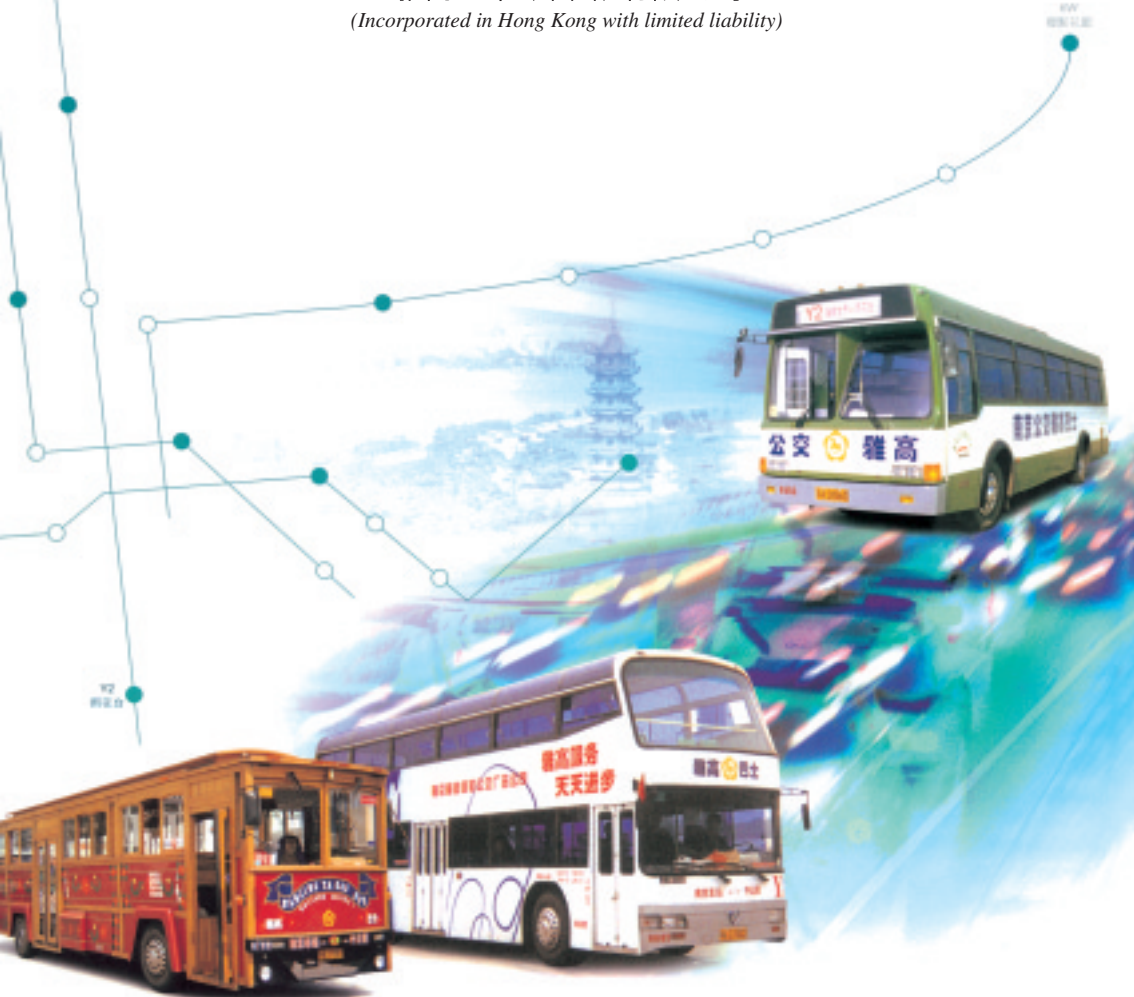


Argos

ARGOS ENTERPRISE (HOLDINGS) LIMITED

雅高企業(集團)有限公司

(Incorporated in Hong Kong with limited liability)



THIRD QUARTERLY REPORT
2001

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GEM has been established as a market designed to accommodate companies to which a high investment risk may be attached. In particular, companies may list on GEM with neither a track record of profitability nor any obligation to forecast future profitability.

