

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

2004

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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.

**THIRD QUARTERLY RESULTS (UNAUDITED)
FOR THE NINE MONTHS ENDED 30TH SEPTEMBER 2004**

FINANCIAL HIGHLIGHTS

- Achieved a turnover of approximately HK\$75,128,000 for the nine months ended 30th September 2004, representing an approximately 11.8% increase as compared with the turnover for corresponding period in 2003.
- Accomplished a net profit from ordinary activities attributable to shareholders of approximately HK\$2,001,000 for the nine months ended 30th September 2004, representing as approximately 33.8% increase as compared with the net profit from ordinary activities attributable to shareholders for the corresponding period in 2003.
- Earnings per share was approximately HK1.11 cents.
- The directors do not recommend payment of any dividend for the nine months ended 30th September 2004.
- The management of the Group will apply a prudent management style and investment strategy in order to bring a long term and stable flow of income to the Group.



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 2004 together with comparative unaudited figures for the corresponding period in 2003 (the “Relevant Period”), as follows:

	Note	Nine months ended 30th September		Three months ended 30th September	
		2004 HK\$'000	2003 HK\$'000	2004 HK\$'000	2003 HK\$'000
TURNOVER	2	75,128	67,222	25,450	24,846
COST OF BUS SERVICES RENDERED		(64,235)	(56,264)	(22,785)	(19,385)
GROSS PROFIT		10,893	10,958	2,665	5,461
OTHER REVENUE	2	9,151	7,487	3,697	1,515
ADMINISTRATIVE EXPENSES		(12,909)	(12,490)	(4,000)	(4,233)
PROFIT FROM OPERATIONS		7,135	5,955	2,362	2,743
INTEREST INCOME		23	124	9	39
FINANCE COSTS	3	(1,874)	(1,530)	(680)	(454)
PROFIT BEFORE TAXATION		5,284	4,549	1,691	2,328
TAXATION	4	(413)	11	(60)	43
PROFIT BEFORE MINORITY INTERESTS		4,871	4,560	1,631	2,371
MINORITY INTERESTS		(2,870)	(3,064)	(806)	(1,366)
PROFIT (LOSS) ATTRIBUTABLE TO SHAREHOLDERS		<u>2,001</u>	<u>1,496</u>	<u>825</u>	<u>1,005</u>
EARNINGS PER SHARE – BASIC (CENTS)	5	<u>1.11</u>	<u>0.83</u>	<u>0.46</u>	<u>0.56</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 2004. 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 the provision of management services. Revenue recognized during the Relevant Periods are as follows:

	Nine months ended 30th September		Three months ended 30th September	
	2004 HK\$'000	2003 HK\$'000	2004 HK\$'000	2003 HK\$'000
Turnover				
Related bus services				
– Public routes	46,227	45,226	16,912	16,299
– Tourist routes	6,632	5,000	1,860	3,239
– “Hire a bus” and employee service	5,566	4,320	1,389	848
Sub-contracting	12,706	10,874	3,992	3,805
Rental	1,186	618	199	139
Sightseeing ticket sales	1,416	1,076	699	476
Management fee	1,395	108	399	40
	<u>75,128</u>	<u>67,222</u>	<u>25,450</u>	<u>24,846</u>
Other revenue				
Advertising income on fleet body	3,183	2,619	1,649	762
Subsidy from local authority	4,617	3,852	1,189	383
Sundries	1,351	1,016	859	370
	<u>9,151</u>	<u>7,487</u>	<u>3,697</u>	<u>1,515</u>
Total revenue	<u><u>84,279</u></u>	<u><u>74,709</u></u>	<u><u>29,147</u></u>	<u><u>26,361</u></u>

3. Finance costs

	Nine months ended 30th September		Three months ended 30th September	
	2004 HK\$'000	2003 HK\$'000	2004 HK\$'000	2003 HK\$'000
Interest on bank loans and overdrafts	<u><u>1,874</u></u>	<u><u>1,530</u></u>	<u><u>680</u></u>	<u><u>454</u></u>



4. Taxation

	Note	Nine months ended 30th September		Three months ended 30th September	
		2004 HK\$'000	2003 HK\$'000	2004 HK\$'000	2003 HK\$'000
Hong Kong profits tax	(i)	-	-	-	-
Overseas taxation	(ii)	413	(11)	60	(43)
		413	(11)	60	(43)

- (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 periods.
- (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 from the ordinary activities attributable to shareholders for the nine months and three months ended 30th September 2004 of HK\$2,001,000 and HK\$825,000 respectively (2003: HK\$1,496,000 and HK\$1,005,000) and on 180,000,000 (2003: 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.

6. Reserves

There has been no movement of reserves, other than retained earnings, during the periods (2003: Nil)

INTERIM DIVIDENDS

The Board does not recommend the payment of any dividend for the nine months ended 30th September 2004 (2003: 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

The period under review continued to be extremely difficult for business. The conflicts in the Middle-east and the actions against the Terrorist as well as the New York Mercantile Exchange crude oil future prices driven by various political and speculative factors, went close to US\$50 per barrel during the third quarter of 2004 and hit approximately US\$55 per barrel in October 2004 continuing to pose uncertainties on the world economy. As the fuel oil is one of the principal operating cost in our Group's operational activities, the rising crude oil price inevitably led to an immediate rise in the Group's operation costs. However, the continued excellent economic performance of the PRC should cushion the full effect on our operations in the Mainland.

