

# Argos

ARGOS ENTERPRISE (HOLDINGS) LIMITED

雅高企業(集團)有限公司

*(Incorporated in Hong Kong with limited liability)*



Annual  
Report **2002**

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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.**

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## CORPORATE PROFILE

Argos Enterprise (Holdings) Limited (the "Company") is principally engaged in investment holdings. The subsidiaries of the Company (together with the Company, the "Group") carry out public transportation business in various cities of the People's Republic of China (the "PRC").

The Company has the following principal subsidiaries:

- Nanjing Public Transport Argos Bus Co., Ltd. ("Nanjing Argos")
- Chongqing Wanzhou Area Argos Public Transport Bus Co., Ltd. ("Wanzhou Argos")
- Taizhou Argos Public Transport Bus Co., Ltd. ("Taizhou Argos")

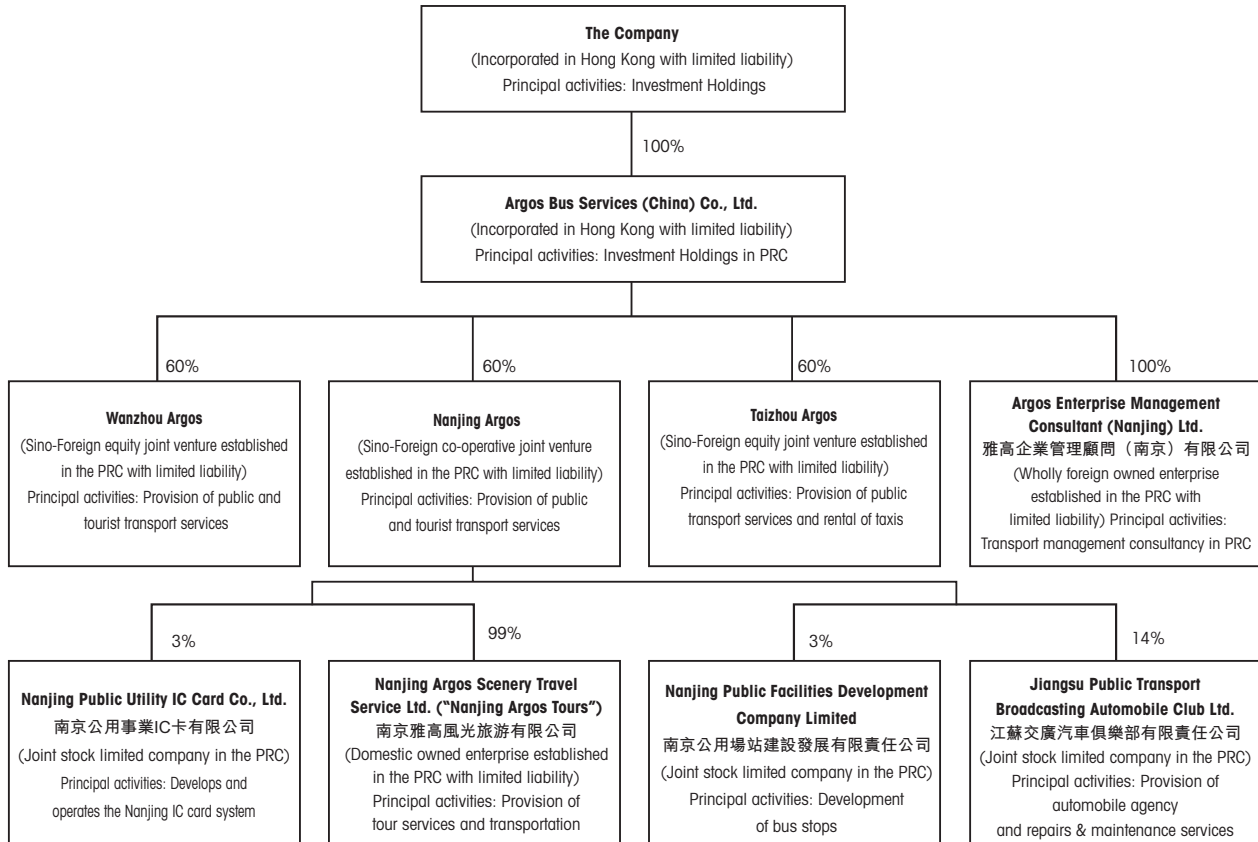
Through the above subsidiaries, the Group provides various forms of public transport services in the PRC including (1) public routes and tourist routes bus services with fixed fares, schedules and routes; (2) taxi services; (3) private bus chartered services and (4) tour services.

