

Argos

ARGOS ENTERPRISE (HOLDINGS) LIMITED

雅高企業(集團)有限公司

(Incorporated in Hong Kong with limited liability)

Argos



INTERIM
REPORT
2005

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

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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

- Achieved a turnover of approximately HK\$63,937,000 for the six months ended 30th June 2005, representing an increase of approximately 28.7% as compared with the turnover for the corresponding period in 2004.
- Net profit from ordinary activities attributable to shareholders decreased by 65.4% compared to the corresponding period in 2004 to approximately HK\$407,000 for the six months ended 30th June 2005 due to persistent high oil prices and increase in costs.
- Earnings per share was approximately HK0.23 cents.
- The directors do not recommend payment of an interim dividend for the six months ended 30th June 2005.
- The Group will continue its effort in costs control in order to improve the efficiency and profitability of its operations.



INTERIM RESULTS (UNAUDITED)

The Board of Directors (the "Board") is pleased to announce the unaudited consolidated results of the Group for the six months and three months ended 30th June 2005 together with comparative unaudited figures for the corresponding periods in 2004 (the "Relevant Periods") as follows:

		Six months ended 30th June		Three months ended 30th June	
	Note	2005 HK\$'000	2004 HK\$'000	2005 HK\$'000	2004 HK\$'000
TURNOVER	2	63,937	49,678	33,419	25,096
COST OF BUS SERVICES RENDERED		<u>(56,041)</u>	<u>(41,450)</u>	<u>(29,323)</u>	<u>(21,056)</u>
GROSS PROFIT		7,896	8,228	4,096	4,040
OTHER REVENUE	2	5,318	5,454	2,469	2,617
ADMINISTRATIVE EXPENSES		<u>(9,711)</u>	<u>(8,909)</u>	<u>(5,031)</u>	<u>(4,307)</u>
PROFIT FROM OPERATIONS		3,503	4,773	1,534	2,350
INTEREST INCOME		155	14	107	1
FINANCE COSTS	4	<u>(1,186)</u>	<u>(1,194)</u>	<u>(596)</u>	<u>(560)</u>
PROFIT BEFORE TAXATION		2,473	3,593	1,045	1,791
TAXATION	5	<u>(528)</u>	<u>(353)</u>	<u>(360)</u>	<u>(119)</u>
PROFIT BEFORE MINORITY INTERESTS		1,945	3,240	685	1,672
MINORITY INTERESTS		<u>(1,538)</u>	<u>(2,064)</u>	<u>(574)</u>	<u>(1,035)</u>
PROFIT (LOSS) ATTRIBUTABLE TO SHAREHOLDERS		<u>407</u>	<u>1,176</u>	<u>111</u>	<u>637</u>
EARNINGS (LOSS) PER SHARE - BASIC (CENTS)	6	<u>0.23</u>	<u>0.65</u>	<u>0.06</u>	<u>0.35</u>



CONDENSED CONSOLIDATED BALANCE SHEET

		(Unaudited) As at 30th June 2005 HK\$'000	(Audited) As at 31st Dec. 2004 HK\$'000
ASSETS			
Non-current assets			
Property, plant and equipment		103,300	105,576
Intangible assets		1,928	2,109
Goodwill		323	370
Investments in securities (unlisted)		1,024	1,024
Deferred tax asset		688	1,022
		<u>107,264</u>	<u>110,101</u>
Current assets			
Trade receivables	7	3,400	3,930
Inventories		1,421	1,289
Amount due by a fellow subsidiary		-	321
Amount due from related companies		683	-
Amount due from a minority shareholder		519	519
Prepayments, deposits and other receivables	7	18,719	9,391
Fixed deposits		20,336	20,148
Cash and bank balances		11,378	12,824
		<u>56,455</u>	<u>48,422</u>
LIABILITIES			
Current liabilities			
Bank overdraft, secured	8	10,502	10,428
Current portion of interest-bearing borrowings		13,156	19,071
Trade payables		4,679	3,288
Advertising income on fleet body receipt in advance		2,025	2,025
Other payables and accruals		53,772	44,851
Taxation		110	132
Amount due to fellow subsidiaries		104	-
Amount due to minority shareholders		6,596	6,596
Amount due to directors		654	543
		<u>91,599</u>	<u>86,934</u>
Net current liabilities		<u>(35,144)</u>	<u>(38,512)</u>
Total assets less current liabilities		<u>72,120</u>	<u>71,589</u>
Non-current liabilities			
Interest-bearing borrowings		96	332
Long term payables		-	143
Advertising income on fleet body receipt in advance		59	1,072
		<u>155</u>	<u>1,547</u>
MINORITY INTERESTS		<u>21,816</u>	<u>20,310</u>
NET ASSETS		<u>50,149</u>	<u>49,732</u>
CAPITAL AND RESERVES			
Issued capital		1,800	1,800
Reserves	9	48,349	47,932
		<u>50,149</u>	<u>49,732</u>



CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share Capital HK\$'000	Exchange reserve HK\$'000	Share premium HK\$'000	Merger reserve HK\$'000	General reserves HK\$'000	Retained earnings HK\$'000	Total HK\$'000
As at 1 January 2004	1,800	421	29,200	(490)	2,995	14,127	48,053
Net profit for the period	-	-	-	-	-	1,176	1,176
As at 30 June 2004	1,800	421	29,200	(490)	2,995	15,303	49,229
Net profit for the period	-	-	-	-	-	547	547
Transfer	-	-	-	-	232	(232)	-
Translation of financial statements of overseas subsidiaries	-	(44)	-	-	-	-	(44)
At 31 December 2004	1,800	377	29,200	(490)	3,227	15,618	49,732
Net profit for the period	-	-	-	-	-	407	407
Translation of financial statements of overseas subsidiaries	-	10	-	-	-	-	10
As at 30 June 2005	1,800	387	29,200	(490)	3,227	16,025	50,149



CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months period ended 30th June 2005

	For the six months ended 30th June	
	(Unaudited) 2005 HK\$'000	(Unaudited) 2004 HK\$'000
Net cash inflow / (outflow) from operating activities	8,501	(741)
Net cash inflow / (outflow) from investing activities	(3,737)	(17,303)
Net cash inflow / (outflow) from financing activities	(6,294)	(575)
	<u> </u>	<u> </u>
Increase / (decrease) in cash and cash equivalents	(1,530)	(18,619)
Effect of foreign exchange rate changes	10	–
Cash and cash equivalents at the beginning of the period	2,396	20,217
	<u> </u>	<u> </u>
Cash and cash equivalents at the end of the period	<u>876</u>	<u>1,598</u>
Analysis of balances of cash and cash equivalents:		
Bank balances and cash	11,378	10,708
Bank overdrafts	(10,502)	(9,110)
	<u> </u>	<u> </u>
	<u>876</u>	<u>1,598</u>



Notes:

1. Basis of preparation and principal accounting policies

The Group's financial statements have been prepared under the historical cost convention and in accordance with the Hong Kong Statements of Standard Accounting Practice issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong, the disclosure requirements of the Hong Kong Companies Ordinance and the disclosure requirements set out in Chapter 18 of the Rules Governing the Listing of Securities on the GEM of the Stock Exchange.

The accounting policies adopted in preparing the unaudited consolidated interim results are consistent with those adopted in the preparation of the annual audited financial statements for the year ended 31st December 2004.

The results of subsidiaries acquired or disposed of during the period are included in the consolidated income statement from the effective 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.

The unaudited condensed consolidated interim financial statements of the Group have been prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

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, sightseeing ticket sales and touring as well as management fees. Revenue recognized during the Relevant Periods are as follows:

