



ARGOS ENTERPRISE (HOLDINGS) LIMITED
雅高企業(集團)有限公司

(Incorporated in Hong Kong with limited liability)
(Stock Code: 8022)

ANNUAL RESULTS ANNOUNCEMENT
FOR THE YEAR ENDED 31 DECEMBER 2005

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

This announcement, 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 announcement 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 announcement misleading; and (3) all opinions expressed in this announcement have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

HIGHLIGHTS

- Turnover of the Group for the year ended 31 December 2005 increased by HK\$17.1 million to approximately HK\$136.5 million when compared to turnover of approximately HK\$119.4 million in the previous year.
- Profit for the year ended 31 December 2005 decreased by HK\$4.3 million to HK\$0.4 million.
- Earnings per share was approximately 0.01 HK cent for the year ended 31 December 2005 as compared with earnings per share of approximately 0.96 HK cent recorded in last year.
- The directors do not recommend the payment any dividend in respect of the year (2004: HK\$ Nil).

ANNUAL RESULTS

The Board of Directors of the Company (the “Board”) is pleased to announce the audited consolidated results of the Group for the year ended 31 December 2005 together with comparative figures for the corresponding period of the previous financial year (the “Relevant Period”), as follows:

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2005

	<i>Note</i>	2005 HK\$'000	2004 HK\$'000 (Restated)
Turnover	5	136,547	119,364
Cost of Sales	5	(123,577)	(104,514)
Gross Profit		12,970	14,850
Other Revenue	26	12,550	9,570
Other Income	27	283	3,328
Administrative Expenses		(22,069)	(17,922)
Operations Profit	28	3,734	9,826
Finance Costs	30	(2,478)	(2,286)
Profit Before Income Tax		1,256	7,540
Income Tax Expenses	31	(886)	(2,868)
Profit for the Year		370	4,672
Attributable to:			
Equity holders of the Company	33	15	1,723
Minority Interest		355	2,949
		370	4,672
Earnings per Share for Profit Attributable to the equity holders of the Company during the Year			
– Basic	34	0.01 cents	0.96 cents
– Diluted		N/A	N/A

All of the Group’s operations are classed as continuing.

The accompanying notes form an integral part of these financial statements.

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

The Company was incorporated in Hong Kong on 13 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 13 August 2001, the Company became the holding company of the Group on 30 July 2001. Further details of the Reorganization are set out in the prospectus of the Company dated 31 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 Group’s financial statements include the financial statements of the Company and its subsidiaries made up to 31 December 2005. The Group Reorganization above has been accounted for by using merger accounting. Apart from the Group Reorganization, the results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

All significant intra-group transactions and balances 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 Periods are as follows:

	2005 <i>HK\$’000</i>	2004 <i>HK\$’000</i>
Related bus services		
– Public routes	94,123	83,386
– Tourist routes	15,122	10,080
– “Hire a bus” and employee services	10,882	9,542
Sightseeing ticket sales and touring	223	326
Taxi rental	13,478	13,591
Rental income	895	571
Management fee	1,824	1,868
	<u>136,547</u>	<u>119,364</u>
OTHER REVENUE		
Advertising income on fleet body	3,172	4,134
Subsidy from local authorities	6,371	3,730
Repair service income	371	333
Sundries	1,94	1,165
Interest income	692	208
Total revenue	<u><u>12,550</u></u>	<u><u>9,570</u></u>

3. Other income

	2005 <i>HK\$'000</i>	2004 <i>HK\$'000</i>
Gain on disposal of motor vehicles	<u>283</u>	<u>3,328</u>

4. Finance Costs

	2005 <i>HK\$'000</i>	2004 <i>HK\$'000</i>
Borrowing costs		
Interest expenses on bank loans, overdrafts and other loans wholly repayable within 5 years	<u>2,478</u>	<u>2,286</u>

5. Profit From Operations

Profit from operations is stated after charging the following:

	2005 <i>HK\$000</i>	2004 <i>HK\$000</i>
Impairment of goodwill	370	–
Amortisation of intangible assets	326	298
Impairment of investment properties	18	–
Auditors' remuneration	180	145
Depreciation	15,094	14,219
Amortisation of land use rights	105	85
Loss on disposals of fixed assets	256	–
Operating leases rentals in respect of rented premises	89	26
Staff costs (including directors, and senior Management emoluments)	<u>27,288</u>	<u>22,388</u>

and after crediting:

Other income:

Gain on disposal of motor vehicles	<u>283</u>	<u>3,328</u>
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6. Taxation

The amount of taxation charged to the consolidated income statement represents:

	2005 <i>HK\$'000</i>	2004 <i>HK\$'000</i>
PRC income tax		
– provided for the year	198	48
– deferred taxation charge	<u>688</u>	<u>2820</u>
	<u>886</u>	<u>2,868</u>

No provision for Hong Kong Profits Tax has been made as the Group did not have any assessable profits subject to Hong Kong Profits Tax during the year (2004: HK\$ Nil).

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

Deferred taxation charge represents the tax effect of timing differences arising from the recognition of advertising income on fleet body in the year of receipt for the PRC income tax purpose whilst such advertising income is to be recognised in the income statement of the Group over the period of the agreements.

7. Dividends

The directors do not recommend the payment of any dividend for the year ended 31 December 2005 (2004: HK\$ Nil) .

8. Earnings Per Share

The calculation of earnings per share is based on the profit from ordinary activities attributable to shareholders for the year ended 31 December 2005 of HK\$15,000 (2004: HK\$1,723,000) and on the weighted average number of 180,000,000 (2004: 180,000,000) shares in issue during the year.

Diluted earnings per share is not presented as there was no dilutive potential ordinary shares in existence during the year ended 31 December 2005 (2004: nil).

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2005

	Attributable to equity holders of the Company								
	Share capital HK\$'000	Exchange reserve HK\$'000	Share premium HK\$'000	Merger reserve HK\$'000	General reserves HK\$'000	Revaluation reserve HK\$'000	Retained earnings HK\$'000	Minority interest HK\$'000	Total HK\$'000
Balance at 1 January 2004, as previously reported as equity	1,800	421	29,200	(490)	2,995	-	14,127	-	48,053
Balance at 1 January 2004, as previously separately reported as minority interest	-	-	-	-	-	-	-	17,173	17,173
Balance at 1 January 2004, as restated	1,800	421	29,200	(490)	2,995	-	14,127	17,173	65,226
Net profit for the year	-	-	-	-	-	-	1,723	2,949	4,672
Transfer to reserve	-	-	-	-	232	-	(232)	-	-
Translation of financial statements of overseas subsidiaries	-	(44)	-	-	-	-	-	188	144
Balance at 31 December 2004, as restated	1,800	377	29,200	(490)	3,227	-	15,618	20,310	70,042
Balance at 1 January 2005	1,800	377	29,200	(490)	3,227	-	15,618	20,310	70,042
Net profit for the year	-	-	-	-	-	-	15	355	370
Surplus on revaluation	-	-	-	-	-	412	-	-	412
Translation of financial statements of overseas subsidiaries	-	(801)	-	-	98	-	-	5	(698)
At 31 December 2005	1,800	(424)	29,200	(490)	3,325	412	15,633	20,670	70,126

The accompanying notes form an integral part of these financial statements.

STATEMENT OF CHANGES IN EQUITY

	Issued Capital <i>HK\$'000</i>	Exchange reserve <i>HK\$'000</i>	Share premium <i>HK\$'000</i>	Merger reserve <i>HK\$'000</i>	General reserve <i>HK\$'000</i>	Retained earnings/ (accumulated losses) <i>HK\$'000</i>	Total <i>HK\$'000</i>
ii) Company							
At 1/1/2004	1,800	-	29,200	-	-	(5,216)	23,984
Net loss for the year	-	-	-	-	-	(1,898)	(1,898)
At 31/12/2004	1800	-	29,200	-	-	(7,114)	22,086
Net loss for the year	-	-	-	-	-	(3,177)	(3,177)
At 31/12/2005	1,800	-	29,200	-	-	(10,291)	18,909

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 reserves 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 reserve is non-distributable and calculated by reference to the PRC statutory financial statements of these subsidiaries.

