

Argos

ARGOS ENTERPRISE (HOLDINGS) LIMITED

雅高企業(集團)有限公司



Interim Report
2003

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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.

HIGHLIGHTS

- Due to the impact of Severe Acute Respiratory Syndrome ("SARS"), the Company recorded a slight increase of turnover of approximately HK\$42.4 million for the six months ended 30th June, 2003, representing a small increase of approximately 2.4% as compared to the corresponding period in 2002.
- Net profit from ordinary activities attributable to shareholders decreased by 85.2% compared to the corresponding period in 2002 to approximately HK\$0.5 million for the six months ended 30th June, 2003.
- Earnings per share was approximately HK0.27 cents.
- The directors do not recommend payment of an interim dividend for the six months ended 30th June, 2003.
- For the second half year of 2003, we expect business to recover as the impact of SARS abates.



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, 2003 together with comparative unaudited figures for the corresponding periods in 2002 (the "Relevant Periods") as follows:

		Six months ended 30th June,		Three months ended 30th June,	
	Note	2003 HK\$'000	2002 HK\$'000	2003 HK\$'000	2002 HK\$'000
TURNOVER	2	42,376	41,394	19,691	21,554
COST OF BUS SERVICES RENDERED		<u>(36,879)</u>	<u>(31,128)</u>	<u>(17,794)</u>	<u>(16,488)</u>
GROSS PROFIT		5,497	10,266	1,897	5,066
OTHER REVENUE	2	5,972	6,396	3,443	3,815
ADMINISTRATIVE EXPENSES		<u>(8,257)</u>	<u>(7,366)</u>	<u>(4,536)</u>	<u>(3,787)</u>
PROFIT FROM OPERATIONS		3,212	9,296	804	5,094
INTEREST INCOME		85	129	38	64
FINANCE COSTS	4	<u>(1,076)</u>	<u>(930)</u>	<u>(594)</u>	<u>(460)</u>
PROFIT BEFORE TAXATION		2,221	8,495	248	4,698
TAXATION	5	<u>(32)</u>	<u>(1,963)</u>	<u>65</u>	<u>(1,226)</u>
PROFIT BEFORE MINORITY INTERESTS		2,189	6,532	313	3,472
MINORITY INTERESTS		<u>(1,698)</u>	<u>(3,225)</u>	<u>(719)</u>	<u>(1,670)</u>
PROFIT (LOSS) ATTRIBUTABLE TO SHAREHOLDERS		<u>491</u>	<u>3,307</u>	<u>(406)</u>	<u>1,802</u>
EARNINGS (LOSS) PER SHARE - BASIC (CENTS)	6	<u>0.27</u>	<u>1.84</u>	<u>(0.23)</u>	<u>1.00</u>



CONSOLIDATED BALANCE SHEET

	(Unaudited) As at 30th June, 2003 HK\$'000	(Audited) As at 31st December, 2002 HK\$'000
ASSETS		
Non-current assets		
Intangible assets	1,475	1,565
Property, plant and equipment	102,897	107,392
Investments in securities	1,018	1,018
Deferred tax asset	3,642	4,057
	<u>109,032</u>	<u>114,032</u>
Current assets		
Due from a fellow subsidiary	2,548	4,337
Due from related companies	1,902	1,770
Amount due from a minority shareholder	47	660
Prepayments, deposits and other receivables	10,586	6,824
Consumables	606	1,302
Trade receivables	1,318	1,636
Tax recoverable	240	240
Fixed deposits	26,452	27,134
Cash and bank balances	5,183	8,548
	<u>48,882</u>	<u>52,451</u>
LIABILITIES		
Current liabilities		
Bank overdraft, secured	8,936	6,157
Current portion of interest-bearing borrowings	23,485	29,249
Bills Payable	-	3,566
Trade payables	5,479	4,034
Advertising income on fleet body receipt in advance	2,025	2,025
Other payables and accruals	32,175	37,969
Taxation payable	267	-
Amount due to a related company	377	377
Amount due to minority shareholders	1,557	797
	<u>74,301</u>	<u>84,174</u>