Furthermore, there may be risks arising out of the emerging nature of companies listed on GEM and the business sectors or countries in which the companies operate. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board of the Stock Exchange and no assurance is given that there will be a liquid market in the securities traded on GEM.

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

CHAIRMAN'S STATEMENT

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

Our Group turnover was approximately HK\$40,150,000 for the nine months ended 30th September, 2001 representing a 33% increase over the same period last year. Turnover for the three months ended 30th September, 2001 alone was approximately HK\$14,389,000 which represents a growth of 4% from the second quarter of 2001. Profit attributable to shareholders for the nine months ended 30th September, 2001 was approximately HK\$3,337,000 representing a 1% increase against the profit of approximately HK\$3,306,000 for the same period a year ago.

The bus operation in Nanjing Argos continued to be the main source of revenue and profit contribution to the Group. The bus operation in Wanzhou Argos has commenced only for a few months and is still in the early stage of operations, thus, reported an operational loss of approximately HK\$300,000. In addition to the operations in Nanjing Argos and Wanzhou Argos, Taizhou Argos commenced operation on 26th September, 2001 with no significant income or profits contribution to the Group in this quarter.

We believe that by adopting the Nanjing Argos management model and methods, Wanzhou Argos will soon produce positive operational results and will place the Group on track for significant business growth.

On behalf of the Board of the Directors, I wish to express our sincere appreciation to all the employees of the Group for their commitment and contribution which is a critical factor for the continuing business success of the Company.

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

NINE-MONTH RESULTS (UNAUDITED)

The Board of Directors of the Company is pleased to announce the unaudited consolidated results of the Group for the nine months and three months ended 30th September, 2001 together with the comparative unaudited figures for the corresponding periods in 2000 (the "Relevant Periods"), as follows:

	Note	Nine months ended 30th September,		Three months ended 30th September,	
		2001 HK\$'000	2000 HK\$'000	2001 HK\$'000	2000 HK\$'000
Turnover	2	40,150	30,139	14,389	10,218
Cost of services rendered		(32,458)	(21,019)	(11,421)	(7,664)
Gross profit		7,692	9,120	2,968	2,554
Other revenue	2	9,405	5,956	1,660	1,881
Interest income	2	486	338	147	140
Administrative expenses		(6,119)	(5,390)	(2,330)	(1,926)
Operating profit		11,464	10,024	2,445	2,649
Finance costs	3	(1,774)	(785)	(611)	(215)
Profit before taxation		9,690	9,239	1,834	2,434
Taxation	4	(2,875)	(3,258)	(774)	(816)
Profit after taxation		6,815	5,981	1,060	1,618
Minority interest		(3,478)	(2,675)	(667)	(668)
Extraordinary items		3,337	3,306	393	950
Profit attributable to Shareholders		3,337	3,306	393	950
Earnings per share – basic (cents)	5	2.15	2.20	0.24	0.63

Notes:

1. Group reorganization and basis of presentation

The Company was incorporated in Hong Kong on 13th October, 2000 as a limited liability company under the Company Ordinance of Hong Kong, Pursuant to a group reorganization scheme (the "Group Reorganization") to rationalize the structure of the Group in preparation for the listing of the Company's shares on GEM of the Stock Exchange 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").

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

The combined results of the Group for the Relevant Periods has been prepared as if the current group structure had been in existence throughout the Relevant Periods, or since their respective dates of incorporation or registration to 30th September, 2001, 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.

