareholders (Sino Market, Sinoman International, Twilight Enterprises Limited, Mr. Wong, Wilson, Ms. Chiu Gee Chai, Mr. Yeung Wai Hung, Kenworth Enterprises, Mr. Wong Wah Sang, Mr. Wong Man Fung, Anthony, Mr. Wong Man Che, Edward, Mr. Wong Man Ka, Stephen, Ms. Wong Man Hing, Alice, Mr. Wong Man Chiu, Ronnie, Mr. Wong Man Kon, John, Mr. Wong Man Kong, Peter, Via Roma Limited and Kwan Yan Ming) has undertaken with the Stock Exchange and the Company that each of them will not dispose of (nor enter into any agreement to dispose of) any of its direct or indirect interest in the Relevant Securities for a period of 12 months after listing of the Company on the GEM. Each of the Initial Management Shareholders will place in escrow for a period of 12 months after listing of the Company on the GEM the Relevant Securities held by it in the Company.
2. Sino Market is a company incorporated in Hong Kong. The issued share capital of Sino Market are beneficially owned by Sinoman International as to 61.03 per cent., Kenworth Enterprises as to 34.97 per cent., and Via Roma as to 4 per cent.
3. (i) The issued share capital of Sinoman International is beneficially owned by Twilight Enterprises Limited as to 80 per cent., and Mr. Yeung Wai Hung, an executive Director, as to 20 per cent.. Twilight Enterprises Limited, a company incorporated in the British Virgin Islands with limited liability, is beneficially owned by Mr. Wong Wilson, an executive Director, as to 50 per cent. and Ms. Chiu Gee Chai, his wife, as to 50 per cent.
- (ii) As Twilight Enterprises Limited indirectly holds 61,518,240 shares in the Company through Sinoman International and Sino Market and Mr. Wong, Wilson and Ms. Chiu Gee Chai each holds 50 per cent. beneficial interests in Twilight Enterprises Limited, each of Mr. Wong, Wilson and Ms. Chiu Gee Chai is indirectly interested in 30,759,120 shares.
4. The issued share capital of Kenworth Enterprises is beneficially owned by the following persons:

Name of Shareholders	Percentage of shareholdings in Kenworth Enterprises
Mr. Wong Wah Sang (Executive Director)	22.23%
Mr. Wong Man Fung, Anthony	11.11%
Mr. Wong Man Che, Edward	11.11%
Mr. Wong Man Ka, Stephen	11.11%
Ms. Wong Man Hing, Alice	11.11%
Mr. Wong Man Chiu, Ronnie (Executive Director)	11.11%
Mr. Wong Man Kon, John	11.11%
Mr. Wong Man Kong, Peter	11.11%

Mr. Wong Wah Sang is the father of the other shareholders of Kenworth Enterprises mentioned above.
Mr. Wong Wah Sang is also the elder brother of Mr. Wilson Wong.

SPONSOR'S INTEREST

Pursuant to the agreement dated 30 July 2001 and entered into between the Company and Yu Ming Investment Management Limited ("Yu Ming"), Yu Ming will receive a fee for acting as the Company's retained sponsor for the period commencing 13 August 2001 until 31 December 2003 (being the last day of the second full financial year of the Company after its listing on the GEM). As at 13 August 2001, none of Yu Ming, its directors, employees and their associates had any interest in the securities of the Company or any member of the Group, or any right to subscribe for or to nominate persons to subscribe for the securities of the Company or any member 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 Society of 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 comprises two independent non-executive Directors, namely Mr. Ng Ming Wah, Charles and Mr. Sung Wai Tak, Herman and an executive Director, Mr. Wong, Wilson.

COMPETING INTERESTS

The Directors have substantial experience in the operation of transportation companies especially bus services, with over 20 years of experience in the operation of such services in Hong Kong. As at 13 August 2001, such operations in Hong Kong are trading under the names of Argos Hong Kong, a fellow subsidiary of the Company, Goldspark HK Tours Limited, a 50 per cent. indirectly owned subsidiary of Argos Hong Kong, and Metro Line Tour Limited, owned 50 per cent. by Twilight Enterprises Limited and 15 per cent. by Mr. Yeung Wai Hung. Argos Hong Kong is one of the most established private bus operators in Hong Kong with over 120 buses in service and a fully-equipped depot. Goldspark HK Tours Limited provides tour service in Hong Kong with one open-top double-decker. It also provides other services for outbound tours from Hong Kong to Shenzhen including tour guides, tour and hotel packages. Metro Line Tour Limited provides employee services in Hong Kong with three single-decker buses.

Argos Hong Kong also have two wholly-owned subsidiaries namely, Ming Tak Transportation Service Company Limited and Moving Step Limited, which are engaged in fleet purchases and lease back to Argos Hong Kong. The two companies are essentially the financing arms of Argos Hong Kong.

Argos Hong Kong and Kwoon Chung Bus Holdings Limited, a company listed on the mainboard of the Stock Exchange, co-invested in a 50:50 joint venture named CLK Bus Company Limited for the provision of employee services in the Chek Lap Kok area when the Hong Kong International Airport was under construction. Operations have ceased subsequent to the completion of construction of the Hong Kong International Airport.

All of Argos Hong Kong, Goldspark HK Tours Limited, Metro Line Tour Limited, Moving Step Limited, Ming Tak Transportation Service Company Limited and CLK Bus Company Limited are not subsidiaries of the Company. Distinct from the Company, all six companies derive income from business originated in Hong Kong and therefore is not going to compete, whether directly or indirectly, with the operations of the Group, which derives income from business originated in the PRC as a result of the different geographical delineations. Nevertheless, it is agreed amongst the Group and the six companies that any cross-border routes between Hong Kong and the PRC will not be operated by the Group.

Save as disclosed above, none of the Directors or the Initial Management Shareholders of the Company (as defined in the GEM Listing Rules) had an interest in a business which competes with the business of the Group.

By order of the Board
Wong Wah Sang
Chairman

Hong Kong, 10 August 2001