ARGOS ENTERPRISE (HOLDINGS) LIMITED

		(Unaudited) As at 30th June, 2003 HK\$'000	(Audited) As at 31st December, 2002 HK\$'000
Net current liabilities		<u>(25,419)</u>	<u>(31,723)</u>
Total assets less current liabilities		<u>83,613</u>	<u>82,309</u>
Non-current liabilities			
Interest-bearing borrowings		13,895	13,601
Advertising income on fleet body receipt in advance		<u>2,138</u>	<u>3,317</u>
		16,033	16,918
MINORITY INTERESTS		<u>19,149</u>	<u>17,451</u>
NET ASSETS		<u>48,431</u>	<u>47,940</u>
CAPITAL AND RESERVES			
Issued capital		1,800	1,800
Reserves	8	<u>46,631</u>	<u>46,140</u>
		<u>48,431</u>	<u>47,940</u>



UNAUDITED CONSOLIDATED CASH FLOW STATEMENT

For the six months period ended 30th June, 2003

	For the six months ended 30th June,	
	2003	2002
	HK\$'000	HK\$'000
Net cash (outflow) inflow from operating activities	(794)	7,944
Net cash inflow (outflow) from investing activities	120	(15,607)
	<u> </u>	<u> </u>
Net cash outflow before financing	(674)	(7,663)
Net cash (outflow) inflow from financing	(5,470)	9,504
	<u> </u>	<u> </u>
(Decrease) increase in cash and cash equivalents	(6,144)	1,841
Cash and cash equivalents at the beginning of the period	2,391	6,549
	<u> </u>	<u> </u>
Cash and cash equivalent at the end of the period	<u><u>(3,753)</u></u>	<u><u>8,390</u></u>
Analysis of balances of cash and cash equivalents:		
Bank balances and cash	5,183	8,390
Bank overdrafts	(8,936)	–
	<u> </u>	<u> </u>
	<u><u>(3,753)</u></u>	<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 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 Group financial statements include the financial statements of the Company and its subsidiaries made up to 30th June 2003. The Group Reorganisation above has been accounted for by using merger accounting. Apart from the Group Reorganisation, the results of subsidiaries acquired or disposed of during the period are included in the consolidated income statement from the effect date of acquisition or up to the effective date of disposal, as appropriate.

All significant intra-group transactions and balances within the Group have been eliminated on consolidation.

Minority interests represent the interests of outside shareholders in the operating results and net assets of subsidiaries.

The unaudited condensed consolidated interim financial statements of the Group have been prepared in accordance with Statement of Standard Accounting Practice ("SSAP") 25 "Interim financial reporting" issued by the Hong Kong Society of Accountants ("HKSA") and the applicable disclosure requirements of the Rules Governing the Listing of Securities on the Growth Enterprise Market of the Stock Exchange of Hong Kong Limited (the "GEM Listing Rules").

The condensed consolidated interim financial statements should be read in conjunction with the Company's annual financial statements for the year ended 31st December, 2002.

The condensed consolidated interim financial statements have not been audited by the Company's auditors, but have been reviewed by the Company's audit committee.



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 and tours as well as management fees. Revenue recognized during the Relevant Periods are as follows:

	Six months ended		Three months ended	
	30th June,		30th June,	
	2003	2002	2003	2002
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Turnover				
Related bus services				
– Public routes	28,927	27,703	13,110	14,172
– Tourist routes	1,761	2,739	840	1,124
– “Hire a bus” and employee service	3,472	4,013	1,777	2,705
Sub-contracting	7,069	5,906	3,390	2,955
Rental	479	467	241	228
Sightseeing ticket sales	600	566	284	370
Management fee	68	–	49	–
	<u>42,376</u>	<u>41,394</u>	<u>19,691</u>	<u>21,554</u>
Other revenue				
Advertising income on fleet body	1,857	939	1,094	470
Subsidy from local authority	3,469	3,843	2,021	2,182
Sundries	646	1,614	328	1,163
	<u>5,972</u>	<u>6,396</u>	<u>3,443</u>	<u>3,815</u>
Total revenue	<u><u>48,348</u></u>	<u><u>47,790</u></u>	<u><u>23,134</u></u>	<u><u>25,369</u></u>



