

# Argos

ARGOS ENTERPRISE (HOLDINGS) LIMITED

雅高企業(集團)有限公司

*(Incorporated in Hong Kong with limited liability)*

Stock Code: 8022



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

GEM has been positioned as a market designed to accommodate companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. 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 and no assurance is given that there will be a liquid market in the securities traded on GEM.

*The Stock Exchange takes no responsibility for the contents of this report, makes no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever to any loss howsoever arising from or in reliance upon the whole or any part of the contents of this report.*

*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

- The Group achieved a turnover of approximately HK\$142,818,000 for the nine months ended 30th September 2008 (2007: approximately HK\$124,375,000), representing an increase of approximately 15% as compared with the turnover for the corresponding period in 2007.
- Loss from ordinary activities attributable to equity holders for the nine months and three months ended 30th September 2008 was approximately HK\$5,426,000 (2007: loss of HK\$996,000) and HK\$884,000 (2007: loss of HK\$1,291,000) respectively.
- Basic loss per share for the nine months and three months ended 30th September 2008 was approximately 3.01 HK cents and 0.49 HK cents respectively (Basic loss per share of the corresponding period in 2007: approximately 0.55 HK cents and 0.72 HK cents respectively).
- The Board does not recommend payment of any dividend for the nine months ended 30th September 2008 (2007: Nil).

## THIRD QUARTERLY RESULTS (UNAUDITED)

For the nine months ended 30th September 2008

The board (the “Board”) of directors (the “Directors”) of Argos Enterprise (Holdings) Limited (the “Company”) is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (collectively the “Group”) for the nine months and three months ended 30th September 2008 together with comparative unaudited figures for the corresponding periods in 2007 (the “Relevant Periods”) as follows:

	Notes	Nine months ended 30th September		Three months ended 30th September	
		2008 HK\$'000	2007 HK\$'000	2008 HK\$'000	2007 HK\$'000
02 TURNOVER	2	142,818	124,375	50,866	43,922
COST OF SERVICES		(132,779)	(106,869)	(45,054)	(41,024)
GROSS PROFIT		10,039	17,506	5,812	2,898
OTHER REVENUE	2	23,824	12,271	11,437	10,351
ADMINISTRATIVE EXPENSES		(36,664)	(27,999)	(16,470)	(14,357)
FINANCE COSTS	3	(2,629)	(1,211)	(922)	(125)
(LOSS)/PROFIT BEFORE TAXATION		(5,430)	567	(143)	(1,233)
TAXATION	4	-	(370)	-	(53)
(LOSS)/PROFIT FOR THE PERIOD		(5,430)	197	(143)	(1,286)
ATTRIBUTABLE TO:					
EQUITY HOLDERS OF THE COMPANY		(5,426)	(996)	(884)	(1,291)
MINORITY INTERESTS		(4)	1,193	741	5
		(5,430)	197	(143)	(1,286)
LOSS PER SHARE					
- BASIC (HK CENTS)	5	(3.01)	(0.55)	(0.49)	(0.72)
- DILUTED (HK CENTS)	5	N/A	N/A	N/A	N/A



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 Financial Reporting Standard ("HKFRS") 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 "GEM Listing Rules").

The accounting policies adopted in preparing the consolidated third quarterly results are consistent with those adopted in the preparation of the annual audited financial statements for the year ended 31st December 2007.

All significant intra-group transactions and balances within the Group have been eliminated on consolidation.

**2. Turnover and revenue**

The Group is engaged in the rendering of transportation services in the People's Republic of China ("PRC") through public routes, bus hire and sightseeing ticket, taxi rental and rental as well as management fees. Revenue recognized during the Relevant Periods are as follows:

	Nine months ended 30th September		Three months ended 30th September	
	2008 HK\$'000	2007 HK\$'000 (restated)	2008 HK\$'000	2007 HK\$'000 (restated)
Turnover				
Related bus services				
– Public routes	101,516	80,496	32,792	22,407
– Bus hire services and sightseeing ticket	23,407	26,188	9,445	12,984
Taxi rental	14,257	14,546	7,172	7,208
Rental income	1,714	1,443	593	621
Management fee	1,924	1,702	864	702
	<u>142,818</u>	<u>124,375</u>	<u>50,866</u>	<u>43,922</u>
Other revenue				
Advertising income on fleet body	1,658	760	1,077	121
Subsidies from local authority	18,088	8,723	7,405	8,723
Sundries	3,080	2,464	2,340	1,362
Interest income	998	324	615	145
	<u>23,824</u>	<u>12,271</u>	<u>11,437</u>	<u>10,351</u>
Total revenue	<u>166,642</u>	<u>136,646</u>	<u>62,303</u>	<u>54,273</u>