	Six months ended		Three months ended	
	30th June		30th June	
	2005	2004	2005	2004
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Turnover				
Related bus services				
– Public routes	37,205	29,315	18,711	14,697
– Tourist routes	4,322	4,772	1,680	2,016
– 'Hire a bus' and employee service	6,572	4,177	4,362	2,221
Sub-contracting	8,182	8,714	3,982	4,358
Rental	537	987	1	432
Sightseeing ticket sales & touring	6,311	717	4,353	376
Management fee	808	996	330	996
	<u>63,937</u>	<u>49,678</u>	<u>33,419</u>	<u>25,096</u>
Other revenue				
Advertising income on fleet body	1,895	1,534	1,341	762
Subsidy from local authority	2,340	3,428	983	1,905
Sundries	1,083	492	145	245
	<u>5,318</u>	<u>5,454</u>	<u>2,469</u>	<u>2,912</u>
Total revenue	<u><u>69,225</u></u>	<u><u>55,132</u></u>	<u><u>35,888</u></u>	<u><u>28,008</u></u>



3. Segmental information

No geographical segment analysis of the Group's performance for the six months ended 30th June 2005 is presented as all of the turnover and contribution to operating results of the Group are attributable in the PRC.

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

(i) Six months ended 30th June 2005

	Public routes HK\$'000	Tourist routes HK\$'000	"Hire a bus" and employee services HK\$'000	Sightseeing ticket sales and touring HK\$'000	Sub- contracting HK\$'000	Rental income HK\$'000	Management fee HK\$'000	Total HK\$'000
Turnover	37,205	4,322	6,572	6,311	8,182	537	808	63,937
Cost of bus services rendered	(34,316)	(3,620)	(6,036)	(5,773)	(5,275)	(345)	(676)	(56,041)
Gross profit	2,889	702	536	538	2,907	192	132	7,896
Administrative expenses	(2,749)	(687)	(86)	(409)	(1,878)	(70)	-	(5,879)
Segment results	140	15	450	129	1,029	122	132	2,017
Unallocated items:								
Other revenue								5,318
Administrative expenses								(3,832)
Profit from operations								3,503
Interest income								155
Finance costs								(1,186)
Profit from ordinary activities before taxation								2,473
Taxation								(528)
Profit before minority interests								1,945
Minority interests								(1,538)
Profit attributable to shareholders								407
Depreciation and amortisation for the period	4,117	794	167	141	1,389	55	-	6,663
Segment assets								
Trade receivables	1,603	-	1,690	-	107	-	-	3,400
Capital expenditure incurred during the period	2,402	1,075	880	71	274	239	-	4,941



(ii) Six months ended 30th June 2004

	Public routes HK\$'000	Tourist routes HK\$'000	"Hire a bus" and employee services HK\$'000	Sightseeing ticket sales and touring HK\$'000	Sub- contracting HK\$'000	Rental income HK\$'000	Management fee HK\$'000	Total HK\$'000
Turnover	29,315	4,772	4,177	717	8,714	987	996	49,678
Cost of bus services rendered	(25,797)	(4,199)	(3,676)	(358)	(6,828)	(592)	-	(41,450)
Gross profit	3,518	573	501	359	1,886	395	996	8,228
Administrative expenses	(3,225)	(524)	(452)	(143)	(1,676)	(201)	(499)	(6,720)
Segment results	293	49	49	216	210	194	497	1,508
Unallocated items:								
Other revenue								5,454
Administrative expenses								(2,189)
Profit from operations								4,773
Interest income								14
Finance costs								(1,194)
Profit from ordinary activities before taxation								3,593
Taxation								(353)
Profit before minority interests								3,240
Minority interests								(2,064)
Profit attributable to shareholders								1,176
Depreciation and amortisation for the period	4,073	439	721	-	1,033	-	-	6,266
Segment assets								
Trade receivables	2,495	462	695	-	44	-	-	3,696
Capital expenditure incurred during the period	6,714	717	1,717	-	1,717	-	-	10,865



4. Finance costs

	Six months ended		Three months ended	
	30th June		30th June	
	2005	2004	2005	2004
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Interest on bank loans and overdrafts	<u>1,186</u>	<u>1,194</u>	<u>596</u>	<u>560</u>