3. Segmental information

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

(i) Six months ended 30th June, 2003

	Public routes HK\$'000	Tourist routes HK\$'000	'Hire a bus' and employee service HK\$'000	Sightseeing ticket sales HK\$'000	Sub- contracting HK\$'000	Rental HK\$'000	Management fee HK\$'000	Total HK\$'000
Turnover	28,927	1,761	3,472	600	7,069	479	68	42,376
Cost of bus services rendered	<u>(25,867)</u>	<u>(1,532)</u>	<u>(3,021)</u>	<u>(450)</u>	<u>(5,655)</u>	<u>(335)</u>	<u>(19)</u>	<u>(36,879)</u>
Gross profit/(loss)	3,060	229	451	150	1,414	144	49	5,497
Unallocated items:								
Other revenue								5,972
Administrative expenses								<u>(8,257)</u>
Profit from operations								3,212
Interest income								85
Finance costs								<u>(1,076)</u>
Profit before taxation								2,221
Taxation								<u>(32)</u>
Profit before minority interests								2,189
Minority interests								<u>(1,698)</u>
Net profit for the period								<u><u>491</u></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, 2002

	Public routes HK\$'000	Tourist routes HK\$'000	'Hire a bus' and employee service HK\$'000	Sightseeing ticket sales HK\$'000	Sub- contracting HK\$'000	Rental HK\$'000	Total 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/(loss)	6,926	822	803	125	1,427	163	10,266
Unallocated items:							
Other revenue							6,396
Administrative expenses							(7,366)
Profit from operations							9,296
Interest income							129
Finance costs							(930)
Profit before taxation							8,495
Taxation							(1,963)
Profit before minority interests							6,532
Minority interests							(3,225)
Net profit for the year							<u>3,307</u>

4. Finance costs

	Six months ended 30th June,		Three months ended 30th June,	
	2003 HK\$'000	2002 HK\$'000	2003 HK\$'000	2002 HK\$'000
Interest on bank loans and overdrafts	<u>1,076</u>	<u>930</u>	<u>594</u>	<u>460</u>

5. Taxation

The taxation charge comprises:

	Notes	Six months ended 30th June,		Three months ended 30th June,	
		2003 HK\$'000	2002 HK\$'000	2003 HK\$'000	2002 HK\$'000
Hong Kong profits tax	(i)	-	-	-	-
Overseas taxation	(ii)	<u>32</u>	<u>1,963</u>	<u>(65)</u>	<u>1,226</u>
		<u>32</u>	<u>1,963</u>	<u>(65)</u>	<u>1,226</u>



- (i) No provision for Hong Kong profits tax has been made as the Group did not have assessable profit subject to Hong Kong Profits Tax during the relevant periods.
- (ii) Taxation arising in other jurisdiction is calculated at the rates prevailing in the respective jurisdiction.

6. Earnings per share

The calculation of the basic earnings per share is based on profit/(loss) from the ordinary activities attributable to shareholders for the six months and three months ended 30th June, 2003 of HK\$491,000 (2002: HK\$3,307,000) and HK\$(406,000) (2002: HK\$3,307,000 and HK\$1,802,000) and on 180,000,000 (2002: 180,000,000) 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, 2003 HK\$'000	(Audited) As at 31st December, 2002 HK\$'000
Trade receivables (<i>note a</i>)	1,318	1,636
Prepayments and deposit	<u>10,586</u>	<u>6,824</u>
	<u><u>11,904</u></u>	<u><u>8,460</u></u>

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

	(Unaudited) As at 30th June, 2003 HK\$'000	(Audited) As at 31st December, 2002 HK\$'000
0 – 30 days	180	879
31 – 60 days	570	193
61 – 90 days	3	126
Over 90 days but less than 1 year	<u>565</u>	<u>438</u>
	<u><u>1,318</u></u>	<u><u>1,636</u></u>

8. Reserves

	Exchange reserve HK\$'000	Share premium HK\$'000	Merger reserve HK\$'000	General reserve HK\$'000	Retained earnings HK\$'000	Total HK\$'000
As at 1st January, 2003	456	29,200	(490)	2,830	14,144	46,140
Net profit for the period	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>491</u>	<u>491</u>
As at 30th June, 2003	<u><u>456</u></u>	<u><u>29,200</u></u>	<u><u>(490)</u></u>	<u><u>2,830</u></u>	<u><u>14,635</u></u>	<u><u>46,631</u></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 comprises 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.