Major Corporate Milestones:

- September 1997 – Tourists route service launched in Nanjing
- June 1998 – Public routes service launched in Nanjing, the fleet size of the Group surpassed 100
- March 2001 – Public routes service launched in Wanzhou, the fleet size of the Group surpassed 300
- August 2001 – Shares in the Company listed on the GEM.
- September 2001 – Public routes and taxi services were launched in Taizhou, the fleet size of the Group surpassed 500
- December 2001 – Total assets of the Group exceeded HK\$100 million
- September 2002 – The fifth anniversary of Nanjing Argos
- December 2002 – Total fixed assets and assets of the Group exceeded HK\$100 million and HK\$150 million respectively



## The following is the organization structure of the Group



### **EXECUTIVE DIRECTORS**

Wong Wah Sang, M.B.E.  
Wong, Wilson  
Wong Man Chiu, Ronnie, J.P.  
Yeung Wai Hung

### **INDEPENDENT NON-EXECUTIVE DIRECTORS**

Ng Ming Wah, Charles  
Sung Wai Tak, Herman

### **AUDIT COMMITTEE**

Wong, Wilson  
Ng Ming Wah, Charles  
Sung Wai Tak, Herman

### **COMPANY SECRETARY**

Kwok Man Pang, Lewis, ACMA, FHKSA

### **COMPLIANCE OFFICER**

Wong, Wilson

### **QUALIFIED ACCOUNTANT**

Kwok Man Pang, Lewis, ACMA, FHKSA

### **SPONSOR**

Yu Ming Investment Management Limited  
Suite 51, 5th Floor, New Henry House  
10 Ice House Street  
Central  
Hong Kong

### **AUDITORS**

Charles Chan, Ip & Fung CPA Ltd.  
Certified Public Accountants  
37th Floor, Hennessy Centre  
500 Hennessy Road  
Causeway Bay  
Hong Kong

### **SHARE REGISTRAR AND TRANSFER OFFICE**

Computershare Hong Kong Investor Services Limited  
Room 1901-05, 19/F  
Hopewell Centre  
183 Queen's Road East  
Hong Kong

### **REGISTERED OFFICE**

Room 1113, 11th Floor  
Block A2, Yau Tong Industrial City  
17 Ko Fai Road  
Kowloon  
Hong Kong

### **PRINCIPAL BANKER**

Bank of Communications  
Hong Kong Branch  
G/F, 1-3 Wo Yi Hop Road  
Kwai Sing Centre  
Kwai Chung, N.T.  
Hong Kong

### **STOCK CODE**

8022





**HIGHLIGHTS FOR 2002**

- Turnover increased by over 40% to HK\$87 million
- Compound annual growth rate for turnover of 56% per annum since 1998
- Mileage operated grew to 41.94 million kilometers in 2002
- Patronage grew to 98.23 million trips in 2002
- With additional capital investments, fleet size increased to 868, including 612 buses and 256 taxis
- Net profit for the year was HK\$3.06 million

In 2002, the Group continued to pursue the stated business strategies of continuous growth through expansion of the current networks and formation of new joint ventures for the provision of public transport related services. Our commitment to these strategies has enabled us to achieve rapid growth while maintaining profitability in an uncertain and volatile environment. In the longer-term, the Group is determined to become one of the prominent and influential players in the public transportation sector of the PRC.

The audited consolidated net profit for the Group for the year ended 31st December, 2002 amounted to HK\$3.06 million, representing a fall of 37.75% over the previous year. Turnover surged to HK\$87 million, an increase of 40% over last year. Earnings per share fell by 44.07% to 1.70 cents. Total mileage increased by 79.6% to 41.94 million kilometers. During the year, the Group added 209 vehicles to make a 500-strong fleet. In view of the uncertain macroeconomic environment and the growth strategy pursued by the Group, the Directors do not recommend the declaration of any dividends for the financial year ended 31st December, 2002.

We are now close to the fourth month of 2003, yet the geopolitical landscape is still extremely unsettling. The war in the Middle East has kept the price of crude oil at a high level, even though the PRC economy continues to outgrow the rest of the world through an expansionary fiscal policy, the result of the Group will be adversely affected by high crude oil price. The Group is determined to keep other operating costs under stringent control.

My fellow Board members and I would like to take this opportunity to express our gratitude towards our hardworking, focused and dedicated staff for their contributions to the growth of the Group in this unfavourable environment. We also express our sincere appreciation to the government officials overseeing the transportation policy in the cities in which we operate, our suppliers and shareholders who have provided us continuous support. We remain confident that we can deliver shareholder value in the future.

**Wong Wah Sang**

*Chairman*

Hong Kong, 26th March, 2003



Year 2002 marked a year of challenges and consolidation for the Group. The full year results for Nanjing Argos, Wanzhou Argos and Taizhou Argos were reflected in the financial statements of the Group for the first time since the Group was listed on the GEM. Consolidated turnover of the Group for the year ended 31st December, 2002 rose by 40% to HK\$87 million. Organic growth of Nanjing Argos, consolidation of results of Wanzhou Argos and Taizhou Argos all contributed to the significant growth. Since the operation of the Group commenced in 1997, the Group has reported the fourth consecutive year of double-digit growth in turnover. Nevertheless, management is of the view that the Group has not yet met its own expectation as net profit for the year has fallen by 37.7% to HK\$3.06 million. The drop in net profit can be attributed to three main factors:

1. A drop in gross profit margin from 21.8% to 20.1%;
2. A proportionally large fall in other revenue; and
3. Difficult operating conditions associated with Wanzhou Argos.

Firstly, the cost of fuel represented approximately 30% of the total cost of bus service rendered. A prolonged strike in Venezuela and the then looming war on Iraq have contributed to the hike in fuel prices in 2002. At the time this report is published, the war on Iraq has already started and fuel prices has started to subside, but volatile developments on the battlefield have kept prices from falling further. Nevertheless, we expect the adverse impact of fuel costs on our performance to abate as the year progresses.