5. Taxation

The taxation charge comprises:-

	Note	Six months ended		Three months ended	
		30th June		30th June	
		2005	2004	2005	2004
		HK\$'000	HK\$'000	HK\$'000	HK\$'000
Hong Kong profits tax	(i)	-	-	-	-
Overseas taxation	(ii)	<u>528</u>	<u>353</u>	<u>360</u>	<u>119</u>
		<u>528</u>	<u>353</u>	<u>360</u>	<u>119</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 2005 of HK\$407,000 and HK\$111,000 respectively (2004: HK\$1,176,000 and HK\$637,000) and on 180,000,000 (2004: 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)	(Audited)
	As at	As at
	30th June	31st Dec.
	2005	2004
	HK\$'000	HK\$'000
Trade receivables (<i>note a</i>)	3,400	3,930
Prepayments, deposit and other receivables	18,719	9,391
	<u>22,119</u>	<u>13,321</u>

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

	(Unaudited)	(Audited)
	As at	As at
	30th June	31st Dec.
	2005	2004
	HK\$'000	HK\$'000
Current	2,718	3,006
31 – 60 days	359	526
61 – 90 days	118	166
Over 90 days	205	232
	<u>3,400</u>	<u>3,930</u>

8. Bank overdraft, secured

As on 30th June 2005, the Group's bank overdraft was secured by a fixed deposit of HK\$10,000,000 of the Group (2004: HK\$10,000,000).



9. Reserves

	Exchange Reserve HK\$'000	Share premium HK\$'000	Merger reserve HK\$'000	General reserves HK\$'000	Retained earnings HK\$'000	Total HK\$'000
As at 1st January 2005	377	29,200	(490)	3,227	15,618	47,932
Net profit for the period	-	-	-	-	407	407
Translation of financial Statements of Overseas subsidiaries	10	-	-	-	-	10
As at 30th June 2005	<u>387</u>	<u>29,200</u>	<u>(490)</u>	<u>3,227</u>	<u>16,025</u>	<u>48,349</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 reserves are non-distributable and calculated by reference to the PRC statutory financial statements of these subsidiaries.

10. Interim dividend

The Board does not recommend the payment of any dividend for the six months ended 30th June 2005 (2004: Nil).



MANAGEMENT DISCUSSION AND ANALYSIS

Financial Review

Turnover

The unaudited consolidated turnover of the Group for the six months ended 30th June 2005 was approximately HK\$63,937,000, representing an overall increase of 28.7% over the corresponding period in 2004. Part of the increase in the unaudited consolidated turnover was attributable to Xuzhou China International Travel Service Limited (“Xuzhou China”), a subsidiary acquired by the Group in August 2004 (the unaudited turnover of Xuzhou China for the six months ended 30th June 2005 was approximately HK\$5,176,000).

The unaudited turnover of the Group still achieved an encouraging increase of 18.3% over the corresponding period in 2004 even if the unaudited turnover of Xuzhou China is excluded.

Profit / (Loss) attributable to shareholders

Due to persistent high oil prices in the first half of 2005 (especially in the second quarter) the profit attributable to shareholders for the six months ended 30th June 2005 was approximately HK\$407,000 (2004: HK\$1,176,000), representing a decrease of 65.4% over the corresponding period in 2004. The profit attributable to shareholders for the three months ended 30th June 2005 was approximately HK\$111,000 (2004: HK\$637,000), representing a decrease of 82.6% over the corresponding period in 2004.

Earnings per share

For the six months ended 30th June 2005, earnings per share is approximately HK\$0.23 cents (2004: 0.65 cents).

Balance Sheet

As at 30th June 2005, shareholders' funds of the Group amounted to approximately HK\$50,149,000. Current assets amounted to approximately HK\$56,455,000, of which approximately HK\$31,714,000 were cash and bank deposits. The Group had long-term liabilities amounting to approximately HK\$155,000 and its current liabilities amounted to approximately HK\$91,599,000, of which trade payables, other payables, accruals and provisions amounted to approximately HK\$58,451,000.



Gearing ratio

The gearing ratio of the Group expressed as a percentage of interest-bearing borrowings over net assets was 47.4% as on 30th June 2005 while the gearing ratio as on 30th June 2004 was 83.0%.

Net cash inflow / (outflow) from operating activities

The Group recorded a cash inflow from operating activities of approximately HK\$8,501,000 during the six months ended 30th June 2005 compared with a cash outflow from operating activities of approximately HK\$741,000 during the corresponding period in 2004.

