



ARGOS ENTERPRISE (HOLDINGS) LIMITED

雅高企業(集團)有限公司

(Incorporated in Hong Kong with limited liability)



INTERIM REPORT
2002

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

CHAIRMAN'S STATEMENT

On behalf of the Board of directors (the "Board"), of Argos Enterprise (Holdings) Limited (the "Company", together with subsidiaries, collectively, the "Group"), I am pleased to present the unaudited interim results of the Group for the six months ended 30th June, 2002 (the "Reporting Period").

During the Reporting Period, Group turnover was approximately HK\$41,394,000, representing a 61% increase over the same period last year. Turnover for the three months ended 30th June, 2002 was approximately HK\$21,554,000 representing an increase of 9% from the first quarter of 2002. Profit attributable to shareholders for the six months ended 30th June, 2002 was approximately HK\$3,307,000, representing a 12% increase from the profit of approximately HK\$2,943,000 for the same period a year ago.

Our major operating subsidiary, Nanjing Argos, which accounted for nearly 64% of the total turnover, performed extremely well in the Reporting Period. While the other two operating subsidiaries, Wanzhou Argos and Taizhou Argos gradually made up increasing portion of the total turnover starting from this year. This encouraging result was attributable to the quality of our services, successful investment strategies and growing demand in passenger services in the Mainland China market.

Mainland China's economic growth rate, fueled by mounting foreign investment following its accession to the WTO, is expected to remain steady. This should spur wealth creation and increase spending power among passengers demanding high quality bus services. The rapidly growing presence of foreign bus transportation groups has stimulated passenger demand for higher quality and comfortable bus journeys. This trend is certain to move upscale. Argos, is a natural partner of choice in Mainland China for major bus transportation operators, is going to ripe the harvest in the coming years.

On behalf of the Board, I would like to express my gratitude to staff for their support and diligence during the period. I would like to tender my appreciation towards to our shareholders, our business partners and our customers for their loyalty and support to the Group during the period.

INTERIM RESULTS (UNAUDITED)

The Board is pleased to announce the unaudited consolidated results of the Group for the six months and three months ended 30th June, 2002 together with comparative unaudited figures for the corresponding periods in 2001 (the "Relevant Periods") as follows:

	Notes	Six months ended 30th June,		Three months ended 30th June,	
		2002 HK\$'000	2001 HK\$'000	2002 HK\$'000	2001 HK\$'000
TURNOVER	2	41,394	25,761	21,554	13,835
COST OF BUS SERVICES RENDERED		<u>(31,128)</u>	<u>(21,037)</u>	<u>(16,488)</u>	<u>(11,594)</u>
GROSS PROFIT		10,266	4,724	5,066	2,241
OTHER REVENUE	2	6,396	7,745	3,815	1,994
ADMINISTRATIVE EXPENSES		<u>(7,366)</u>	<u>(3,789)</u>	<u>(3,787)</u>	<u>(2,104)</u>
PROFIT FROM OPERATIONS		9,296	8,680	5,094	2,131
INTEREST INCOME		129	339	64	40
FINANCE COSTS	4	<u>(930)</u>	<u>(1,163)</u>	<u>(460)</u>	<u>(1,001)</u>
PROFIT BEFORE TAXATION		8,495	7,856	4,698	1,170
TAXATION	5	<u>(1,963)</u>	<u>(2,102)</u>	<u>(1,226)</u>	<u>157</u>
PROFIT BEFORE MINORITY INTERESTS		6,532	5,754	3,472	1,327
MINORITY INTERESTS		<u>(3,225)</u>	<u>(2,811)</u>	<u>(1,670)</u>	<u>(968)</u>
PROFIT ATTRIBUTABLE TO SHAREHOLDERS		<u>3,307</u>	<u>2,943</u>	<u>1,802</u>	<u>359</u>
EARNINGS PER SHARE – BASIC (CENTS)	6	<u>1.84</u>	<u>1.96</u>	<u>1.00</u>	<u>0.24</u>