2. Turnover and revenue

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

	Nine months ended		Three months ended	
	30th September,		30th September,	
	2001	2000	2001	2000
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Turnover				
Public routes	29,438	23,651	10,770	8,990
Tourist routes	4,371	2,467	1,373	478
Hire-a-bus and employee services	4,684	3,133	1,753	432
Sightseeing ticket sales and tours	1,657	888	493	318
	<u>40,150</u>	<u>30,139</u>	<u>14,389</u>	<u>10,218</u>
Other revenue	9,405	5,956	1,660	1,881
Interest income	486	338	147	140
	<u>50,041</u>	<u>36,433</u>	<u>16,196</u>	<u>12,239</u>

3. Finance costs

	Nine months ended		Three months ended	
	30th September		30th September	
	2001	2000	2001	2000
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Interest on bank loans and overdrafts	<u>1,774</u>	<u>785</u>	<u>611</u>	<u>215</u>

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4. Taxation

The taxation charge comprises:

	<i>Note</i>	Nine months ended		Three months ended	
		30th September		30th September	
		2001	2000	2001	2000
		<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Hong Kong profits tax	(i)	-	-	-	-
Overseas taxation	(ii)	<u>2,875</u>	<u>3,258</u>	<u>774</u>	<u>816</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 People's Republic of China (the "PRC") calculated at the applicable rates.

5. Earnings per share

The calculation of the basic earnings per share is based on profit from the ordinary activities attributable to shareholders for the nine months and the three months ended 30th September, 2001 of HK\$3,337,000 and HK\$393,000 respectively and on the weighted average number of 155,384,615 shares and 165,978,260 shares respectively in issue during the respective periods. The basic earnings per share for the nine months and the three months ended 30th September, 2000 is based on profit of HK\$3,306,000 and HK\$950,000 respectively and on the assumption that 150,000,000 shares had been in issue throughout the respective periods.

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

6. Reserves

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

INTERIM DIVIDENDS

The Board does not recommend the payment of an interim dividend for the nine months ended 30th September, 2001 (2000: Nil).

PURCHASE, SALE OR REDEMPTION OF SHARES

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

BUSINESS REVIEW

It is the objective of the Group to expand its core business in the provision of public bus transportation services and related services in the PRC. Thus, the Group places significant focus on developing new routes in new cities. At the same time, the Group is also actively negotiating new joint ventures. By adopting our successful Nanjing Argos management model and culture, we have confidence in making all new joint ventures successful. The Group achieved another satisfactory performance in the third quarter which resulted mainly from the increasing income generated from both Nanjing Argos and Wanzhou Argos, since Taizhou Argos only commenced operations on 26th September, 2001, therefore, no significant income or profits has been generated by Taizhou Argos to the Group in the Relevant Periods. For the nine months ended 30th September, 2001, the unaudited turnover of the Group was approximately HK\$40,149,600, representing an increase of 33 per cent. over the corresponding period in 2000, while the profit attributable to shareholders was approximately HK\$3,337,000 as compared to a profit of HK\$3,306,000 over the corresponding period in 2000, representing a small increase of 1 per cent., due to the fact that Wanzhou Argos has just commenced operations and is in the initial stage of development, it sustained an operational loss of approximately HK\$300,000, causing a divergence in growth rates between turnover and net profit.

The directors of the Company (the "Directors") are pleased with the performance of the Group during the nine months ended 30th September, 2001. The Directors believe as further management effort is put on both the Wanzhou Argos and Taizhou Argos, the two subsidiaries would generate satisfactory contributions as operations become mature.

FUTURE PROSPECTS

Based on the existing foundation, the Group is determined to compete against other competitors and gain additional market share in the public transport market in Nanjing. The Group will also aggressively seek cooperation opportunities with other state-owned public transport corporations in PRC, especially in Jiangsu Province, and consolidate its management resources, with an objective to become one of the leading operators in the public bus transportation field in PRC. Although Taizhou Argos commenced only recently and contributed meagre income during the Relevant Periods. The Directors believe that new cities will spring high passenger demand in the market and will consolidate the Group's leading position in the public bus transportation industry.

