

Argos

ARGOS ENTERPRISE (HOLDINGS) LIMITED

雅高企業(集團)有限公司



Third Quarterly 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

- Turnover for the nine months ended 30th September 2003 amounted to approximately HK\$67.2 million, representing an increase of approximately 7.7% compared to the corresponding period in 2002.
- Net profit from ordinary activities attributable to shareholders decreased by 53.7% compared to the corresponding period in 2002 to approximately HK\$1.5 million for the nine months ended 30th September 2003.
- Earnings per share was approximately HK0.83 cents.
- The directors do not recommend payment of an interim dividend for the nine months ended 30th September 2003.
- Management will continue to adopt a prudent approach in its management and investment with a view to generating a stable long-term revenues.



NINE-MONTHS RESULTS (UNAUDITED)

The directors (the “Directors”) of Argos Enterprise (Holdings) Limited (the “Company”) are pleased to announce the unaudited consolidated results of the Company and its subsidiaries (together the “Group”) for the nine months and three months ended 30th September 2003 together with comparative unaudited figures for the corresponding period in 2002 (the “Relevant Periods”), as follows:

	Note	Nine months ended 30th September		Three months ended 30th September	
		2003 HK\$'000	2002 HK\$'000	2003 HK\$'000	2002 HK\$'000
TURNOVER	2	67,222	62,429	24,846	21,035
COST OF BUS SERVICES RENDERED		<u>(56,264)</u>	<u>(49,132)</u>	<u>(19,385)</u>	<u>(18,004)</u>
GROSS PROFIT		10,958	13,297	5,461	3,031
OTHER REVENUE	2	7,487	7,564	1,515	1,168
ADMINISTRATIVE EXPENSES		<u>(12,490)</u>	<u>(11,279)</u>	<u>(4,233)</u>	<u>(3,913)</u>
PROFIT FROM OPERATIONS		5,955	9,582	2,743	286
INTEREST INCOME		124	188	39	59
FINANCE COSTS	3	<u>(1,530)</u>	<u>(1,493)</u>	<u>(454)</u>	<u>(563)</u>
PROFIT BEFORE TAXATION		4,549	8,277	2,328	(218)
TAXATION	4	<u>11</u>	<u>(1,410)</u>	<u>43</u>	<u>553</u>
PROFIT BEFORE MINORITY INTERESTS		4,560	6,867	2,371	335
MINORITY INTERESTS		<u>(3,064)</u>	<u>(3,637)</u>	<u>(1,366)</u>	<u>(412)</u>
PROFIT (LOSS) ATTRIBUTABLE TO SHAREHOLDERS		<u>1,496</u>	<u>3,230</u>	<u>1,005</u>	<u>(77)</u>
EARNINGS (LOSS) PER SHARE - BASIC (CENTS)	5	<u>0.83</u>	<u>1.79</u>	<u>0.56</u>	<u>(0.04)</u>



*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 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 Growth Enterprise Market ("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 September 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.



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 tours as well as management fees. Revenue recognized during the Relevant Period is as follows:

	Nine months ended 30th September		Three months ended 30th September	
	2003 HK\$'000	2002 HK\$'000	2003 HK\$'000	2002 HK\$'000
Turnover				
Related bus services				
– Public routes	45,226	41,458	16,299	13,755
– Tourist routes	5,000	4,071	3,239	1,332
– ‘Hire a bus’ and employee service	4,320	5,105	848	1,092
Sub-contracting	10,874	10,266	3,805	4,360
Rental	618	555	139	88
Sightseeing ticket sales	1,076	974	476	408
Management fee	108	–	40	–
	<u>67,222</u>	<u>62,429</u>	<u>24,846</u>	<u>21,035</u>
Other revenue				
Advertising income on fleet body	2,619	1,367	762	428
Subsidy from local authority	3,852	3,843	383	–
Sundries	1,016	2,354	370	740
	<u>7,487</u>	<u>7,564</u>	<u>1,515</u>	<u>1,168</u>
Total revenue	<u><u>74,709</u></u>	<u><u>69,993</u></u>	<u><u>26,361</u></u>	<u><u>22,203</u></u>

3. Finance costs

	Nine months ended 30th September		Three months ended 30th September	
	2003 HK\$'000	2002 HK\$'000	2003 HK\$'000	2002 HK\$'000
Interest on bank loans and overdrafts	<u>1,530</u>	<u>1,493</u>	<u>454</u>	<u>563</u>