Secondly, a fall in other revenue was mainly the result of a falling level of subsidies from local government. The subsidiaries of the Company are entitled to sales tax rebates and income tax rebates and concessions as public transport companies and sino-foreign joint venture entities. Nevertheless, the levels of such rebates and concessions diminish as time progresses, which have lowered the operating margin of the Group from 23.8% in 2001 to 13.1% in the last financial year. We expect the current level of subsidies to become stable.

Thirdly, the unprecedented migration plan for residents affected by the Yangxi River Three Gorges Flood Control Program (the "Three Gorges Flood Control Program") was still having an adverse impact on the operation Wanzhou Argos as the attention and focus of practically all government officials were diverted from formulating a win-win public transportation policy for both Wanzhou Argos and the new migrants. Nevertheless, the conditions are expected to improve along with the completion of the migration program. In the long term, Wanzhou presents valuable opportunities for the Group to develop.





## *Nanjing Argos*

The business environment of Nanjing Argos became increasingly challenging in 2002. Firstly, the construction of the Nanjing Metro has disrupted road traffic and caused re-routing in two of the highly popular Public Routes Nanjing Argos operates. Secondly, some vehicles had reached the stage for a major mechanical overhaul, which drove up maintenance expenses. Thirdly, our competitors have become increasingly aggressive in the thrive to catch up with the level of service offered by Nanjing Argos. Nevertheless, we maneuvered such challenges by targeting the tour market in Nanjing through organizing specialty tours and an aggressive drive in sightseeing tickets sales and chartered services.

Furthermore, by riding on the brandname established by Nanjing Argos Tour in the past five years, we participated and succeeded in the tender for inter-provinces tours quotas. As standard of living improves in Nanjing, we are confident that the ability to provide inter-province tours will create enormous opportunity.

During the year, the monthly ticket system in Nanjing was abolished. Passengers are now subject to per-trip fares ranging from RMB0.60 to RMB2.00 on our services, as opposed to unlimited travel prior to the abolishment of the monthly ticket system.

In 2002, Nanjing Argos launched route 315, the first Public Route of Nanjing Argos deploying midi-buses. Fleet size of Nanjing Argos increased from 283 to 312. We present below selected operating statistics of Nanjing Argos:

	<b>2002</b>	2001	2000	1999	1998
Routes operated	<b>14</b>	13	12	9	8
Number of employees	<b>988</b>	968	900	699	532
Fleet size	<b>312</b>	283	238	189	152
Total mileage operated (million km)	<b>21.31</b>	20.43	17.00	12.86	5.55
Total passenger trips (million trips)	<b>80.64</b>	76.26	116.4	44.55	34.09

## *Outlook for Nanjing Argos*

We believe competition in Nanjing will abate with policy initiatives from the government to curb competitions amongst operators: in principal, no further Public Routes will be introduced in the city center and new routes should not exceed 12 kilometres in length. Furthermore, new routes that duplicate excessively with current services will not be approved. Modifications of current services are encouraged.

Nanjing Argos has applied for the introduction of Tourist Route Y5. Subject to the availability of parking spaces in one of the termini, the routes will commence service shortly.

Construction of the Nanjing Metro will certainly disrupt our services in the near future but competition from the Metro is not expected to be severe since the construction of further Metro routes has been delayed and the current Metro route 1 is not serving the same areas as our network. Finally, the fares of buses are expected to be very competitive against the fares of the Metro.



## MANAGEMENT DISCUSSION AND ANALYSIS

Going forward, we will continue to explore revenue potentials from other operations which we have succeeded in terms of tours and chartered services. Nanjing Argos Tours will continue to grow through introduction of new destinations while fleet utilization rate will be boosted further with a stronger emphasis on chartered services.

### *Wanzhou Argos*

The operating environment for Wanzhou Argos has been extremely difficult in 2002 due to a combination of negative factors. Firstly, important public transport reform has been postponed due to the implementation of the migration program as a result of the Three Gorges Flood Control Program. Secondly, direct competition from proprietary midi-bus operators has significant negative impact on the patronage of two of the Public Routes in Wanzhou. Thirdly, one of the bus models deployed in Wanzhou was unable to withstand the mountainous terrain in Wanzhou, resulting in frequent break-downs and lost operating hours. Finally, planned enterprise reform for Wanzhou Argos has yet to complete due to the difficult operating environment which diverted managerial focus.

We present below operating statistics for Wanzhou Argos:

	2002	2001
Routes operated	4	2
Number of employees	360	316
Fleet size	97	87
Total mileage operated (million km)	5.04	2.92
Total passenger trips (million trips)	8.59	5.05

### *Outlook for Wanzhou Argos*

Despite the uphill operating environment, our effort has already gained considerable recognitions by the public and government authorities. In the year ahead, Wanzhou Argos will lobby aggressively for public transport reform for the benefits of both Wanzhou Argos and the passenger public while strengthening internal control and management. Already we have secured the local government's commitment to retire all proprietary midi-buses. We are confident that subsequent to the completion of the Three Gorges Flood Control Program, Wanzhou will present superb development potentials.