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

INTERIM DIVIDENDS

The Board does not recommend the payment of any dividend for the six months ended 30th June, 2003 (2002: Nil).

PURCHASE, SALE OR REDEMPTION OF SHARES

During the six months period ended 30th June, 2003, 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, 2003, 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:

	Business objectives for the period from 1st January to 30th June, 2003	Actual business progress up to the period of 1st January to 30th June, 2003
General	To invest 25 to 40 new buses in Nanjing alone	Purchases have been made by Nanjing Argos for 40 buses for delivery in the second half of 2003
Tourist routes	To seek opportunities in the provision of inner-city public bus and coach services	The Group is still exploring the feasibility of establishing such services
	To apply for 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
Public routes	To launch the same services in Wanzhou and Taizhou	Plan for tourist services in Wanzhou is being actively considered as the Three Gorges Dam Project progresses
	To introduce one Public Routes in Nanjing Argos	Plan for launching new routes in Nanjing has been suspended due to change in government policy
	To introduce various service upgrades and alterations subject to passenger demand in Chongqing Wanzhou Argos	Flexible scheduling and routing has been put in place for the convenience of passengers in Wanzhou
	To implement one-man operation on all buses	Three additional public routes in Taizhou have been changed to one-man-operation



<p>“Hire-a-bus” & employee service</p>	<p>To raise the utilization rate of the fleet to the highest possible limit in Nanjing Argos, Wanzhou Argos and Taizhou Argos</p>	<p>“Hire-a-bus” has become one of the key development areas for Nanjing Argos. A business development department has been set up for chartered services</p>
<p>Sightseeing ticket sales & tours</p>	<p>To remain as value-adding auxiliary services to the tourist routes</p>	<p>Additional buses have been purchased in Nanjing in anticipation for the peak tourism season in September – October</p>
	<p>To explore the synergy presented by the combination of the Nanjing and Wanzhou markets</p>	<p>Wanzhou Argos and Taizhou Argos are following the development model of that of Nanjing Argos</p>
	<p>Nanjing Argos Tour Service will offer more tours</p>	<p>Additional tourists destinations have been offered</p>



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, 2003, the Group has applied the net proceeds as follows:

Business scope	Project	Notes	Budget amount To be used up to 30th June, 2003 as extracted from the Prospectus HK\$million	Actual amount used up to 30th June, 2003 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	<u>3.00</u>	<u>5.95</u>
Total			<u><u>25.00</u></u>	<u><u>25.00</u></u>

Notes:

- 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 sped up.
- 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.
- 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.
- 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.
- 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

Due to the impact of SARS as detailed in the section headed operational review, the unaudited revenue and net profit of the Group for the six months ended 30th June, 2003 was approximately HK\$42,376,000 and HK\$491,000 respectively, representing a small increase of 2.4% and a significant decrease of approximately 85.2% as compared to the corresponding period in 2002.

For the six months ended 30th June, 2003, earnings per share is approximately HK0.27 cents.

The unaudited revenue of the Group for the three months ended 30th June, 2003 was HK\$19,691,000, representing a decrease of approximately 8.6% to the last corresponding period. The Group incurred a net loss of HK\$406,000, comparing to a net profit of HK\$1,802,000 for the last corresponding period.

As at 30th June, 2003, shareholders' funds of the Group amounted to approximately HK\$48,431,000. Current assets amounted to approximately HK\$48,882,000, of which approximately HK\$31,635,000 were cash and bank deposits. The Group had long-term liabilities amounting to approximately HK\$16,033,000 and its current liabilities amounted to approximately HK\$74,301,000, trade payables, other payables, accruals and provisions. HK\$37,654,000. The Group expresses its gearing ratio as a percentage of interest-bearing borrowings over total assets. As at 30th June, 2003, the Group had a gearing ratio of 24%.