Foreign currency risk

Since most of the transactions, income and expenditure of the Group are denominated in Renminbi, no hedging or other arrangements to reduce the currency risk have been implemented during the six months ended 30th June 2005 as the Board considers that the potential foreign exchange exposure of the Group is limited.

Material acquisition, disposals and significant investment

During the six months ended 30th June 2005, the Group had no material acquisitions and disposals of subsidiaries and affiliated companies.

Contingent liabilities

As at 30th June 2005, the Group had no material contingent liabilities (the same applied to the six months ended 30th June 2004).

Operational Review

During the period under review, the crude oil prices reached its record high on several occasions and maintained at a very high level throughout the period under review. This brought tremendous pressure on the operating costs and profitability of the Group's operations. Also, the increase in staff costs due to the compulsory increase in mandatory employees medical benefits in some subsidiaries in the PRC also had an unfavourable impact on the profitability of the Group.

On the other hand, the turnover of the Group had increased during the period under review due to the addition from Xuzhou China International Travel Service Limited ("Xuzhou China"), a subsidiary acquired in August 2004, and the increase in turnover from the Group's existing business, especially from "Public routes" and "Hire a bus and employee services" business segments.



Nanjing Argos

In addition to the high operating costs due to persistent high crude oil prices mentioned above, the unusual cold weather in Nanjing after the Chinese New Year holiday had an unfavourable impact on the tourists routes operated by Nanjing Argos.

Also, the increase in staff costs in Nanjing due to the compulsory increase in mandatory employees medical benefits further increase the pressure on the profitability of the operations of Nanjing Argos.

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

	Jan-Jun 2005	Jan-Jun 2004
Routes operated	15	15
Number of employees	854	993
Fleet size	339	330
Total mileage ('000 km)	11,076	11,163
Total patronage (million trips)	38.18	36.71

Wanzhou Argos

During the period under review, the operations & profitability of Wanzhou Argos continue to improve steadily due to the adoption of flexible mode of operations and the sustained effort on costs reduction.

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

	Jan-Jun 2005	Jan-Jun 2004
Routes operated	4	3
Number of employees	253	292
Fleet size	51	52
Total mileage ('000 km)	1,485	1,840
Total patronage (million trips)	3.59	3.83



Taizhou Argos

During the period under review, Taizhou Argos had set up a “Control Centre” for its bus operations in order to improve the flexibility and efficiency of its bus operations.

Also, Taizhou Argos had further improved the internal controls on its operations, including its internal administration.

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

	Jan-Jun 2005	Jan-Jun 2004
Routes operated	22	22
Number of employees	480	498
Fleet size (<i>buses and taxis</i>)	540	522
Total mileage ('000 km)	2,932	2,937
Total patronage (<i>million trips</i>)	8.42	9.22

Xuzhou China

During the period under review, Xuzhou China had tightened its internal control procedures and this improved the profitability of Xuzhou China during the period under review.

Outlook

The management will continue to execute & reinforce tight measures in cost control & internal control in order to reduce its operating costs so as to improve the profitability of its operations.

In order to minimize the negative impact of persistent high oil prices on the Group's operation, the Group will investigate and explore the possibilities for reducing its fuel costs such as the addition of fuel additives to the fuel in order to reduce fuel consumption and the introduction of biodiesel to its operations in order to reduce its operating costs.



Nanjing Argos

Nanjing Argos will continue to exercise tight control on its operating costs in order to offset the unfavourable impacts during the period under review.

As the Tenth National Games (第十屆全國運動會) will be held in Nanjing in October this year, it is expected that the Tenth National Games will lead to a favourable publicity for Nanjing both domestically and internationally. This may have a favourable impact on Nanjing Argos in the long term future.

Wanzhou Argos

On the one hand, the competition in the public transport market in Wanzhou area is very keen as there are 5 operators in the market at the moment.

On the other hand, the development in the Wanzhou area also presents opportunities for Wanzhou Argos. With the increase in the population in the Wanzhou area and the recent opening of the Wanzhou railway station, it is expected that the demand for public transport services will increase in the future.