3. Finance costs

	Nine months ended		Three months ended	
	30th September		30th September	
	2008	2007	2008	2007
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Interest on bank loans, overdrafts and convertible bonds wholly repayable within 5 years	2,629	1,211	922	125

4. Taxation

The taxation charge comprises:

	Notes	Nine months ended		Three months ended	
		30th September		30th September	
		2008	2007	2008	2007
		HK\$'000	HK\$'000	HK\$'000	HK\$'000
Hong Kong profits tax	(i)	-	-	-	-
Enterprise income tax, PRC	(ii)	-	370	-	53
		-	370	-	53

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. Taxation arising in other jurisdiction is calculated at the rates prevailing in the respective jurisdiction.

04

Deferred tax had not been provided as there were no significant temporary differences for the period. (2007: Nil).

5. Loss per share

The calculation of the basic loss per share is based on loss from the ordinary activities attributable to equity holders for the nine months and three months ended 30th September 2008 of approximately HK\$5,426,000 and approximately HK\$884,000 respectively (2007: Loss of approximately HK\$996,000 and Loss of approximately HK\$1,291,000) and on a weighted average of 180,437,956 (2007: 180,000,000) shares in issue during the periods.

Diluted loss per share is not presented as the convertible bonds outstanding during the period under review have an anti-dilutive effect.



**6. Capital and Reserves**

	Share capital	Share premium	Exchange reserve <sup>#</sup>	Merger reserve	General reserve <sup>#</sup>	Revaluation reserve	Convertible bonds reserve	Retained earnings	Sub-total	Minority interests	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
As at 1st January 2008	1,800	29,200	8,560	(490)	3,227	184	432	7,205	50,118	25,548	75,666
Loss for the period	-	-	-	-	-	-	-	(5,426)	(5,426)	(4)	(5,430)
Currency translation differences	-	-	4,314	-	-	-	-	-	4,314	3,969	8,283
Issue of ordinary shares from conversion of convertible bonds	150	3,030	-	-	-	-	(180)	-	3,000	-	3,000
<b>As at 30th September 2008</b>	<b>1,950</b>	<b>32,230</b>	<b>12,874</b>	<b>(490)</b>	<b>3,227</b>	<b>184</b>	<b>252</b>	<b>1,779</b>	<b>52,006</b>	<b>29,513</b>	<b>81,519</b>

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.

**7. Interim dividend**

The Board does not recommend the payment of any dividend for the nine months ended 30th September 2008 (2007: Nil).

## FINANCIAL REVIEW

The Group achieved a turnover of approximately HK\$142,818,000 for the nine months ended 30th September 2008 (2007: approximately HK\$124,375,000), representing an increase of approximately 15% as compared with the turnover for the corresponding period in 2007. The increase in turnover for the nine months ended 30th September 2008 was due to the Renminbi appreciation which is the Group's turnover denominated.

Loss from ordinary activities attributable to equity holders for the nine months and three months ended 30th September 2008 was approximately HK\$5,426,000 (2007: loss of HK\$996,000) and HK\$884,000 (2007: loss of HK\$1,291,000) respectively.

Basic loss per share for the nine months and three months ended 30th September 2008 was approximately 3.01 HK cents (2007: 0.55 HK cents) and 0.49 HK cents (2007: 0.72 HK cents) respectively.

## BUSINESS REVIEW

The unaudited turnover of the Group increased by approximately 15% to approximately HK\$142,818,000 compared with the turnover for the corresponding period in 2007.

During the nine months ended 30th September 2008, the crude oil prices continue to rise and maintained at an extremely high level. Despite the exercise of tight cost control on the Group's operations, the high oil prices brought tremendous negative impact on the profitability of the Group's operations.

## FUTURE PROSPECTS

06 In addition to exercising continuous efforts to control costs and improve operating efficiency of the existing business, the management of the Group will look further into the feasibility of increasing the Group's investment in other industries in order to diversify the Group's earning bases and ultimately increase the Group's profitability.

## MATERIAL ACQUISITION

On 30th July 2008, Mega Field International Limited ("Purchaser"), a wholly-owned subsidiary of the Company, entered into a memorandum of understanding with Mr. Zhang Weiting ("Vendor"), an independent third party, in relation to the proposed acquisition of a company with investment in a Sino-foreign joint venture company with principal business in the provision of nation-wide telecommunications value-added services, including packaged message subscription, payment or recharging services for mobile game and entertainment, to mobile phone subscribers in the PRC.