The unaudited consolidated turnover of the Group for the nine months ended 30th September 2004 was approximately HK\$75,128,000, representing an increase of 11.8 per cent over the corresponding period in 2003, while the profit attributable to shareholders was approximately HK\$2,001,000 as compared to a profit of HK\$1,496,000 over the corresponding period in 2003, representing an increase of 33.8 per cent. The growth in profitability can be attributed to increase in net profit achieved by Taizhou Argos for the nine months ended 30th September 2004 over the corresponding period in 2003. However, the drop in gross profit percentage from 16.3% in the same period last year to 14.5% for the nine months ended 30th September 2004 was due to the oil prices scaling new historical highs from time to time, causing increase in operating costs for the undertaking; the regulatory authority imposed mandatory employees medical benefits and social security insurance causing additional operating costs and the higher maintenance cost to upgrade the operational efficiency of the bus fleets.

The Directors believe that, with its relentless efforts in developing new services, enhancing existing services as well as upgrading operation capacity, the Group would capture the opportunities thus arisen, satisfy passengers and market demands and continue to enlarge market coverage successfully. At the same time, growth in profitability as a result of fortified management practices and more effective utilization of the Group's resources would generate satisfactory returns to our shareholders.

FUTURE PROSPECTS

In view of the continuing challenging and keen competitive operating environment, the Group intends to reduce expenditure further relating to its on-going operations.

The Group is cautiously optimistic about the prospects of the Group for the remaining of the year owing to the expected upward trends in interest rates in the United States and the PRC, and the measures by the Central Government of the PRC to cool down the over-heated economy of the PRC. The rising oil prices might dampen the embryonic economy recovery. Corporate profits could be squeezed as cost-push inflationary threats are on the rise. Hence, cost leadership is as important as ever. The management has designed several initiatives aiming at rationalizing and consolidating the Group's operations and strategic direction to improve services income and profitability, with the long term view of sustaining competitive advantage for the Group that



including streamlining operations to reduce operating costs, improve productivity and achieve high standards of performances in all our operational subsidiaries over our customers' expectations and redefining business strategy and expanding customers base, including business opportunities from other industrial and business sectors. The Group will further re-engineer its operations and create better synergies among our various operational subsidiaries so as to build on the foundations and management infrastructure that have been laid over the past years.

Looking ahead, the Group will focus on consolidating its business and enhancing its profitability by raising its overall efficiency and strengthening its operations. In the meantime, the Group will continue to take a prudent approach to explore investment opportunities on the areas relating to the Group's existing operations so as to optimize the shareholders' interest. Basing on the Group's persistently stable operation strategy, we are ready to seize the vast potential brought about by the growing PRC economy.

DIRECTORS' INTERESTS IN THE COMPANY

As at the 30th September 2004, 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. Yeung Wai Hung	Corporate	1,400,000 (Note 1-2)

As at 30th September 2004, 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:

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



SHARE OPTION SCHEME

On 31st July 2001 a share option scheme was approved by a written resolution of all the shareholders of the Company under which the Directors may, at their discretion, grant options to themselves and the full-time employees of the Group entitling them to subscribe for shares representing up to a maximum of 10 per cent. of the shares in the Company in issue from time to time (excluding shares which have been allotted and issued pursuant to the share option scheme). During the period from 13th August 2001 to 30th September 2004, 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 2004 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 2004 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 2004, 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	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 2004 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 past managing Director, and as to 50 per cent. by Madam Chiu Gee Chai, the wife of Mr. Wilson Wong.
3. By virtue of Part XV of the SFO, Madam Chiu Gee Chai is deemed to be interested in 126,000,000 shares.
4. By virtue of Part XV of the SFO, each of Sino Market Enterprises Limited, Sinoman International Limited, Kenworth Enterprises Limited, Twilight Enterprises Limited and Madam Chiu Gee Chai is deemed to be interested in 500,000 ordinary shares in Argos Bus Services (China) Company Limited, a subsidiary of the Company.
5. The issued share capital of Kenworth Enterprises Limited is beneficially owned by Mr. Wong Wah Sang, an executive Director and chairman of the company, as to 22.23 per cent., Mr. Wong Man Fung, Anthony as to 11.11 per cent., Mr. Wong Man Che, Edward as to 11.11 per cent., Mr. Wong Man Ka, Stephen as to 11.11 per cent., Ms. Wong Man Hing, Alice, the wife of Mr. Kwan Yan Ming, as to 11.11 per cent., Mr. Wong Man Chiu, Ronnie, an executive Director, as to 11.11 per cent., Mr. Wong Man Kon, John as to 11.11 per cent. and Mr. Wong Man Kong, Peter as to 11.11 per cent., Mr. Wong Wah Sang is the father of the other shareholders mentioned above and is also the elder brother of Mr. Wong, Wilson, an executive Director.

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

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 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 third quarterly financial statements for the nine months ended 30th September 2004.



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 2004

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