### *Taizhou Argos*

Taizhou Argos has been in operation for 18 months and the results are encouraging. Standing on the solid foundation as the sole operator of public buses in Taizhou, we extended our operations into taxis. Currently, Taizhou Argos operates and sub-contracts approximately 208 buses and 256 taxis.

In the past year, our focus was on reforming the operation of the then Taizhou Public Transport Corporation, from which network we took over in September 2001. We follow our successful business model of Nanjing Argos with new buses, new routes and upgrades to existing services. In 2002, we purchased 43 buses and 127 taxis while services were launched in three routes and improved in four others. To our benefits, the local Taizhou government has provided



us with both administrative and financial support including subsidies, tax rebates and a commitment to maintain our monopolistic status. As a result, the business of Taizhou Argos has been profitable even in the first year of operation.

We present below selected operating statistics of Taizhou Argos:

	<b>2002</b>
Routes operated	<b>21</b>
Number of employees	<b>365</b>
Fleet size	<b>186</b>
Total mileage operated (million km)	<b>15.59</b>
Total passenger trips (million trips)	<b>9</b>

#### *Outlook for Taizhou*

As a traditional industrial city, the commuting habits of residents in Taizhou differ from that of Nanjing as motorcycles and bicycles are still the major modes of transport in Taizhou. However, we are confident that as the local economy prospers and the suburbs develop, Taizhou is going to present enormous opportunities for further growth. In addition, new services and improvements on existing services will be made in 2003 as local passengers become more receptive to a high quality and economic bus service. At the same time, we will seize opportunities in terms of chartered services for this predominately industrial city.

#### **Financial Position**

##### *The Group*

As at 31st December, 2002, the total assets of the Group was approximately HK\$166.5 million (2001: HK\$137.2 million), including cash and bank balances and fixed deposits of approximately HK\$35.7 million (2001: HK\$37.9 million) of which HK\$27.6 million (2001: HK\$19.6 million) were pledged to secure banking facilities.

Balance of bank loans as at 31st December, 2002 was approximately HK\$49 million (2001: HK\$33.3 million) of which HK\$35.4 million (2001: HK\$23.6 million) are due within one year. Bank loans of the Group are denominated in both Hong Kong Dollar and Renminbi Yuan bearing variable rates of interest.

##### *The Company*

At 31st December, 2002, the Company also pledged its fixed deposit of HK\$10 million (2001: HK\$nil) to secure banking facilities to the Company. Motor vehicles of the Group with carrying value of approximately HK\$7 million (2001: HK\$1.8 million) have also been pledged to banks to secure banking facilities granted to the Group.

The Board believes the subsidiaries of the Group can generate sufficient funds to meet the ongoing obligations. Currently, the Group has no significant acquisition plan. Investors will be kept fully informed of any changes in investment plan.

The gearing ratio of the Group expressed in total debt as a percentage of net assets was 102% (2001: 74.3%).



## **Contingent Liabilities**

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

## **Employees and Remuneration Policy**

As at 31st December, 2002, the Group had 1,713 (2001:1,624) full time employees. The total remuneration, including that of the directors of the Company, for the year ended 31st December, 2002 was HK\$31,626,000 (2001: HK\$21,501,000). The Group remunerates its employees based on performance, experience and prevailing industry practice.

## **Share Option Scheme**

On 31st July, 2001, a share option scheme of the Company was approved by the shareholders of the Company. As at 31st December, 2002, no options were granted under the share option scheme.



### EXECUTIVE DIRECTORS

**Mr. Wong Wah Sang, BH, MBE**, aged 77, the chairman of the Company, is also the chairman of Wong's Investments (Holdings) Co., Ltd. Mr. Wong has been the co-founder and chairman of Argos Bus Services Company, Limited (hereinafter defined as "Argos Hong Kong"). He is also the co-founder of Chung Wah Shipbuilding & Engineering (Holdings) Co., Ltd. and Argos Engineering & Heavy Industries Co., Ltd. Mr. Wong Wah Sang is the father of Wong Man Chiu, Ronnie, one of the executive directors of the Company and is an elder brother of Mr. Wong, Wilson, one of the executive directors of the Company. Mr. Wong's experience in the engineering and shipbuilding business spans across Asia in that he was the chairman of Sabah Shipbuilding, Ship-repairing Sdn. Bhd of Malaysia and Euro-Asia Rig Construction Yard in the 1970s. Engineering projects completed by Mr. Wong include the marine works of the Eastern and the Western Harbour Tunnels in Hong Kong and the 12,000 tonnes structural steel erection of the Treasury Building and United Overseas Bank Building in Singapore. Mr. Wong Wah Sang is a director of Sino Market Enterprises Limited, the controlling shareholder of the Company.

**Mr. Wong, Wilson**, aged 63, the managing director of the Company, is the co-founder and has been the managing director of Argos Hong Kong since 1981. Mr. Wong, Wilson is a brother of Mr. Wong Wah Sang. Apart from Argos Hong Kong, he is also the co-founder of Chung Wah Shipbuilding & Engineering (Holdings) Co., Ltd., Argos Engineering & Heavy Industries Co., Ltd. and Goldford Engineering Limited. Apart from the operation of a bus company, Mr. Wong, Wilson has extensive engineering experience in infrastructure and utilities projects both in Hong Kong and across the Southeast Asia. Mr. Wong, Wilson is a director of Sino Market Enterprises Limited, the controlling shareholder of the Company.