CONSOLIDATED BALANCE SHEET

		(Unaudited) As at 30th June, 2002 HK\$'000	(Audited) As at 31st December, 2001 HK\$'000
	Notes		
ASSETS			
Non-current assets			
Goodwill		465	465
Intangible assets		1,610	1,056
Property, plant and equipment		90,785	82,920
Investments in securities		1,024	701
Deferred tax asset		4,231	4,231
		<u>98,115</u>	<u>89,373</u>
Current assets			
Due from a fellow subsidiary		5,812	4,049
Due from related companies		368	289
Prepayments, deposits and other receivables	7	14,016	3,678
Consumables		1,104	1,210
Trade receivables	7	1,465	1,087
Fixed deposits		33,150	31,385
Cash and bank balances		8,390	6,549
		<u>64,305</u>	<u>48,247</u>
LIABILITIES			
Current liabilities			
Current portion of interest-bearing borrowings		24,044	23,566
Trade payables		2,741	1,121
Advertising income on fleet body receipt in advance		696	783
Other payables and accruals		43,438	34,204
Taxation payable		2,162	1,027
Bank overdrafts		3,428	-
Due to a related company		50	16
Due to minority shareholders		-	2,320
		<u>76,559</u>	<u>63,037</u>
Net current liabilities		<u>(12,254)</u>	<u>(14,790)</u>
Total assets less current liabilities		<u>85,861</u>	<u>74,583</u>
Non-current liabilities			
Interest-bearing borrowings		15,348	9,750
Advertising income on fleet body receipt in advance		3,624	4,476
		<u>18,972</u>	<u>14,226</u>
MINORITY INTERESTS		<u>18,259</u>	<u>15,034</u>
NET ASSETS		<u>48,630</u>	<u>45,323</u>
CAPITAL AND RESERVES			
Issued capital		1,800	1,800
Reserves	8	46,830	43,523
		<u>48,630</u>	<u>45,323</u>

UNAUDITED CONSOLIDATED CASH FLOW STATEMENT

	(Unaudited) Six months period ended 30th June, 2002 HK\$'000
Net cash inflow from operating activities	7,143
Net cash inflow from returns on investment and servicing of finance	801
Net cash outflow from investing activities	<u>(15,607)</u>
Net cash outflow before financing	(7,663)
Net cash inflow from financing	<u>9,504</u>
Increase in cash and cash equivalents	1,841
Cash and cash equivalents at the beginning of the period	<u>6,549</u>
Cash and cash equivalent at the end of the period	<u><u>8,390</u></u>
Analysis of balances of cash and cash equivalents:	
Bank balances and cash	<u><u>8,390</u></u>

Notes:

1. Group reorganization, basis of presentation and principle accounting policies

The Company was incorporated in Hong Kong on 13th October, 2000 as a limited liability company under the Hong Kong Companies Ordinances, 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 the GEM of the Stock Exchange on 13th August, 2001, the Company became the holding company of the Group on 30th July, 2001. Further details of the Reorganization are set out in the prospectus of the Company dated 31st July, 2001 (the "Prospectus").

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 Ordinances. 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 30th June, 2002, whichever is the shorter. On this basis, the Company has been treated as the holding company of its subsidiaries acquired through the Group Reorganization.

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

The unaudited consolidated interim financial statement have been prepared in accordance with Statement of Standard Accounting Practice (“SSAP”) 25 “Interim Financial Reporting” issued by the Hong Kong Society of Accountants and with the disclosure requirements set out in chapter 18 of the Rules Governing the Listing of Securities on GEM of the Stock Exchange (the “GEM Listing Rules”). In this first year of implementation of SSAP 25, as permitted by the GEM Listing Rules, no comparative figures for the corresponding period of the preceding year have been presented for the unaudited consolidated cash flow statement.

The following recently-issued and revised SSAPs are adopted for the first time in the preparation of the current period’s unaudited consolidated interim financial statements:

- | | |
|---------------------|--|
| — SSAP 18 (revised) | Revenue |
| — SSAP 26 | Segment reporting |
| — SSAP 28 | Provisions, contingent liabilities and contingent assets |
| — SSAP 29 | Intangible assets |
| — SSAP 31 | Impairment of assets |
| — SSAP 32 | Consolidated financial statements and accounting for investments in subsidiaries |

These SSAPs prescribe new accounting measurement and disclosure practices. The changes to the Group’s accounting policies, and the effects of adopting these new polices are set out below:

SSAP 26 prescribes the principles to be applied for reporting financial information by segment, It requires that management assesses whether the Group’s predominant risk or returns are based on business segments and determines one of these bases to be the primary segment information reporting format. The impact of this SSAP is the inclusion of significant additional segment reporting disclosure which are set out in note 3 to the financial statement.