On 23rd September 2008, the Purchaser entered into the master agreement with the Vendor pursuant to which the Vendor has conditionally agreed to dispose of and the Purchaser has conditionally agreed to acquire the sale shares and the Sale Loan at a total consideration of not more than HK\$695 million.

The consideration of not more than HK\$695 million will be settled by the Company in the following manner: (i) as to HK\$5 million by cash; (ii) as to HK\$26.40 million by the issue of 44,000,000 consideration shares at the issue price of HK\$0.60 per consideration share upon completion; (iii) as to HK\$409.20 million at maximum by the issue of the convertible bonds in the principal amount of HK\$409.20 million with the conversion price of HK\$0.66 per conversion share; and (iv) as to HK\$254.40 million at maximum by the issue of the promissory notes in two tranches. Both the consideration shares and the conversion shares shall be allotted and issued under the specific mandate.

The Board considered that with the increasing usage of mobile phone in the PRC, the provision of nation-wide telecommunications value-added services to mobile phone subscribers is a high potential growth business which can broaden the earning base of the Group and increase the profitability of the Group.

An extraordinary general meeting will be held on 26 November 2008 to consider and, if thought fit, approve the ordinary resolutions in respect of the master agreement and the transactions contemplated thereunder.

## DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITION IN THE SHARES, UNDERLYING SHARES AND DEBENTURES

As at 30th September 2008, the following Directors or chief executives of the Company had the following interests in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Cap. 571, Laws of Hong Kong) ("SFO")) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO) or as recorded in the register required to be kept by the Company under Section 352 of the SFO or otherwise notified to the Company and the Stock Exchange pursuant to the required standards of dealings by directors as referred to in Rule 5.46 of the GEM Listing Rules.

Name of Director	Company/name of its associated corporations	Nature of interests	Number of ordinary share(s) held	Approximate percentage of the Company's issued share capital
Mr. Cheung Man Yau, Timothy	Company	Corporate	50,000,000 (Note 1)	25.64%
Mr. Wong Wah Sang	Company	Corporate	7,038,092 (Note 2)	3.61%
Mr. Wong Man Chiu, Ronnie	Company	Corporate	7,038,092 (Note 3)	3.61%
Mr. Wong Wilkie	Company	Corporate	4,266,454 (Note 4)	2.19%
	Twilight Enterprises Limited	Beneficial	1 (Note 5)	12.50%

08

### Notes:

- By virtue of Part XV of the SFO, Mr. Cheung Man Yau, Timothy is deemed to be interested in the entire issued capital of Wonderful Source Limited which is interested in 50,000,000 shares in the Company.
- 62,284,000 Shares are held by Sino Market Enterprises Limited which is beneficially owned as to 22.6% by Mellin Enterprises Limited. Mr. Wong Wah Sang, a non-executive director of the Company, has 50% control in Mellin Enterprises Limited, therefore, Mr. Wong Wah Sang has 7,038,092 shares as the effective interests of the Company.



3. 62,284,000 Shares are held by Sino Market Enterprises Limited which is beneficially owned as to 22.6% by Mellin Enterprises Limited. Mr. Wong Man Chiu, Ronnie, an executive director of the Company, has 50% control in Mellin Enterprises Limited, therefore, Mr. Wong Man Chiu, Ronnie has 7,038,092 shares as the effective interests of the Company.
4. 62,284,000 Shares are held by Sino Market Enterprises Limited which is beneficially owned as to 54.8% by Sinoman International Limited, which is 100% owned by Twilight Enterprises Limited. Mr. Wong Wilkie, a non-executive director of the Company, has 12.5% control in Twilight Enterprises Limited, therefore, Mr. Wong Wilkie has 4,266,454 shares as the effective interests of the Company.
5. Mr. Wong Wilkie has 12.5% control in Twilight Enterprises Limited, which is an associated corporation of the Company.

All the interests disclosed above represent long position in the shares.

Save as disclosed above, as at 30th September 2008, none of the Directors or chief executives of the Company had any interests in the shares, underlying shares and debentures of the Company, or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO as recorded in the register required to be kept by the Company under Section 352 of the SFO or otherwise notified to the Company and the Stock Exchange pursuant to the required standards of dealings by directors as referred to in Rule 5.46 of the GEM Listing Rules.