**Mr. Wong Man Chiu, Ronnie, J.P., B.Sc., M.B.A.**, aged 50, a son of Mr. Wong Wah Sang. Mr. Ronnie Wong has been appointed the deputy managing director of Argos Hong Kong since 1992 and he is currently an executive director in Wong's Investment (Holdings) Co., Ltd. Mr. Ronnie Wong's experience covers areas including shipbuilding, engineering, property development, transportation, tourism and entertainment. Mr. Ronnie Wong is a very prominent figure in the community services arena, for instance, he was a member of the Basic Law Consultative Committee and an elected Urban Councillor. Mr. Wong Man Chiu, Ronnie, is a director of Sino Market Enterprises Limited, the controlling shareholder of the Company.

**Mr. Yeung Wai Hung**, aged 53, has been involved in the management of Argos Hong Kong since its incorporation and was appointed the general manager in 1988. With his long reaching experience and connection in the public transport sector of Hong Kong, Mr. Yeung is one of the most prominent figures in the industry. He is currently the chairman of the Public Omnibus Operators Association Ltd., the most respected organization in the private bus operation sector of Hong Kong. Mr. Yeung Wai Hung is a director of Sino Market Enterprises Limited, the controlling shareholder of the Company.

### INDEPENDENT NON-EXECUTIVE DIRECTORS

**Mr. Ng Ming Wah, Charles, B.Sc., M.B.A.**, aged 53, was appointed an independent non-executive director of the Company on 2nd January, 2001. Mr. Ng graduated from the London Graduate School of Business Studies in England in 1974 with a Master degree in Business Administration. He is the managing director of Equitas Capital Limited, an exempt dealer and an exempt investment adviser under the Securities Ordinance of Hong Kong, and has over twenty six years of experience in corporate finance and investment banking in Hong Kong.



**Mr. Sung Wai Tak, Herman, B.A. (Hons), LL.B.(Hons.), L.L.M.**, aged 44, was appointed an independent non-executive director of the Company on 2nd January, 2001. Mr. Sung is a solicitor of the High Court of the Hong Kong Special Administrative Region and the Supreme Court of New South Wales in Australia. Mr. Sung has extensive experience in the legal arena both in Hong Kong and Australia.

### SENIOR MANAGEMENT

**Mr. Zhang Dao Lin, B.Eng.**, aged 38, has been the General Manager of Nanjing Argos since its inception. Mr. Zhang has approximately 19 years of managerial experience in the bus industry of PRC, started as a vehicle structural engineering consultant, and served 16 years in Nanjing Public Transport Corporation before taking up the leading role in Nanjing Argos. His major strength is the formulation and the implementation of scientific and modern management policies. Under his leadership, Nanjing Argos has successfully changed the competitive landscape of the public bus industry in Nanjing.

**Mr. Kwok Man Pang, Lewis, A.C.M.A., F.H.K.S.A.**, aged 49, is the financial controller and company secretary of the Group and is responsible for the financial management and secretarial functions of the Group. Mr. Kwok holds a diploma in administrative management from the Institute of Administrative Management in the United Kingdom. Mr. Kwok had over twenty-eight years of experience in auditing, finance and administration.

**Mr. Wang Jie**, aged 50, is the Assistant General Manager of Nanjing Argos. He has experience in the PRC bus industry for over 23 years, focusing on general administration and human resources management, serving the Nanjing Public Transport Corporation before joining Nanjing Argos in early 2000.

**Ms. Zhu Xiu Ying**, aged 56, has been the Manager (Finance) of Nanjing Argos since its inception in 1997. Ms. Zhu served in the finance department of Nanjing Public Transport Corporation for 37 years before joining Nanjing Argos. Her skills and experience in financial management of a public bus company is crucial in Nanjing Argos' success in cost control.

**Mr. Lu Xiang Dong**, aged 51, the Assistant General Manager of Taizhou Argos. Mr. Lu has served in both Nanjing Argos and Wanzhou Argos. Mr. Lu served in Nanjing Public Transport Corporation for 23 years, before which he was a navy officer, beginning as a bus captain before joining Nanjing Argos. Mr. Lu has extensive experience in every aspect of operation in a public bus company, his experience is in the area of safety and operational management.

**Mr. Wu Guang Jun, B.Eng.**, aged 38, has been the Assistant General Manager of Wanzhou Argos. Mr. Wu joined Nanjing Argos in 1998 and was the Manager for Administration and Human Resources in Nanjing Argos prior to assumption of his duty in Wanzhou Argos. Mr. Wu has over 18 years of experience in the administration of public utility companies. He specializes in the formulation of ISO 9002 work procedures and staff training.