2. Turnover and revenue

The Group is engaged in the rendering of bus services through public routes, tourist routes, "Hire-a-bus" and employee services, sub-contracting, rental as well as sightseeing ticket sales. Revenue recognized during the Relevant Periods are as follows:

	Six months ended 30th June,		Three months ended 30th June,	
	2002 HK\$'000	2001 HK\$'000	2002 HK\$'000	2001 HK\$'000
Turnover				
Related bus services				
– Public routes	27,703	18,668	14,172	9,888
– Tourist routes	2,739	2,998	1,124	1,550
– "Hire-a-bus" and employee service	4,013	2,931	2,705	1,704
Sub-contracting	5,906	–	2,955	–
Rental	467	–	228	–
Sightseeing ticket sales	566	1,164	370	693
	<u>41,394</u>	<u>25,761</u>	<u>21,554</u>	<u>13,835</u>
Other revenue				
Advertising income on fleet body	939	989	470	520
Subsidy from local authority	3,843	4,889	2,182	358
Sundries	1,614	1,867	1,163	1,116
	<u>6,396</u>	<u>7,745</u>	<u>3,815</u>	<u>1,994</u>
Total revenue	<u>47,790</u>	<u>33,506</u>	<u>25,369</u>	<u>15,829</u>

3. Segmental information

An analysis of the Group's revenues and results for the period by business segments is as follows:

	Six months ended 30th June, 2002						Total HK\$'000
	Public routes HK\$'000	Tourist routes HK\$'000	employee service HK\$'000	"Hire-a-bus" and Sightseeing ticket sales HK\$'000	Sub- contracting HK\$'000	Rental HK\$'000	
Turnover	27,703	2,739	4,013	566	5,906	467	41,394
Cost of bus services rendered	(20,777)	(1,917)	(3,210)	(441)	(4,479)	(304)	(31,128)
Gross profit	<u>6,926</u>	<u>822</u>	<u>803</u>	<u>125</u>	<u>1,427</u>	<u>163</u>	10,266
Unallocated items:							
Other revenue							6,396
Administrative expenses							<u>(7,366)</u>
Profit from operations							9,296
Interest income							129
Finance costs							<u>(930)</u>
Profit before taxation							8,495
Taxation							<u>(1,963)</u>
Profit before minority interests							6,532
Minority interests							<u>(3,225)</u>
Net profit for the period							<u>3,307</u>

An analysis of the Group's revenues and results for the period by business segments is as follows:

(ii)	Six months ended 30th June, 2001						
	Public routes	Tourist routes	employee service	Sightseeing ticket sales	Sub-contracting	Rental	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Turnover	18,668	2,998	2,931	1,164	-	-	25,761
Cost of bus services rendered	(15,641)	(2,249)	(2,345)	(802)	-	-	(21,037)
Gross profit	<u>3,027</u>	<u>749</u>	<u>586</u>	<u>362</u>	<u>-</u>	<u>-</u>	<u>4,724</u>
Unallocated items:							
Other revenue							7,745
Administrative expenses							(3,789)
Profit from operations							8,680
Interest income							339
Finance costs							(1,163)
Profit before taxation							7,856
Taxation							(2,102)
Profit before minority interests							5,754
Minority interests							(2,811)
Net profit for the period							<u>2,943</u>

4. Finance costs

	Six months ended		Three months ended	
	30th June,		30th June,	
	2002	2001	2002	2001
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Interest on bank loans and overdrafts	<u>930</u>	<u>1,163</u>	<u>460</u>	<u>1,001</u>

5. Taxation

The taxation charge comprises:

	Note	Six months ended 30th June,		Three months ended 30th June,	
		2002 HK\$'000	2001 HK\$'000	2002 HK\$'000	2001 HK\$'000
Hong Kong profits tax	(i)	–	–	–	–
Overseas taxation	(ii)	1,963	2,102	1,226	(157)
		<u>1,963</u>	<u>2,002</u>	<u>1,226</u>	<u>(157)</u>

- (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 Mainland of the People's Republic of China (the "Mainland China") calculated at the applicable rates.

6. 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 three months ended 30th June, 2002 of HK\$3,307,000 and HK\$1,802,000 (30th June, 2001: HK\$2,943,000 and HK\$359,000) and on 180,000,000 (2001: 150,000,000) shares in issue during the periods.