During the six months period ended 30th June, 2003, 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 six months period ended 30th June, 2003, 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, 2002.

As at 30th June, 2003, 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 of the Company dated 31st July, 2001.

As at 30th June, 2003, the Group had no material contingent liabilities (2002: nil).

Operational Review

The SARS outbreak in the second quarter of the year took a significant toll on the business of the Group, especially for Nanjing Argos, even though Nanjing was not one of the most affected areas in China with only a few reported cases. On one hand, preventative measures, including intensified disinfections of fleet, have increased operating costs. On the other hand, revenue has been adversely affected as the general public avoided travels on public transport. Nevertheless, management has seen promising growth in Taizhou and Wanzhou which served to stabilize income in the second quarter of the year. Overall, the consolidated revenue of the Group still maintained a growth of 1.17% in the first half, when consolidated revenue fell by 8.8% in the second quarter.



Nanjing Argos

In anticipation of the spreading of SARS to Nanjing, management in Hong Kong commissioned local management to devise a contingency plan early in the second quarter, which has subsequently been implemented for Nanjing Argos to weather the difficult operating environment at the peak of SARS. The contingency plan included adjusting head-ways as demand for services slackened while tour guides on board tourists routes were allowed to take leave without pay as certain tourists routes were suspended from services.

Apart from SARS, Nanjing Argos has seen continuing challenges from a few areas. Firstly, the acceptance of IC Cards as a fare payment method has lowered the average fare registered by public bus operators. Secondly, as a result of roadworks and massive construction projects, traffic conditions have worsened in certain trunk routes served by our public routes, including 2W, 20W, 91W and Y4W. In fact, 315W has been forced to suspend services due to certain public utilities projects. Moreover, as the fleet ages, additional maintenance and upgrades are required in order to meet environmental regulations.

Nevertheless, Nanjing Argos succeeded to explore new areas in public transport. In the first half of the year, Nanjing Argos set up a business development department targeting chartered bus services. As a result, there were significant improvements in the performance of our "hire-a-bus" division.

The following table depicts certain operating statistics of Nanjing Argos for the first half of the year:

	Jan-Jun 2003	Jan-Jun 2002
Routes operated	14	13
Number of employees	1,016	992
Fleet size	312	289
Total mileage ('000 km)	10,221	10,551
Total patronage (million trips)	33,293	40,693

Wanzhou Argos

Wanzhou has not been affected by SARS in any material way. As the number of immigrants to Wanzhou increases under the Three Gorges Dam Project, Wanzhou Argos has deployed flexible scheduling and routing to serve our passengers with an aim to improve passenger loyalty as the proprietary midi-buses services in competition with Wanzhou Argos are gradually being phased out.

The following table depicts certain operating statistics of Wanzhou Argos for the first half of the year:

	Jan-Jun 2003	Jan-Jun 2002
Routes operated	3	3
Number of employees	357	348
Fleet size	84	88
Total mileage ('000 km)	2,697	2,451
Total patronage (million trips)	4,471	4,499



Taizhou Argos

Similar to that of Wanzhou, Taizhou has not been affected by SARS materially. In the first half of the year, Taizhou Argos added 25 buses and 14 taxis to its fleet. A new public routes linking Taizhou City and a suburban township has been introduced to capture merchants and farmers traveling to and from Taizhou City. To reduce overheads, on-board conductors are abolished on three public routes.

The following table depicts certain operating statistics of Taizhou Argos for the first half of the year:

	Jan-Jun 2003	Jan-Jun 2002
Routes operated	22	21
Number of employees	490	420
Fleet size (excluding taxis)	119	73
Total mileage ('000 km)	3,087	2,412
Total patronage (million trips)	4,210	3,136

Outlook

Overall, the operating environment has improved markedly after the passing of SARS and we are confident that the result in the second half of the year will be more satisfactory. In particular, we expect the contributions from Taizhou Argos and Wanzhou Argos to be increased significantly.