# COMPARISON OF BUSINESS OBJECTIVE WITH ACTUAL BUSINESS PROGRESS

	<b>Business objectives for the period from 1st January, 2002 to 30th June, 2002 as stated in the prospectus of the Company dated 31st July, 2001</b>	<b>Business objectives for the period from 1 July, 2002 to 31st December, 2002 as stated in the prospectus of the Company dated 31st July, 2001</b>	<b>Actual Business Progress</b>
General	<ol style="list-style-type: none"> <li>1. Explore opportunities in the PRC government's bid to develop northwestern PRC</li> <li>2. Explore opportunities in the provision of inner-city public bus services and inner-city coach services</li> <li>3. Additional of 25-40 new buses</li> </ol>		<p>The Group has laid the focus in its current operations. Yet, the Group is constantly exploring opportunities for new services. In 2002, the Group has purchased an additional 209 vehicles.</p>
Tourist Routes	<ol style="list-style-type: none"> <li>1. Application for further Tourist Routes</li> <li>2. Build a "Public Tourist Route network"</li> <li>3. Network improvement</li> <li>4. Launch Tourist Route services in Wanzhou and Taizhou</li> </ol>		<p>Nanjing Argos is awaiting official approval for the launch of Tourist Route Y5. At the moment Tourist Routes are increasingly well received by peak-time commuters. One additional stop has been established for route Y3.</p> <p>Lack of demand in Taizhou made it uneconomical to set up Tourist Routes there. For Wanzhou, Tourist Routes will be launched as the Three Gorges Flood Control Program progresses.</p>
Public Routes	<ol style="list-style-type: none"> <li>1. Adoption of a radiant development model for Nanjing Argos</li> <li>2. Launch service on five Public Routes</li> <li>3. Improving the service of current network</li> <li>4. Service improvement for Chongqing Wanzhou Argos</li> <li>5. Services in other cities to follow the model of Nanjing</li> </ol>		<p>The radiant model has been largely followed. In 2002, one Public Route has been launched. Service hours on three routes have been extended while two routes have been re-routed to suit passenger demand. Service improvement in Wanzhou will progress with the Three Gorges Flood Control Program. Three routes have been launched in Taizhou while re-routing have been carried out for five other routes.</p>



## COMPARISON OF BUSINESS OBJECTIVE WITH ACTUAL BUSINESS PROGRESS

	<b>Business objectives for the period from 1st January, 2002 to 30th June, 2002 as stated in the prospectus of the Company dated 31st July, 2001</b>	<b>Business objectives for the period from 1 July, 2002 to 31st December, 2002 as stated in the prospectus of the Company dated 31st July, 2001</b>	<b>Actual Business Progress</b>
"Hire-a-Bus" and Employee Services	<ol style="list-style-type: none"> <li>1. Improve the utilization rate of the fleet during off-peak hours</li> <li>2. Launch of similar services in Taizhou and Wanzhou</li> </ol>		Revenue from the segment increase from HK\$1.5 million in 2001 to over HK\$10 million for 2002, all of Nanjing, Wanzhou and Taizhou have contributed significantly.
Sightseeing Ticket Sales and Touring	<ol style="list-style-type: none"> <li>1. Setting up of tourist centers</li> <li>2. Further destinations will be offered by Nanjing Argos Tour</li> <li>3. Consider the possibility and feasibility of establishing such tour service in other parts of the PRC</li> </ol>		Forty-five tours have been organized while two new destinations have been introduced. Agreements to set up tours services in Taizhou and Wanzhou have been executed.



## USE OF PROCEEDS FROM THE ISSUANCE OF NEW SHARES

The Company raised net proceeds of approximately HK\$25 million by way of placing of its shares on the GEM on 13th August, 2001. The net proceeds of the placing has been applied as followed:

Investment project	Note	Planned use of proceeds as stated in the prospectus of the Company dated 31st July, 2001	Actual amount used up to 31st December, 2002
		HK\$ million	HK\$ million
Investment in Taizhou	1	6	9.05
Investment in Wuhu	2	6	–
Repayment of shareholders loans to Argos Hong Kong	3	3.3	3.3
Repayment of shareholders loans to other shareholders	4	6.7	6.7
Working capital		3	5.95
Total	5	25	25

### Notes:

1. The additional investment is intended to enhance and strengthen the asset base of Taizhou Argos.
2. The negotiation for the Wuhu joint venture took longer than expected. Therefore, the Group has decided to reallocate the proceeds to the Taizhou Argos project and for general working capital purposes.
3. With regard to the aforesaid HK\$3,300,000 of the net proceeds allocated for the repayment of a shareholder loan from Argos Hong Kong prior to the listing of the Company on the GEM, the amount had been applied for such intended purpose during 2001.
4. With regard to the aforesaid HK\$6,700,000 of the net proceeds allocated for the repayment of a shareholder loan from another shareholder prior to the listing of the Company on the GEM, the amount had been applied for such intended purpose during 2001.
5. As at the date of this report, the proceeds from the new issue have been fully applied.



The Directors have pleasure in submitting their report and the audited financial statements of the Group for the year ended 31st December, 2002.

## PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The subsidiaries of the Company are engaged in the provision of public transport services in the PRC. Further details of the principal activities of the Company's subsidiaries are set out in note 17 to the financial statements.