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

7. Trade and other receivables

	(Unaudited) As at 30th June, 2002 HK\$'000	(Audited) As at 31st December, 2001 HK\$'000
Trade receivables (Note a)	1,465	1,087
Prepayments and deposit	<u>14,016</u>	<u>3,678</u>
	<u>15,481</u>	<u>4,765</u>

Note:

(a) The aging analysis of the trade receivables were as follows:

	(Unaudited) As at 30th June, 2002 HK\$'000	(Audited) As at 31st December, 2001 HK\$'000
Current		
30 – 60 days	918	601
61 – 90 days	84	13
Over 90 days	463	473
	<u>1,465</u>	<u>1,087</u>

8. Reserves

	Exchange reserve HK\$'000	Share premium HK\$'000	General reserve HK\$'000	Retained earnings HK\$'000	Total HK\$'000
As at 1st January, 2002	430	29,200	2,434	11,459	43,523
Net profit for the period	<u>–</u>	<u>–</u>	<u>–</u>	<u>3,307</u>	<u>3,307</u>
As at 30th June, 2002	<u>430</u>	<u>29,200</u>	<u>2,434</u>	<u>14,766</u>	<u>46,830</u>

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 reserve which comprise of 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 reserve is non-distributable and calculated based on the PRC statutory financial statements of these subsidiaries.

INTERIM DIVIDENDS

The Board does not recommend the payment of any dividend for the six months ended 30th June, 2002 (2001: Nil).

PURCHASE, SALE OR REDEMPTION OF SHARES

During the Reporting Period, neither the Company or any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

BOARD PRACTICES AND PROCEDURES

During the six months ended 30th June, 2002, the Company was in compliance with Board Practices and Procedures as set out in Rules 5.28 to 5.39 of GEM listing Rules.

COMPARISON OF BUSINESS OBJECTIVES WITH ACTUAL PROGRESS

The following is a summary of the actual business progress of the Group compared with the business objectives set out in the prospectus of the Company dated 31st July, 2001 (the "Prospectus"):

	Business objectives for the period from 1st January, to 30th June, 2002 as disclosed in the Prospectus	Actual business progress up to the period of 1st January, to 30th June, 2002
General	To invest 25 to 40 new buses in Nanjing alone	Order for 10 units of air-conditioned tourist buses have been placed in June 2002
	To seek opportunities in the development of northwestern Mainland China	The opportunities are not yet matured.
	To seek opportunities in the provision of inner-city public bus and coach services	Planning is underway
Tourist routes	To apply further tourist routes in the city and maintain its status as the sole tourist route operator in Nanjing	Approval documents has not yet received from the relevant authorities but the leadership status is maintained
	To improve the current network in Nanjing	Improvement is underway
	To launch the same services in Wanzhou and Taizhou	Research and feasibility study is underway

Public routes	A radiant model branching from the depot of Nanjing Argos	The network is being developed in accordance with such plan
	To introduce two Public Routes in Nanjing Argos	Not yet approved by the relevant authorities
	To carry on to explore opportunities in Nanjing	No definite project has been fixed yet
	To explore further opportunities in improve the newly launched services in Chongqing Wanzhou Argos	As stated
	To follow the business model of Nanjing by other new JV in other cities	As stated
"Hire-a-bus" and employee service	To raise the utilization rate of the fleet during off-peak period in Nanjing Argos	As stated
	To launch similar services on other operating cities other than Nanjing	As stated
Sightseeing ticket sales	To consider setting tourist centres in other operating cities other than Nanjing	As stated
	Nanjing Argos Tour Service will offer more scenery spots	As stated
	To consider in establishing such tour service in other parts of Mainland China	As stated

USE OF PROCEEDS

The Company obtained net proceeds, after deducting related expenses, of approximately HK\$25,000,000 from the new issue of shares by way of placing. During the period from 13th August, 2001 (the date of listing of the Company's shares) to 30th June, 2002, the Group has applied the net proceeds as follows:

Business scope	Project	Notes	Budget amount to be used up to 30th June, 2002 as extracted from the Prospectus HK\$ million	Actual amount used up to 30th June, 2002 HK\$ million
Joint venture partnership	Investment in Taizhou	1	6.00	9.05
	Investment in Wuhu	2	6.00	–
Repayment of shareholders loan	To Argos Hong Kong	3	3.30	3.30
	To other shareholders	4	6.70	6.70
Working capital purposes	For daily operations	5	3.00	5.95
Total			<u>25.00</u>	<u>25.00</u>