Taizhou Argos

With the opening of Taizhou railway station in July 2005, it is expected that the demand for public transport in Taizhou will increase in the future. Taizhou Argos will adjust its routes and operations in order to meet the new demand due to the opening of the railway station in Taizhou as well as other changes in the market in the future.

Xuzhou China

Xuzhou China will strive to fully utilize its competitive advantage in organizing outbound tours.



DIRECTORS' SHAREHOLDING INTERESTS IN THE COMPANY

As at the 30th June 2005, the following Directors have the following interests in the share capital of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) which were notified to the Company and the Stock Exchange pursuant to Section 347 of the SFO (including interests which they were taken or deemed to have under Section 344 of the SFO), or which required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange, were as follows:-

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

As at 30th June 2005, 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:

1. Under Part XV of the SFO, Mr. Yeung Wai Hung is personally interested in 2,000 shares in Sinoman International Limited and 150 shares in Metro Line Tours Limited.
2. 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 2005, 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 2005 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 2005 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 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 2005, the register of substantial shareholders (other than a Director) maintained under section 336 of the SFO showed that the Company had been notified of substantial shareholding interests, being 5% or more of the Company's issued share capital, as follows:-

Name	Notes	Number of Shares	Percentage of issued share capital
Sino Market Enterprises Limited	1	126,000,000	70%
Sinoman International Limited	1	126,000,000	70%
Twilight Enterprises Limited	2	126,000,000	70%
Kenworth Enterprises Limited	7	126,000,000	70%
Wilson Wong	3-4	126,000,000	70%
Chiu Gee Chai	5	126,000,000	70%

As at 30th June 2005 none of the above-listed substantial shareholders held any long or short positions in the share capital of the Company or (in respect of positions held pursuant to equity derivatives) underlying shares or in debentures of the Company or its associated corporations.



Notes:

1. These 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.
2. 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. Wilson Wong, the former executive Director and Managing Director, and as to 50 per cent. by Madam Chiu Gee Chai, the wife of Mr. Wilson Wong.
3. Mr. Wilson Wong is deemed to be interested in 126,000,000 shares under Part XV of the SFO.
4. Under Part XV of the SFO, Mr. Wilson Wong 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.
5. By virtue of Part XV of the SFO, Madam Chiu Gee Chai is deemed to be interested in 126,000,000 shares.
6. 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.
7. 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 of the Company, 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, the former executive Director and Managing Director.

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



PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S SHARES

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the six months ended 30th June 2005.

AUDIT COMMITTEE

The Company has established an audit committee with written terms of reference based upon the guidelines recommended by the Hong Kong Institute of Certified Public Accountants. The primary duties of the audit committee are the review and supervision of the Company's financial reporting process and internal control systems. The audit committee comprised three independent non-executive Directors of the Company, namely Mr. Sung Wai Tak, Herman, Mr. Cheung Man Yau, Timothy and Mr. Wong Lit Chor, Alexis.

The audit committee has reviewed with management, the accounting principles and practices adopted by the Group and discussed auditing, internal control and financial reporting matters including the review of the unaudited consolidated interim financial statements for the six months ended 30th June 2005.

CORPORATE GOVERNANCE

The Company has complied throughout the period under review the provisions set out in the Code on the Corporate Governance Practices in Appendix 15 of the GEM Listing Rules, except that (i) the remuneration committee has not yet been set up by the Company; (ii) the nomination committee had not yet been set up by the Company; and (iii) the Company has not yet disclosed the terms of reference of the remuneration committee, nomination committee and audit committee on the website of the Company.



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, and Goldspark HK Tours Limited, indirectly owned subsidiary of Argos Hong Kong, and Metro Line Tours 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
Argos Enterprise (Holdings) Limited
Wong Wah Sang
Chairman

Hong Kong, 11th August 2005

As of the date hereof, the executive directors are Mr. Wong Wah Sang (Chairman), Mr. Wong Man Chiu, Ronnie and Mr. Yeung Wai Hung; the non-executive director is Mr. Wilkie Wong; while the independent non-executive directors are Messrs. Sung Wai Tak, Herman, Cheung Man Yau, Timothy and Wong Lit Chor, Alexis.