## 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 2008, 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 2008 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 2008 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 INTEREST IN SHARES

As at 30th September 2008, other than the interests and short positions of the Directors or chief executives of the Company disclosed above, person who had interests in the shares and underlying shares and debentures of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or, who was, directly or indirectly, interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other members of the Group, or any other substantial shareholders whose interests or short positions were recorded in the register required to be kept by the Company under Section 336 of the SFO were as follows:

Name of Shareholder	Capacity and nature of interests	Number of ordinary Shares held	Percentage of the Company's issued share capital
10 Sino Market Enterprises Limited ( <i>Note 1</i> )	Beneficial	62,284,000	31.94%
Sinoman International Limited ( <i>Note 2</i> )	Corporate	62,284,000	31.94%
Twilight Enterprises Limited ( <i>Note 2</i> )	Corporate	62,284,000	31.94%
Madam Chiu Gee Chai ( <i>Note 3</i> )	Corporate	62,284,000	31.94%
Sharp Mode Limited ( <i>Note 4</i> )	Beneficial	21,000,000	10.77%
Mr. Chow Chun Yee ( <i>Note 4</i> )	Corporate	21,000,000	10.77%
Mr. Yeung Wai Hung ( <i>Notes 1 and 5</i> )	Corporate	15,475,280	7.94%

### Notes:

- These 62,284,000 Shares are held by Sino Market Enterprises Limited which is beneficially owned as to 54.8% by Sinoman International Limited and as to 22.6% by Mellin Enterprises Limited and as to 22.6% by Mr. Yeung Wai Hung; a former executive Director who resigned on 14th February 2008.
- Sinoman International Limited is beneficially owned as to 100 per cent by Twilight Enterprises Limited which is beneficially owned by Mr. Wilkie Wong, a non-executive Director, as to 12.5%; Mr. Wong Wai Lok, William, as to 12.5%; Ms. Wong Wai Yee, Winnie, as to 12.5%; Ms. Wong Wai Ying, Vivian, as to 12.5%; and as to 50% by Madam Chiu Gee Chai.
- By virtue of Part XV of the SFO, Madam Chiu Gee Chai is deemed to be interested in 62,284,000 Shares.



4. Sharp Mode Limited is the holder of the convertible bonds which were issued by the Company on 30th July 2008 and its ultimate beneficial owner is Mr. Chow Chun Yee. On 22nd September 2008, Mr. Chow Chun Yee transferred 15,000,000 convertible bonds to three individual parties with each holding 5,000,000. Subsequently these 15,000,000 convertible bonds were converted into shares in 23rd September 2008. Upon conversion of such convertible bonds with the equity interests in the Company held by Sharp Mode Limited, the equity interests would exceed 10%, Sharp Mode Limited and Mr. Chow Chun Yee will both become the substantial shareholders of the Company.
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 (the "Cherikoff") which is interested in 1,400,000 shares in the Company.

All the interests disclosed above represent long position in the shares.

Save as disclosed above, as at 30th September 2008, the Directors or chief executives of the Company were not aware of any other person who had an interest or short position in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or, who is, directly or indirectly, interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other members of the Group, or any other substantial shareholders whose interests or short positions were recorded in the register required to be kept by the Company under Section 336 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 shares during the nine months ended 30th September 2008.

11

## COMPETING INTERESTS

As at 30th September 2008, as far as the Directors are aware of, none of the Directors or the management shareholders of the Company (as defined in the GEM Listing Rules) has any interest in a business which competes or may compete with the business of the Group or has any other conflict of interest with the Group.

## COMPLIANCE ADVISER'S INTERESTS

Pursuant to the agreement dated 26th June 2008 entered into between the Company and GF Capital (Hong Kong) Limited ("GF Capital"), GF Capital has received a fee for acting as the Company's compliance adviser commenced on 30th June 2008, the date on which the shares of the Company were resumed, and ending on the date on which the Company complies with Rule 18.03 of the GEM Listing Rules in respect of its financial results for the second full financial year commencing from the date of the appointment of compliance adviser.



Neither GF Capital nor its director or employees or associates had any interests in the securities of the Company, or any right to subscribe for or to nominate persons to subscribe for the securities of the Company as at 30th September 2008.

## 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. As at the date of this report, the audit committee comprised three independent non-executive Directors, namely Mr. Fung Wai Shing, Mr. Sung Wai Tak, Herman 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 financial statements for the nine months ended 30th September 2008.

By order of the Board  
**Argos Enterprise (Holdings) Limited**  
**Wong Wah Sang**  
*Chairman*

Hong Kong, 12th November 2008

12

*As of the date hereof, the executive Directors are Mr. Wong Man Chiu, Ronnie, Mr. Cheung Man Yau, Timothy and Mr. Cheng Wing Hong; the non-executive Directors are Mr. Wong Wah Sang (Chairman) and Mr. Wilkie Wong; while the independent non-executive Directors are Mr. Fung Wai Shing, Mr. Sung Wai Tak, Herman and Mr. Wong Lit Chor, Alexis.*