Notes:

1. The additional investment is attributed to the Group's commercial decision to enhance and strengthen the asset base of the Taizhou joint venture, thus, the setting up period for this joint venture could be shortened and the generation of revenue and profit could be speed up a little bit earlier.
2. The Group had originally planned to invest in Wuhu public bus transportation market that could enhance our business growth by geographic expansion. However, the Group has not able to finalize the prolonged negotiable process with the relevant party on certain terms and conditions that are fundamental to us. The Group decided to suspend this project to later date. As a result, HK\$3,050,000 was reallocated to enlarge the joint venture project in Taizhou and the balance of HK\$2,950,000 was temporarily used as general working capital.
3. With regard to the aforesaid HK\$3,300,000 of the net proceeds allocated for repayment of shareholders loan to Argos Hong Kong, the amount had been applied for such intended purpose during the period.
4. With regard to the aforesaid HK\$6,700,000 of the net proceeds allocated for repayment of other shareholders loan, the amount had been applied for such intended purpose during the period.
5. The excess utilization is attributable to additional amount of approximately HK\$2,950,000 was added to the general working capital of the Group for enhancement of Group operational and administrative systems and ancillary equipment as well as for repayment of outstanding bank loan.

MANAGEMENT DISCUSSION AND ANALYSIS

Financial review

The Group has achieved a stable and sustained growth in the operating results for this half year. For the three months ended 30th June, 2002, the Group recorded a turnover of approximately HK\$21,554,000 and a net profit of approximately HK\$1,802,000. This represented a growth of 56% in total turnover and 502% in net profit as compared to the same period in the previous year. For the six months ended 30th June, 2002, the Group has recorded a turnover of approximately HK\$41,394,000 and a net profit of approximately HK\$3,307,000, representing a growth of 61% in turnover and 12% in net profit. The improvement in the revenue of the Group was due to the fact that Wanzhou Argos and Taizhou have operated in full strength under the current capacity and successful marketing efforts which provide the Company with good business development and market recognition.

As at 30th June, 2002, shareholders' funds of the Group amounted to approximately HK\$48,630,000. Current assets amounted to approximately HK\$64,305,000, of which approximately HK\$41,540,000 were cash and bank deposits. The Group had long-term liabilities amounting to approximately HK\$18,972,000 and its current liabilities amounted to approximately HK\$76,559,000, trade payables, other payables, accruals and provisions. HK\$43,438,000. The Group expresses its gearing ratio as a percentage of interest-bearing borrowings over total assets. As at 30th June, 2002, the Group had a gearing ratio of 26%.

During the Reporting Period, as all the Group's revenue and supplies were substantially denominated in Renminbi, the Board considers that the potential foreign exchange exposure of the Group is limited.

During the Reporting Period, the Group had no material acquisitions and disposals of subsidiaries and affiliated companies and it is the same for the comparative six months ended 30th June, 2001.

As at 30th June, 2002, the charges on the Outstanding Financial Assistance as disclosed in the Company's prospectus dated 31st July, 2001, had been released when the outstanding loan balance due to the Bank of China Hong Kong Ltd. (formerly known as the China & South Sea Bank) was settled on 14th April, 2002. A corporate guarantee of the Company and a charges on the group assets in Nanjing Argos had been given to Trilease International Limited when a HK\$15 million term loan obtained from them in April, 2002.

As at 30th June, 2002, the Group had no future plans for material investments except that capital assets will be purchased in accordance with the details set out in the section headed "Statement of business objectives" in the Prospectus.

As at 30th June, 2002, the Group had no material contingent liabilities and it is the same as the comparative six months ended 30th June, 2001.

Operations review

During the Reporting Period, the Group was exploring opportunities to strengthen its core business in the provision of public bus transportation services and related services in Mainland China. In addition to extending and re-structuring some of the existing public routes both in Nanjing Argos and Wanzhou Argos, the Group also put a lot of time and effort on exploring new business opportunities in new cities and actively negotiating prospective new joint ventures. The

Group carried on negotiating with the Nanjing joint venture partner to expand and penetrate further into the market by bidding for more public routes in order to boost revenue and profit, thus to accelerate the Group's growth rate. The Group carried on achieving satisfactory performance in the first half year which resulted mainly from increasing income generated from Nanjing Argos, Wanzhou Argos and Taizhou Argos.