In line with the development of a cost effective joint venture in new cities, the Group will make use of its successful Nanjing Argos management model and methods to reduce its operational cost and to maximize its operational efficiency in Wanzhou Argos, Taizhou Argos and any other future new joint ventures in new cities. The Group will continue to improve its cost control system, to further strengthen the development stage of operation and to accelerate its pace to mature operation in new projects.

In order to widen its scope of development and expansion, the Group is aggressively seeking new investment opportunities and exploring innovative business models. The Directors believe that the various efforts made by the Group today will create a solid foundation for its development in the future and increase shareholders' value. In compliance with the GEM Listing Rules, the Company will announce the progress of its investments as required.

DIRECTORS' SHAREHOLDING INTERESTS IN THE COMPANY

As at the Latest Practical Date, 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 <i>(notes 1 to 2)</i>

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 and as to 50 per cent. by Ms. Chiu Gee Chai, the wife of Mr. Wong, Wilson.
2. Mr. Wong, Wilson is deemed to be interested in 126,000,000 shares by virtue of the SDI Ordinance.
3. By virtue of 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. By virtue of the SDI Ordinance, Mr. Yeung Wai Hung is personally interested in 2,000 shares in Sinoman International Limited and 150 shares in Metro Line Tours 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 executive directors may, at their discretion, grant options to themselves and the full-time employees of the Group entitling them to subscribe for shares representing up to a maximum of 10 per cent, of the shares in issue from time to time (excluding shares which have been allotted and issued pursuant to the share option scheme). During the period from 13th August, 2001 to 30th September, 2001, no option has been granted or agreed to be granted to the directors under the scheme.

At no time during the nine months ended 30th September, 2001 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

Except the share option disclosed above, at no time during the nine months ended 30th September, 2001 was the Company, any of its holding companies, fellow subsidiaries or subsidiaries a party to any arrangement to enable the Directors to acquire benefits by means of the acquisition of shares in, of the Company or any other body corporate and none of the directors, or their spouses or children under the age of 18, had any right to subscribe for the Shares of the Company, or had exercised any such rights.

SUBSTANTIAL SHAREHOLDERS OF THE COMPANY

As at 30th September, 2001, the register of substantial shareholders (other than a Director) maintained under section 16(1) of the SDI Ordinance shows that the Company had been notified of substantial shareholders' interests, being 10% or more of the Company's issued share capital, as follows:

Name	Note	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	3	126,000,000	70%
Kenworth Enterprises Limited	5	126,000,000	70%
Chiu Gee Chai	3	126,000,000	70%

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. Wong, Wilson, an executive Director, and as to 50 per cent. by Ms. Chiu Gee Chai, the wife of Mr. Wong, Wilson.
3. By virtue of the SDI Ordinance, Ms Chiu Gee Chai is deemed to be interested in 126,000,000 shares.
4. 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.

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.

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 September, 2001, none of Yu Ming, its directors, employees and their associates had any interest in the securities of the Company or any member of the Group, or any right to subscribe for or to nominate persons to subscribe for the securities of the Company or any member of the Group.

AUDIT COMMITTEE

The Company has established an audit committee with written terms of reference based upon the guidelines recommended by the Hong Kong Society of Accountants. The primary duties of the audit committee are the review and supervision of the Company's financial reporting process and internal control systems. The audit committee 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.

COMPETING INTERESTS

The Directors have substantial experience in the operation of transportation companies especially bus services, with over 20 years of experience in the operation of such services in Hong Kong. As at 30th September, 2001, such operations in Hong Kong are 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. Argos Hong Kong is one of the most established private bus operators in Hong Kong with over 120 buses in service and a fully-equipped repairs and maintenance depot. Goldspark HK Tours Limited provides tour service in Hong Kong with one open-top double-decker. It also provides other services for outbound tours from Hong Kong to Shenzhen including tour guides, tour and hotel packages. Metro Line Tour Limited provides employee services in Hong Kong with three single-decker buses.

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

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

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

Save as disclosed above, none of the Directors or the 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, 13th November, 2001