In the opinion of the directors, there is no reserve available for distribution to shareholders of the company.

Segment Information

An analysis of the Group's turnover and contribution to profit from operations by principal activities for the year ended 31 December 2005 is as follows:

	2005		2004	
	Turnover <i>HK\$'000</i>	Segment Results <i>HK\$'000</i>	Turnover <i>HK\$'000</i>	Segment Results <i>HK\$'000</i>
Public Routes	94,123	(4,904)	83,386	240
Tourist Routes	15,122	109	10,080	734
"Hire-a-Bus" and Employee Services	10,882	872	9,542	873
Sightseeing Tickets Sales and Touring	223	162	326	237
Taxi rental	13,478	800	13,591	1,805
Rental Income	895	139	571	77
Management Fee	1,824	8	1,868	191
	<u>136,547</u>	<u>(2,814)</u>	<u>119,364</u>	<u>4,157</u>
Other Revenue		12,550		9,570
Other Income		283		3,328
Administrative Expenses		<u>(6,289)</u>		<u>(7,229)</u>
Profit from Operations		<u><u>3,734</u></u>		<u><u>9,826</u></u>

No geographical analysis of the Group's turnover and their respective gross profit is presented as all the turnover is attributable to services rendered in the PRC.

EXTRACT OF THE REPORT OF THE AUDITORS

Basis of opinion

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants.

An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the circumstances of the Group and the Company, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance as to whether the financial statements are free from material misstatement. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements. We believe that our audit provides a reasonable basis for our opinion.

Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the Group and of the Company as at 31 December 2005 and of the Group's loss and cash flows for the year then ended and have been properly prepared in accordance with the Hong Kong Companies Ordinance.

MANAGEMENT DISCUSSION AND ANALYSIS

Following a strong rebound at the end of the year in 2004, the economy in the Mainland China continued to recover quickly in the first half of 2005 and consumer confidence continued to hold up extremely well.

The Group recorded a turnover of HK\$136.5 million for 2005, and increase of 14% over 2004. Net profit for the year, decreased by HK\$1.7 million to HK\$0.02 million.

We remain confident in the long-term prospect and growth potential of the public transportation industry based on the significant improvement in living standards and average income of the people in the Mainland China. The management will continue to pursue investment opportunities associated with our existing core business. On the other hand, the Group will strive to further strengthen and explore the growth potential of existing operations as and when they arise.

It is the Group's operation policy to insist on "integrity and faith", to be market-oriented and customer-based, to create higher value for the customers with high quality and efficient services, and to achieve self-enhancement. With modern management principles, well-established operating mechanism and extraordinary core strength, the ability to continuously create and utilize its competitive edges, in the course of intense market competition, the Group is to enhance its regional profile and take on a leading position in the domestic public transportation industry, hence becoming a prominent and influential operator in the transportation industry of the Mainland China.

Since economic indicators in the Mainland China is showing an upward trend, consumer confidence will remain optimistic in the foreseeable future. The challenge for the Group is how to capitalize on the buoyancy of the economy in the coming years.

The only threat to the successful achievement of the Group's business goals in the coming years will be the downturn in the marco economy as a result of changes in Government regulations, major epidemic outbreaks or any other forms of natural disasters. Potential operational issues such as increased competition, high fuel oil cost and cost of operation will be addressed by management initiatives including aggressive marketing, tighter cost control and customized transportation modes.

Nanjing Argos

Financial year 2005 has proven to be a challenging year for Nanjing Argos. Firstly, we concentrate on the company production and management policy to analyze the needs of passengers and to achieve the goal. We based on the peak season hours and festival to set out different planning schedules for the passengers. However, Nanjing Argos made a breakthrough on its routes operational right by obtaining a separate legal entity status for direct application for new routes from the regulatory authority. We launched three routes #115, 133, 125, increasing from original 15 routes to 18 routes.