The directors of the Company (the "Directors") intended to take a positive approach to meet the challenges, the Group will continue its policy to control operation cost, strengthen its management, sales and marketing force, maintain close relationships with its existing customers and endeavors to attract new customers through high quality customer services, with the ultimate objective of a brighter and more prosperous future for the Group.

Future prospects

The Directors are deeply concern about the growth in profitability of the Group. So a new effective and efficient operation plan has been implemented toward the end of the first fiscal year. The new operation plan, aiming to boost revenue and accelerate the growth rate of profitability, involved reorganization of bus fleet personnel, replacement of the worn out buses, enhancement on promotional campaigns and marketing programs and implementation of initiatives to control operation and administrative expenses. A new business model has been built with a new focus on expediting development of new joint ventures and establishing presence on the whole Mainland China market. With today's rapidly changing market environment, the ability to realize quality management at the international standard is the sole key for survival. Thus, in the face of this challenge, it is essential for our Group to continue to strive for excellence, further consolidate our foundation and have ceaseless passion for reform.

In light of Mainland China's sustained economic growth, the Directors are confident of the Group's business prospects. Jiangsu Province as one of the growth engine of Mainland China, is expected to further benefit from the imminent accession of China to the World Trade Organization and the hosting of the 2008 Olympic Games. Although Mainland China's public bus transportation industry reform could over the long-term bring in abundant public bus services in low price, Jiangsu Province is expected to have a matching appetite for high quality bus services. As further details of Mainland China's public bus transportation industry reform are expected to be announced later in the year, the Group will be closely monitoring the development. Building on Nanjing Argos excellent management quality and expertise, the Group is well prepared to take on the challenge and to compete in the changing market environment. At the same time, the Group is also well positioned to explore any profitable business opportunities and aggressively seeking cooperation opportunities with state-owned public transport corporations that could give synergy to its public bus transportation and related services business in Mainland China. In pursuit of further performance excellence and company value creation, the Directors will endeavor best efforts to enhance the Company's level of corporate governance.

Apart from offering first class bus transportation and related services to our passengers and customers, it is our strategy to provided value-added services in service chain enhancement, informative advertisement development and fully air-conditioned comfortable journeys. As such, we can truly differentiate ARGOS from our competitors in providing total passenger services to satisfy customers' needs, a tactic that no rival can easily imitate. We will continue to beef up our human resources in services and technology development, sales and marketing management, with the aim of simultaneously achieving both service leadership and operational excellence.

Barring unforeseen circumstances and expecting a continuous, gradual transportation industry expansion during the second half, we anticipate further improved business performance in the next six months.

DIRECTORS' SHAREHOLDING INTERESTS IN THE COMPANY

As at 30th June, 2002, the following Director(s) have the following interests in the share capital of the Company and its associated corporations (within the meaning of the Securities (Disclosure of Interests) Ordinance (the "SDI Ordinance") which were notified to the Company and the Stock Exchange pursuant to Section 28 of the SDI Ordinance (including interests which they were taken or deemed to have under Section 31 of, or Part 1 of the Schedule to, the SDI Ordinance), or which required, pursuant to Section 29 of the SDI Ordinance, to be entered in the register referred to therein, or which were required, pursuant to Rules 5.40 to 5.59 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange, were as follows:

Name	Type of interest	Number of issued share held
Mr. Wilson Wong	Corporate	126,000,000 (Notes 1 to 2)

Notes:

1. These 126,000,000 shares are held by Sino Market Enterprises Limited which is beneficially owned as to 61.03 per cent. by Sinoman International Limited. Sinoman International Limited is in turn beneficially owned as to 80 per cent. by Twilight Enterprises Limited which is beneficially owned as to 50 per cent. by Mr. Wong, Wilson, the managing director of the Group and as to 50 per cent. by Madam Chiu Gee Chai, the wife of Mr. Wong, Wilson.
2. Mr. Wong, Wilson is deemed to be interested in 126,000,000 shares under SDI Ordinance.
3. Under the SDI Ordinance, Mr. Wong, Wilson is deemed to be interested in the entire issued share capital of Argos Bus Services Company Limited, Argos Bus Services (China) Company Limited, Moving Step Limited and Ming Tak Transportation Service Co., Limited, 80 per cent. of the issued share capital of Sinoman International Limited and 50 per cent. of the issued share capital of each of Twilight Enterprises Limited, Ringloma Limited, Metro Line Tours Limited, CLK Bus Company Limited and Goldspark HK Tours Limited.
4. Under the SDI Ordinance, Mr. Yeung Wai Hung is personally interested in 20 per cent. of the issued capital of Sinoman International Limited and deemed to be interested in the entire issued capital of Cherikoff Bakery & Confections Limited.

