



ARGOS ENTERPRISE (HOLDINGS) LIMITED

雅高企業(集團)有限公司

(Incorporated in Hong Kong with limited liability)



THIRD QUARTERLY REPORT
2002

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

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

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

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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.

NINE-MONTH RESULTS (UNAUDITED)

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

	Notes	Nine months ended 30th September		Three months ended 30th September	
		2002 HK\$'000	2001 HK\$'000	2002 HK\$'000	2001 HK\$'000
TURNOVER	2	62,429	40,150	21,035	14,389
COST OF BUS SERVICES RENDERED		<u>(49,132)</u>	<u>(32,458)</u>	<u>(18,004)</u>	<u>(11,421)</u>
GROSS PROFIT		13,297	7,692	3,031	2,968
OTHER REVENUE	2	7,564	9,405	1,168	1,660
ADMINISTRATIVE EXPENSES		<u>(11,279)</u>	<u>(6,119)</u>	<u>(3,913)</u>	<u>(2,330)</u>
PROFIT FROM OPERATIONS		9,582	10,978	286	2,298
INTEREST INCOME		188	486	59	147
FINANCE COSTS	3	<u>(1,493)</u>	<u>(1,774)</u>	<u>(563)</u>	<u>(611)</u>
PROFIT (LOSS) BEFORE TAXATION		8,277	9,690	(218)	1,834
TAXATION	4	<u>(1,410)</u>	<u>(2,875)</u>	<u>553</u>	<u>(774)</u>
PROFIT BEFORE MINORITY INTERESTS		6,867	6,815	335	1,060
MINORITY INTERESTS		<u>(3,637)</u>	<u>(3,478)</u>	<u>(412)</u>	<u>(667)</u>
PROFIT (LOSS) ATTRIBUTABLE TO SHAREHOLDERS		<u>3,230</u>	<u>3,337</u>	<u>(77)</u>	<u>393</u>
EARNINGS (LOSS) PER SHARE – BASIC (CENTS)	5	<u>1.79</u>	<u>2.20</u>	<u>(0.04)</u>	<u>0.24</u>

Notes:

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

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

The Group's financial statements have been prepared in accordance with the Hong Kong Statement of Standard Accounting Practice, accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies 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 Period, or since their respective dates of incorporation or registration to 30th September, 2002, whichever is the shorter. On this basis, the Company has been treated as the holding company of its subsidiaries acquired through the Group Reorganization.

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

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. Revenue recognized during the Relevant Periods are as follows:

	Nine months ended 30th September		Three months ended 30th September	
	2002 HK\$'000	2001 HK\$'000	2002 HK\$'000	2001 HK\$'000
Turnover				
Related bus services				
– Public routes	41,458	29,438	13,755	10,770
– Tourist routes	4,071	4,371	1,332	1,373
– 'Hire a bus' and employee service	5,105	4,684	1,092	1,753
Sub-contracting	10,266	–	4,360	–
Rental	555	–	88	–
Sightseeing ticket sales	974	1,657	408	493
	62,429	40,150	21,035	14,389
Other revenue				
Advertising income on fleet body	1,367	1,684	428	695
Subsidy from local authority	3,843	5,289	–	400
Sundries	2,354	2,432	740	565
	7,564	9,405	1,168	1,660
Total revenue	69,993	49,555	22,203	16,049

3. Finance costs

	Nine months ended 30th September		Three months ended 30th September	
	2002 HK\$'000	2001 HK\$'000	2002 HK\$'000	2001 HK\$'000
Interest on bank loans and overdrafts	<u>1,493</u>	<u>1,774</u>	<u>563</u>	<u>611</u>

4. Taxation

The taxation charge comprises:

	Notes	Nine months ended 30th September		Three months ended 30th September	
		2002 HK\$'000	2001 HK\$'000	2002 HK\$'000	2001 HK\$'000
Hong Kong profits tax	(i)	–	–	–	–
Overseas taxation	(ii)	<u>1,410</u>	<u>2,875</u>	<u>(553)</u>	<u>774</u>
		<u>1,410</u>	<u>2,875</u>	<u>(553)</u>	<u>774</u>

(i) No provision for Hong Kong profits tax has been made in the accounts as the Group has no estimated assessable profit for the relevant periods.

(ii) Overseas taxation represents tax charges on the assessable profits of the subsidiaries operating in the Mainland of the People's Republic of China (the "Mainland China") calculated at the applicable rates.