4. Taxation

The taxation charge comprises:

	Notes	Nine months ended 30th September		Three months ended 30th September	
		2003 HK\$'000	2002 HK\$'000	2003 HK\$'000	2002 HK\$'000
Hong Kong profits tax	(i)	-	-	-	-
Overseas taxation	(ii)	(11)	1,410	(43)	(553)
		<u>(11)</u>	<u>1,410</u>	<u>(43)</u>	<u>(553)</u>

(i) No provision for Hong Kong profits tax has been made as the Group did not have assessable profits subject to Hong Kong Profits Tax during the relevant period.

(ii) Taxation arising in other jurisdiction is calculated at the rates prevailing in the respective jurisdictions.

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, 2003 of HK\$1,496,000 (2002: HK\$3,230,000) and HK\$1,005,000 (2002: (HK\$77,000)) and on 180,000,000 (2002: 180,000,000) shares in issue during the period.

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 (2002: Nil).



INTERIM DIVIDENDS

The Board does not recommend the payment of any dividend for the nine months ended 30th September, 2003 (2002: 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

During the third quarter of the year, the Company dedicated its efforts to further strengthening the positioning of its operations in their respective subsidiaries. Despite the outbreak of SARS in the second quarter of the year and increased market competition, the Group has recorded revenue growth and achieve satisfactory result for the nine months period ended 30th September 2003. The Group's business in Mainland China continued to sustain growth after SARS was under control. The Group achieved another satisfactory performance in turnover and net profit in the third quarter which result mainly from income rebounded from the major operating subsidiaries, namely Nanjing Argos, Wanzhou Argos and Taizhou Argos after the SARS recovery. For the nine months ended 30th September 2003, the unaudited turnover of the Group was approximately HK\$67,222,000, representing an increase of 7.7 per cent over the corresponding period in 2002, while the profit attributable to shareholders was approximately HK\$1,496,000 as compared to a profit of HK\$3,230,000 over the corresponding period in 2002, representing a decrease of 53.7 per cent. The decrease was attributable to the impact of SARS caused a big drop of revenue in the SARS period; the prolonged high oil price; increase in operating costs for undertaking; and the cost of the preventive measures on intensified disinfections of fleet during the SARS period; and keen competition caused by the sole proprietary midi-bus operators in Wanzhou.

The management believes in our company's long-term vision and strategies, which will continue to promote the interests of our shareholders. The management will forge ahead on new ventures and the exploration of new avenues of business if opportunities arise.



FUTURE PROSPECTS

Having experienced the intense market competition brought about by other public transportation operators and the severe challenges of the outbreak of SARS in the first half of the year, the Group believes that the demand of quality public transportation services will gradually be increased with the end of the SARS. The Group expects further improved operating performance in the coming fourth quarter of the year. It will continue to achieve its goal of enhancing values. Apart from consolidating its market position, it will also proactively capture the opportunities arising after the SARS outbreak.

In addition to actively developing its core business, the Group will pursue investments with attractive returns. Looking ahead, the Group will continue to adopt a prudent approach in its management and investment with a view to generating stable long-term revenues.

The Group anticipates that its existing operations will continue to thrive. The introduction of new services to provide more variety, particularly in the charter services, will be the source for further incremental revenue growth. Hence considerable resources will be allocated for set up and development of new charter services. Although the high oil price will still likely be maintained for some time, the Group is confident that our focus on our core businesses will give us an edge in these tough times.

DIRECTORS' SHAREHOLDING INTERESTS IN THE COMPANY

As at the 30th September, 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 September, 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:

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 Part XV of the SFO.
3. 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.
4. 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.
5. 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 September, 2003, 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, 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 nine months ended 30th September, 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 September, 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	of issued share capital
Sino Market Enterprises Limited	1	126,000,000	70%
Sinoman International Limited	2	126,000,000	70%
Twilight Enterprises Limited	4	126,000,000	70%
Kenworth Enterprises Limited	5	126,000,000	70%
Chiu Gee Chai	3	126,000,000	70%

As at 30th September, 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.
- 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 September, 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 third quarterly financial statements for the nine months ended 30th September 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. ("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, 12th November, 2003