SHARE OPTION SCHEME

On 31st 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 13th August, 2001 to 30th June, 2002, no option has been granted or agreed to be granted to the directors under the scheme.

At no time during the six months ended 30th June, 2002 was the Company or any of its subsidiaries a party to any arrangement to enable the Directors, their respective spouse 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 six months ended 30th June, 2002 was any of the Company, its holding companies, fellow subsidiaries and 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 in the Company, or had exercised any such rights.

SUBSTANTIAL SHAREHOLDERS OF THE COMPANY

As at 30th June, 2002, the register of substantial shareholders (other than a Director) maintained under section 16(1) of the SDI Ordinance showed that the Company had been notified of substantial shareholding interests, being 10% 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	126,000,000	70%
Sinoman International Limited	2	126,000,000	70%
Twilight Enterprises Limited	4	126,000,000	70%
Kenworth Enterprises Limited	5	126,000,000	70%
Chiu Gee Chai	3	126,000,000	70%

Notes:

- These 126,000,000 shares are held by Sino Market Enterprises Limited which is beneficially owned as to 61.03 per cent. by Sinoman International Limited and as to 34.97 per cent. by Kenworth Enterprises Limited.
- Sinoman International Limited is beneficially owned as to 80 per cent. by Twilight Enterprises Limited which is beneficially owned as to 50 per cent. by Mr. Wong, Wilson, the managing Director, and as to 50 per cent. by Madam Chiu Gee Chai, the wife of Mr. Wong, Wilson.
- By virtue of the SDI Ordinance, Madam Chiu Gee Chai is deemed to be interested in 126,000,000 shares.
- By virtue of the SDI Ordinance, each of Sino Market Enterprises Limited, Sinoman International Limited, Kenworth Enterprises Limited, Twilight Enterprises Limited and Ms. 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.
- The issued share capital of Kenworth Enterprises Limited is beneficially owned by Mr. Wong Wah Sang, an executive Director and chairman of the Company, as to 22.23 per cent., Mr. Wong Man Fung, Anthony as to 11.11 per cent., Mr. Wong Man Che, Edward as to 11.11 per cent., Mr. Wong Man Ka, Stephen as to 11.11 per cent., Madam Wong Man Hing, Alice, the wife of Mr. Kwan Yan Ming, as to 11.11 per cent., Mr. Wong Man Chiu, Ronnie, an executive Director, as to 11.11 per cent., Mr. Wong Man Kon, John as to 11.11 per cent. and Mr. Wong Man Kong, Peter as to 11.11 per cent.. Mr. Wong Wah Sang is the father of the other shareholders mentioned above and is also the elder brother of Mr. Wong, Wilson, an executive Director.

Saved as disclosed above, no person had registered an interest in the share capital of the Company that was required under Section 16(1) of the SDI Ordinance.

SPONSOR'S INTEREST

Pursuant to the agreement dated 30th July, 2001 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 13th August, 2001 and expires on 31st December, 2003 (being the last day of the second full financial year of the Company after its listing on the GEM). As at 30th June, 2002, 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 comprised Mr. Wong, Wilson, an executive Director and two independent non-executive Directors of the Company, namely Mr. Ng Ming Wah, Charles and Mr. Sung Wai Tak, Herman.

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 unaudited consolidated interim financial statements for the six months ended 30th June, 2002.

COMPETING INTERESTS

The Directors have substantial experience in the operation of transportation companies especially bus services, with over 20 years of experience in the operation of such services in Hong Kong. Such operations in Hong Kong are mainly trading under the names of Argos Bus Services Co., Ltd. ("Argos Hong Kong"), a fellow subsidiary of the Company, 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.

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.

By order of the Board
Wong Wah Sang
Chairman

Hong Kong, 14th August, 2002