## SEGMENTAL INFORMATION

An analysis of the Group's turnover and contribution to profit from operations by principal activities for the year ended 31st December, 2002 is as follows:

	2002		2001	
	Turnover HK\$'000	Segmental Results HK\$'000	Turnover HK\$'000	Segmental Results HK\$'000
Public Routes	57,575	2,817	46,095	2,972
Tourist Routes	7,253	(4,261)	9,942	2
"Hire-a-Bus" and Employee Services	10,225	1,650	1,549	409
Sightseeing Tickets Sales and Touring	1,636	191	1,558	671
Sub-contracting	9,538	2,980	2,141	695
Rental Income	709	433	653	381
Management Fee	132	31	–	–
	<b>87,068</b>	<b>3,841</b>	61,938	5,130
Other Revenue		<b>10,599</b>		12,009
Administrative Expenses		<b>(3,039)</b>		(2,370)
Profit from Operations		<b>11,401</b>		14,769

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



## **MAJOR CUSTOMERS AND SUPPLIERS**

During the year, less than 30% of the Group's services were rendered by the five largest customers.

In the year under review, purchases from the Group's five largest suppliers accounted for 87.19% of the total purchase for the year and purchases from the largest supplier included therein amounted to 53.41%.

None of the director of the Company or any of their associates or any shareholders who, to the best knowledge of the directors, own more than 5% of the Company's issued share capital had any beneficial interest in the Group's five largest suppliers noted above.

## **RESULTS AND APPROPRIATIONS**

The results of Group for the year ended 31st December, 2002 are set out in the consolidated income statement on page 26 of the annual report.

The directors of the Company do not recommend the payment of a dividend.

## **FINANCIAL SUMMARY**

A summary of the results and the assets and liabilities of the Group prepared on the basis set out in the notes below. This summary is not part of the audited financial statements.







## **PROPERTY, PLANT AND EQUIPMENT**

Details of the movements in property, plant and equipment are set out in note 16 to the financial statements.

## **AMOUNT DUE FROM A FELLOW SUBSIDIARY**

It represents the proportional allocation of floatation expenses to be borne by the management shareholders. The amount is unsecured, non-interest bearing and is repayable on demand.

## **SUBSIDIARIES**

Particulars of the Company's subsidiaries are set out in note 17 to the financial statements.

## **BANK LOANS AND OTHER BORROWINGS**

Details of the bank loans and other borrowings of the Group are set out in note 25 to the financial statements.

## **ISSUED CAPITAL AND SHARE OPTIONS**

Details of the movements in issued capital and share options of the Company during the year are set out in note 31 to the financial statements.

## **RESERVES**

Details of the movements in the reserves of the Group and the Company during the year are set out in the statements of changes in equity on pages 30 and 31.

## **DONATIONS**

During the year, the Company did not make any charitable and other donations (2001: HK\$189,000).

## **DIRECTORS**

The directors of the Company during the year are:

### **Executive directors**

Wong Wah Sang, M.B.E.

Wong, Wilson

Wong Man Chiu, Ronnie, J.P.

Yeung Wai Hung

### **Independent non-executive directors**

Ng Ming Wah, Charles

Sung Wai Tak, Herman



## DIRECTORS' AND SENIOR MANAGEMENT BIOGRAPHIES

Biographical details of the directors of the Company and the senior management of the Group are set out on pages 11 and 12 of the annual report.

## EMOLUMENTS OF DIRECTORS AND THE FIVE HIGHEST PAID INDIVIDUALS

Details of the directors' emoluments and those of the five highest paid individuals in the Group are set out in note 9 to the financial statements, respectively.

## DIRECTORS' SERVICE CONTRACTS

Each of the executive directors has entered into a service contract with the Company on 30th July, 2001 for an initial term of three years commencing on 30th July, 2001 until 30th July, 2004 and thereafter renewable automatically for successive terms of one year each commencing from the day immediately after the expiry of the then current of the Director's appointment, unless and until terminated by not less than three months' notice in writing served by either party on the other.

## DIRECTORS' INTEREST IN CONTRACTS

No director had a significant beneficial interest, either directly or indirectly, in any contract of significance to the business of the Group to which the Company or any of its subsidiaries was a party during the year.

## DIRECTORS' INTERESTS IN SHARES

As at 31st December, 2002, the interests of the directors of the Company in the shares of the Company and its associated corporations (as defined in the Securities (Disclosure of Interests) Ordinance (the "SDI Ordinance") as recorded in the register maintained by the Company pursuant to Section 29 of the SDI Ordinance or as 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)
Mr. Yeung Wai Hung	Corporate	1,400,000 (note 5)

Notes:

- These 126,000,000 shares are held by Sino Market Enterprises Limited which is beneficially owned as 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 and as to 50 per cent. by Ms. Chiu Gee Chai, the wife of Mr. Wong, Wilson.
- Mr. Wong, Wilson is deemed to be interested in 126,000,000 shares by virtue of the SDI Ordinance.



3. By virtue of the SDI Ordinance, Mr. Wong, Wilson is deemed to be interested in the entire issued share capital of Argos Hong Kong, 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, Ringioma Limited, Metro Line Tours Limited, CLK Bus Company Limited and Goldspark HK Tours Limited.
4. By virtue of the SDI Ordinance, Mr. Yeung Wai Hung is personally interested in 2,000 shares in Sinoman International Limited and 150 shares in Metro Line Tours Limited.
5. By virtue of the SDI Ordinance, Mr. Yeung Wai Hung is deemed to be interested in the entire issued capital Cherkoff 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 of the Company 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 issue from time to time (excluding shares which have been allotted and issued pursuant to the share option scheme). During the year ended 31st December, 2002, no option has been granted or agreed to be granted to the directors of the Company under the scheme.