5. 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 nine months and three months ended 30th September, 2002 of HK\$3,230,000 and (HK\$77,000) (30th September, 2001: HK\$3,337,000 and HK\$393,000) and on 180,000,000 (2001: 155,384,615 and 165,978,260) shares in issue during the 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 (2001: Nil)

INTERIM DIVIDENDS

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

PURCHASE, SALE OR REDEMPTION OF SHARES

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

BUSINESS REVIEW

The Group was able to maintain profitability during the nine months period despite the general influence of global economic downturn and unexpected oil price rise in the past few months. Management has continued to put every effort on exploring further bus-related business opportunities and improving existing services to enhance the Group's profit performance. The Group has been successful in meeting many challenges during these times of intense competition. With stringent cost control measures, the Group has been able to report revenue growth and achieve satisfactory result for the nine months period ended 30th September, 2002. The Group's business in Mainland China continued to sustain growth, benefiting from the country's strong demand for high quality passenger transport services. The Group achieved another satisfactory performance in turnover and total revenue in the third quarter which resulted mainly from the increasing income generated from the major operating subsidiaries, namely Nanjing Argos, Wanzhou Argos and Taizhou Argos. For the nine months ended 30th September, 2002 the unaudited turnover of the Group was approximately HK\$62,429,000, representing an increase of 55 per cent. over the corresponding period in 2001, while the profit attributable to shareholders was approximately HK\$3,230,000 as compared to a profit of HK\$3,337,000 over the corresponding period in 2001, representing a decrease of 3 per cent. The decrease was attributable to increased operational costs for Wanzhou Argos and Taizhou Argos. It was also due to an unexpected increase in oil price in the past few months, increase in administrative expenses and keen competition caused by the sole proprietary midi-bus operators in Wanzhou. When oil prices subside, outlook of the Group should be optimistic.

The director of the Company (the "Directors") are pleased with the performance of the Group during the nine months ended 30th September, 2002. The Directors believe that the performance of the Group will be stable and satisfactory after the successfully implementation of effective cost control and services diversification.

FUTURE PROSPECTS

In addition to confronting with the current global economic contraction, the Group is also constantly positioning itself to confront keen competition and ever changing public bus transportation policies and regulations in Mainland China, the Group is determined to make every endeavor to cope with these challenges. The strategic approach is to develop the Group's business on existing platform and effective cost control. To meet market competition and be well positioned to capitalize opportunities as the economic conditions improve, the Group will continue to implement cost control measures to lower administrative costs, streamline operations and improve work efficiency. The Mainland China's public bus transportation industry is undergoing an industry-wide reform. This provides opportunities for major and existing players to expand and explore markets. The Group will cautiously identify suitable state-owned public transport corporation for any form of business collaboration and/or formation of joint venture business. As the Mainland China regulatory authorities continue to rationalize the relevant laws and regulations regulating the public bus transportation industry, the Board is on the outlook for any policy or rule changes and is acting cautiously in formulating any expansion plans and the direction of future development. The Directors and staff possess a strong market sense and is swift in action when there comes new business opportunities in every market change. With a high quality team and a determination to meet every single challenge, we are confident that we can embrace the changes, grasp the opportunities and breakthrough in the competition and further consolidate our market position.

The Group believes that Mainland China's imminent accession to the World Trade Organization and the hosting of 2008 Olympic Games open up new business opportunities for the Group. The Group is currently in negotiation with a few state-owned public transport corporations with a view to establishing new joint ventures in Mainland China. The public bus transportation business in Mainland China will have enormous development potential. The Group will strive to capture this business potential by using the inherent professional knowledge and management experience in order to further improve its business in Mainland China.

Given the current economic climate, the Company will be stressed by the Management towards a more conservative approach for its business expansion plan whilst new business opportunities will continuously being sought for additional revenue streams.

DIRECTORS' SHAREHOLDING INTERESTS IN THE COMPANY

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

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

Notes:

1. These 126,000,000 shares are held by Sino Market Enterprises Limited which is beneficially owned as to 61.03 per cent. by Sinoman International Limited. Sinoman International Limited is in turn beneficially owned as to 80 per cent. by Twilight Enterprises Limited which is beneficially owned as to 50 per cent. by Mr. Wong, Wilson, the managing director of the Group and as to 50 per cent. by Madam Chiu Gee Chai, the wife of Mr. Wong, Wilson.
2. Mr. Wong, Wilson is deemed to be interested in 126,000,000 shares under SDI Ordinance.
3. Under the SDI Ordinance, Mr. Wong, Wilson is deemed to be interested in the entire issued share capital of Argos Bus Services Company Limited, Argos Bus Services (China) Company Limited, Moving Step Limited and Ming Tak Transportation Service Co., Limited, 80 per cent. of the issued share capital of Sinoman International Limited and 50 per cent of the issued share capital of each of Twilight Enterprises Limited, Ringloma Limited, Metro Line Tours Limited, CLK Bus Company Limited and Goldspark HK Tours Limited.
4. Under the SDI Ordinance, Mr. Yeung Wai Hung is personally interested in 20 per cent. of the issued capital of Sinoman International Limited and deemed to be interested in the entire issued capital of Cherikoff Bakery & Confections Limited which is interested in 1,400,000 shares in the Company.
5. By virtue of the SDI Ordinance, 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, a subsidiary of the Company.
6. The issued share capital of Kenworth Enterprises Limited is beneficially owned by Mr. Wong Wah Sang, an executives Director and chairman of the Company, as to 22.23 per cent., and Mr. Wong Man Chiu, Ronnie, an executive Director, as to 11.11 per cent. Mr. Wong Wah Sang is the father of the other shareholders in Kenworth Enterprises Limited and is also the elder brother of Mr. Wong, Wilson, an executive Director.

SHARE OPTION SCHEME & DIRECTORS' RIGHTS TO ACQUIRE SHARE

As at 30th September, 2002, no option has been granted or agreed to be granted to the directors under the share option scheme approved by the shareholders on 31st July, 2001.

At no time during the nine months ended 30th September, 2002 was the Company or any of its subsidiaries a party to any arrangement to enable the Directors, their respective spouse or children under 18 years of age to acquire the benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

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 nine months ended 30th September, 2002 was any of the Company, its holding companies, fellow subsidiaries and subsidiaries a party to any arrangement to enable the Directors to acquire benefits by means of the acquisition of shares in the Company or any other body corporate and none of the Directors, or their spouses or children under the age of 18, had any right to subscribe for the Shares in the Company, or had exercised any such rights.

SUBSTANTIAL SHAREHOLDERS OF THE COMPANY

As at 30th September, 2002, the register of substantial shareholders (other than a Director) maintained under section 16(1) of the SDI Ordinance showed that the Company had been notified of substantial shareholding interests, being 10% or more of the Company's issued share capital, as follows:

Name	Notes	Number of Shares	Percentage of issued share capital
Sino Market Enterprises Limited	1	126,000,000	70%
Sinoman International Limited	2	126,000,000	70%
Twilight Enterprises Limited		126,000,000	70%
Kenworth Enterprises Limited		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, the managing Director, and as to 50 per cent. by Madam Chiu Gee Chai, the wife of Mr. Wong, Wilson.
3. By virtue of the SDI Ordinance, Madam Chiu Gee Chai is deemed to be interested in 126,000,000 shares.

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, 2002, none of Yu Ming, its directors, employees and their associates had any interest in the securities of the Company or any member of the Group, or any right to subscribe for or to nominate persons to subscribe for the securities of the Company or any member of the Group.

AUDIT COMMITTEE

The Company has established an audit committee with written terms of reference based upon the guidelines recommended by the Hong Kong Society of Accountants. The primary duties of the audit committee are the review and supervision of the Company's financial reporting process and internal control systems. The audit committee comprised Mr. Wong, Wilson, an executive Director and two independent non-executive Directors of the Company, namely Mr. Ng Ming Wah, Charles and Mr. Sung Wai Tak, Herman.

The audit committee has reviewed with management, the accounting principles and practices adopted by the Group and discussed auditing, internal control and financial reporting matters including the review of the unaudited consolidated interim and quarterly financial statements for the nine months ended 30th September, 2002.

COMPETING INTERESTS

The Directors have substantial experience in the operation of transportation companies especially bus services, with over 20 years of experience in the operation of such services in Hong Kong. Such operations in Hong Kong are mainly trading under the names of Argos Bus Services Co., Ltd. ("Argos Hong Kong"), a fellow subsidiary of the Company, Goldspark HK Tours Limited, a 50 per cent. indirectly owned subsidiary of Argos Hong Kong, and Metro Line tour Limited, owned 50 per cent. by Twilight Enterprises Limited and 15 per cent. by Mr. Yeung Wai Hung.

Save as disclosed above, none of the Directors or the management shareholders of the Company (as defined in the GEM Listing Rules) has an interest in a business which competes or may compete with the business of the Group.

By order of the Board
Wong Wah Sang
Chairman

Hong Kong, 8th November, 2002