There were 30 new buses purchased during the year. Fleet size of Nanjing Argos increased from 312 to 369. We present below selected operating statistics of Nanjing Argos:

	2005	2004	2003
Routes operated	18	15	14
Number of employees	1,053	1,007	988
Fleet size	369	339	312
Total mileage operated (<i>million km</i>)	22.84	22.53	21.31
Total passenger trip (<i>million trip</i>)	78.08	98.94	80.64

Outlook for Nanjing Argos

In the late December 2005, the Central government has made announcement for subsidy and privilege for transport entity. Then from 30 December 2005 Nanjing Argos has increase fare for IC card from RMB0.7 per route to RMB0.8 per route for each passenger. This can set off partially for rise of oil cost. We believe in the time to come traffic entity will rise from the bottom of poor economy.

Nanjing Argos has established a system of training and lifelong education for the staff. According to the needs of development and new business, position trainings will be provided to enhance the staff's competence. We have implemented the procedures for comprehensive and rigorous budgetary control on those controllable expenses.

Wanzhou Argos

Wanzhou Argos has implemented different modes for controlling its bus service and repaired factory. Firstly, we concentrated on subcontracting management, enforcing bus service, patrolling safety and inspection on vehicles' engines. Secondly, we concentrate on target responsibility, ensuring prompt monthly fees received and concern for high quality service to passengers and safety. We concentrated on safety, service, repaired workshop for public bus and good material for bus repaired. For negotiation with the local authority we ensure that new routes will be given to us.

There were 6 new buses purchased during the year. We present below operating statistics for Wanzhou Argos:

	2005	2004	2003
Routes operated	6	6	5
Number of employees	271	276	366
Fleet size	57	52	90
Total mileage operated (<i>million km</i>)	3.65	3.09	5.50
Total passenger trip (<i>million trip</i>)	7.88	6.58	9.83

Outlook for Wanzhou Argos

Wanzhou Argos has to devise and implement tighter control on the proprietary operators in order to enforce their close adherence to the operation agreement previously made as well as resolving the conflict of interest existed between us. Thus, those expense paid on their behalf could to be repaid to Wanzhou Argos on time, so as their management fees to be paid to us on time, then the revenue can be increased.

Wanzhou Argos will apply to the regulatory authority for extension some of the public routes in order to increase its revenue and improve the operational efficiency.

Wanzhou Argos will proceed to finding ways and means to disposing those non-productive fixed assets, especially those land and buildings acquired from the former state-owned enterprise, if they are not suitable for redevelopment.

Taizhou Argos

During the year 2005, Taizhou Argos has enforced to negotiate with local government and got public bus subsidy. We concentrated on reducing operational cost and controlling of oil consumption. A new route #19 has operated from High Harbour to Taizhou . This can be ensured for the need of morning, noon and night in the peak hours. We can reduce endless mileage and increasing operational efficiency. At the same time we increase the service of subcontracting for the return for handsome subcontracting revenue.

There were totally 20 buses and taxis purchased during the year. We present below selected operating statistics of Taizhou Argos:

	2005	2004	2003
Routes operated	22	21	22
Number of employees	767	745	495
Fleet size (buses and taxis)	528	516	481
Total mileage operated (<i>million km</i>)	58.30	12.83	7.21
Total passenger trip (<i>million trip</i>)	20.60	15.25	9.2

Outlook for Taizhou

Taizhou Argos expects to get revenue over RMB30,000,000 annually by established tourist company and formed new economy growth area.

We concentrated on potential for vehicles repaired workshop. We extended our business activity and increased economic efficiency . We will introduce two double deck bus on the road. We concentrated on more bus on the road for increasing fare revenue and management enforcement in the organization to ensure to get ISO 9002 certificate in the near future.

Xuzhou China International Travel

The year 2005 is a difficult one. The local government do not provide the uniform system. We have faced the problem of moving, labour turnover and other problem in the first half of the year. This caused the efficiency of our travel agent. However, we have set up four centers namely, arrival and departure, mainland, reception and shop. We employ university graduates in different department. We give the job training to the staff. We have succeeded in 2005. However, the undergoing in the result for 2004 and 2005:

	2005	2004
Turnover	12,356,000	5,796,000
Cost	11,325,000	5,403,000
Business tax	57,000	22,000
Gross Profit	974,000	371,000
Employee	26	30
Gross profit %	7.88%	6.4%

Outlook for Xuzhou China International Travel

2006 we shall concentrate on Hong Kong , Macau and Korea tourist center. We shall cooperate with large to small size touring firm in Xuzhou.