Nanjing Argos

Nanjing Argos has acquired 20 non-air-conditioned and 20 air-conditioned buses in preparation for the peak season in September and October. The new acquisitions will also boost Nanjing Argo's capacity to cope with rising demand for chartered services, which will be the prime focus for new source of revenue for Nanjing Argos going forward. In fact, to facilitate growth in the area, we are in negotiation with operators of telecom company, restaurants and other entertainment venues to offer discounts to the customers of Nanjing Argos's "hire-a-bus" business.

In addition to the introduction of an Enterprise Resources Management system, Nanjing Argos will introduce positions of "Route Manager" for each of the routes we operate in order to strengthen our management and shorten response time to unexpected events. We are also actively lobbying the local government authorities for a fare increase to offset the negative impact as a result of the introduction of the IC Card.

Wanzhou Argos

In June, the Wanzhou Airport has commenced operation with flights to Chongqing, Beijing, Guangzhou and Shanghai. This is a very significant event which signals the start of tourism in Wanzhou. Apart from improving current public routes services, development of Tourists Routes in Wanzhou has become a top priority. We are confident that as the Three Gorges Dam starts filling up and flooding certain parts of the Wanzhou area, Wanzhou will become a popular tourists spot and we are in a very good position to benefit.

Taizhou Argos

In the second half of the year, Taizhou Argos will study the feasibility of introducing one to two public routes in a new development area. Boosting the rental rate of taxis will also be a top priority of Taizhou Argos.



DIRECTORS' SHAREHOLDING INTERESTS IN THE COMPANY

As at the 30th June, 2003, the following Directors have the following interests in the share capital of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) which were notified to the Company and the Stock Exchange pursuant to Section 347 of the SFO (including interests which they were taken or deemed to have under Section 344 of the SFO), or which required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to Rules 5.40 to 5.58 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange, were as follows:

Name	Type of interest	Number of issued share held
Mr. Wilson Wong	Corporate	126,000,000 (Notes 1 and 2)
Mr. Yeung Wai Hung	Corporate	1,400,000 (Note 5)

As at 30th June, 2003 none of the Directors held any long or short positions in the share capital of the Company or (in respect of positions held pursuant to equity derivatives) underlying shares or in debentures of the Company or its associated corporations.

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. 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.
- Mr. Wong, Wilson is deemed to be interested in 126,000,000 shares under Part XV of the SFO.
- Under Part XV of the SFO, 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 and Goldspark HK Tours Limited.
- Under Part XV of the SFO, Mr. Yeung Wai Hung is personally interested in 20 per cent. of the issued capital of Sinoman International Limited and 150 shares in Metro Line Tours Limited.
- By virtue of Part XV of the SFO, Mr. Yeung Wai Hung is deemed to be interested in the entire issued capital of Cherikoff Bakery & Confections Limited which is interested in 1,400,000 shares in the Company.

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, 2003, 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, 2003 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, 2003 was any of the Company or any associated corporation a party to any arrangement to enable the Directors to acquire benefits by means of the acquisition of shares in the Company or any other body corporate and none of the Directors, or their spouses or children under the age of the 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, 2003, the register of substantial shareholders (other than a Director) maintained under section 336 of the SFO showed that the Company had been notified of substantial shareholding interests, being 5% or more of the Company's issued share capital, as follows:

Name	Notes	Number of Shares	Percentage 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%

As at 30th June, 2003 none of the above-listed substantial shareholders held any long or short positions in the share capital of the Company or (in respect of positions held pursuant to equity derivatives) underlying shares or in debentures of the Company or its associated corporations.

Notes:

- 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 Part XV of the SFO, Madam Chiu Gee Chai is deemed to be interested in 126,000,000 shares.
- By virtue of Part XV of the SFO, each of Sino Market Enterprises Limited, Sinoman International Limited, Kenworth Enterprises Limited, Twilight Enterprises Limited and Madam Chiu Gee Chai is deemed to be interested in 500,000 ordinary shares in Argos Bus Services (China) Company Limited, a subsidiary of the Company.



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

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

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, 2003, 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, 2003.

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., 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, 12th August, 2003