Moreover, we shall pay attention to door to door retail customers. We wish to operate inexpensive customers base and then to operate large touring for Hong Kong, Macau and Korea.

Financial Position

The Group

As at 31 December 2005, the total assets of the Group was approximately HK\$160 million (2004: HK\$159 million), including cash and bank balances and deposits of approximately HK\$39 million (2004: HK\$33 million) of which HK\$13 million (2004: HK\$13 million) were pledged to secure banking facilities.

Balance of bank loans, overdrafts and other loans as at 31 December 2005 was approximately HK\$20.8 million (2004: HK\$29.8 million) of which HK\$21.3 million (2004: HK\$29.5 million) are due within one year. The borrowings are secured by bank deposits and motor vehicles amounting to approximately HK\$17 million and HK\$15 million respectively and by guarantee of certain directors of the Company. Bank loans of the Group are denominated in both Hong Kong Dollar and Renminbi bearing variable rates of interest.

The Company

At 31 December 2005, the Company also pledged its fixed deposit of HK\$10 million (2004: HK\$10 million) to secure banking facilities to the Company. Motor vehicles of the Group with carrying value of approximately HK\$15 million (2004: HK\$15 million) have also been pledged to banks to secure banking facilities granted to the Group.

The gearing ratio of the Group expressed in total debt as a percentage of net assets was 30% (2004: 60%).

Foreign currency risk

Since most of the transactions, income and expenditure of the Group are dominated in Renminbi Yuan, no hedging or other arrangements to reduce the currency risk have been implemented.

Contingent liability

As of the date of this report, the Directors are not aware of any material contingent liabilities.

Employees and remuneration policy

As at 31 December 2005, the Group had 2,378 (2004: 2,050) full-time employees. The total of employee remuneration, including that of the directors of the Company, for the year ended 31 December 2005 amounted to approximately HK\$27,288,000 (2004: HK\$22,388,000). The Group remunerates its employees based on their performance, experience and the prevailing industry practice.

Share option scheme

On 31 July 2001, a share option scheme of the Company was approved by the shareholders of the Company. As at 31 December 2005, no option was granted under the share option scheme.

COMMITMENTS UNDER OPERATING LEASES

As at 31 December 2005, the Group had future aggregate minimum lease payments under non-cancellable operating leases in respect of investment properties as follows:

(a) As Lessor

	Group	
	2005	2004
	HK\$'000	HK\$'000
Within one year	37	–
In the second to fifth year inclusive	3	–
	<hr/>	<hr/>
	40	–
	<hr/> <hr/>	<hr/> <hr/>

(b) As Lessee

The Group leases office under non-cancellable operating lease agreement. The future aggregate minimum lease payments under non-cancellable operating lease are as follows:

	Group	
	2005	2004
	HK\$'000	HK\$'000
Within one year	147	–
In the second to fifth year inclusive	604	–
More than five year	1,804	–
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	2,555	–
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COMPLIANCE WITH RULES 5.28 TO 5.39 OF THE GEM LISTING RULES

The Company has complied with the board practices and procedures as set out in Rules 5.28 to 5.39 of the GEM Listing Rules since the listing of the Company's shares on the GEM on 13 August 2001.

On behalf of the Board
Argos Enterprise (Holdings) Limited
Wong Wah Sang
Chairman

Hong Kong, 31 March 2006

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

This announcement, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors having made all reasonable enquires, confirm that, to the best of their knowledge and belief: (i) the information contained in this announcement is accurate and complete in all material respects and not misleading; (ii) there are no other matters the omission of which would make any statement in this announcement misleading; and (iii) all opinions expressed in this announcement have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

This announcement will remain on the "Latest Company Announcements" page of the GEM website for at least seven days from its date of publication.