### DIRECTORS' RIGHTS TO ACQUIRE SHARES

Except the share option disclosed above, at no time during the year ended 31st December, 2002 was the Company, any of its holding companies, fellow subsidiaries or subsidiaries a party to any arrangement to enable the directors of the Company, their spouses or children under the age of 18, 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 of the Company, or had exercised any such rights.

### SUBSTANTIAL SHAREHOLDERS OF THE COMPANY

As at 31st December, 2002, the register of substantial shareholders (other than a director) maintained by the Company under Section 16(1) of the SDI Ordinance shows that the Company had been notified of substantial shareholders' interest, being 10% or more of the Company's issued share capital, as follows:

Name	Note	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 Choi	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, an executive director, and as to 50 per cent. by Ms. Chiu Gee Chai, the wife of Mr. Wong, Wilson.
3. By virtue of the SDI Ordinance, Ms. Chiu Gee Chai is deemed to be interested in 126,000,000 shares.
4. By virtue of the SDI Ordinance, each of Sino Market Enterprises Limited, Sinoman International Limited, Kenworth Enterprises Limited, Twilight Enterprises Limited and Ms. Chiu Gee Chai is deemed to be interest 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 Man Ka, Stephen as to 11.11 per cent., Ms. Wong Man Hing, Alice, the wife of Mr. Kwan Yan Mang, 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 percent. 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.

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.

## **STAFF RETIREMENT SCHEME**

Details of the staff retirement scheme of the Group and the employer's staff retirement costs charged to the consolidated income statement for the year are set out in note 9 to the financial statements, respectively.

## **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 the agreement will expire 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 31st December, 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 comprises 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. During the financial year, four meetings of the audit committee have been convened.

## 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 13th August, 2001.

## CHARGE ON ASSETS

As at 31st December, 2002, fixed deposits and bank balances of approximately HK\$27 million (2001: HK\$19.6 million) and HK\$640,000 (2001: HK\$nil) have been pledged by the Group to banks to secure banking facilities granted to the Group. Fixed deposit amounting to HK\$400,000 was pledged by the Group to a bank to secure banking facilities granted to Argos Hong Kong in 2001 and the pledge was discharged in 2002. At 31st December, 2002, the Company had pledged its fixed deposit of HK\$10 million (2001: HK\$nil) to a bank to secure banking facilities granted to the Company. Furthermore, motor vehicles with carrying value of approximately HK\$7 million (2001: HK\$1.8 million) have been pledged to banks to secure banking facilities granted to the Group.

## 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.

## PURCHASES, SALE OR REDEMPTION OF LISTED SECURITIES

For the year ended 31st December, 2002, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

## COMPETING INTERESTS

The directors of the Company 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. As at 31st December, 2002, such operations in Hong Kong are trading under the names of 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 (a substantial shareholder of the Company) and 15 per cent. by Mr. Yeung Wai Hung (an executive director of the Company).



Argos Hong Kong is one of the most established private bus operators in Hong Kong with over 120 buses in service and a fully-equipped repair and maintenance depot. Goldspark HK Tours Limited provides tour service in Hong Kong with one open-top double-decker. It also provides other services for outbound tours from Hong Kong to Shenzhen including tour guides, tour and hotel packages. Metro Line Tour Limited provides employee services in Hong Kong with three single-decker buses.

Argos Hong Kong also has two wholly-owned subsidiaries namely, Ming Tak Transportation Service Company Limited and Moving Step Limited, which are engaged in fleet purchases and lease back to Argos Hong Kong. The two companies are essentially the financing arms of Argos Hong Kong.

All of Argos Hong Kong, Goldspark HK Tours Limited, Metro Line Limited, Moving Step Limited and Ming Tak Transportation Service Company Limited are not subsidiaries of the Company. Distinct from the Company, all five companies derive income from business originated in Hong Kong and therefore do not compete, whether directly or indirectly, with the operations of the Group, which derives income from business originated in the PRC. Nevertheless, as disclosed in the prospectus, it is agreed amongst the Group and the five companies that any cross-border rules between Hong Kong and the PRC will not be operated by the Group.

Saved 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.

### **AUDITORS**

The financial statements of the Group were audited by Charles Chan, Ip & Fung CPA Ltd. Messrs. Charles Chan, Ip & Fung CPA Ltd. has been the auditors for the Company since the listing of its shares on the GEM. A resolution for their reappointment as auditors for the ensuing year is to be proposed at the forthcoming annual general meeting of the Company.

On behalf of the Board

**Wong Wah Sang**

*Chairman*

Hong Kong, 26th March, 2003







**Charles Chan, Ip & Fung CPA Ltd.**  
37th Floor, Hennessy Centre  
500 Hennessy Road  
Causeway Bay, Hong Kong

**AUDITORS' REPORT TO THE SHAREHOLDERS OF  
ARGOS ENTERPRISE (HOLDINGS) LIMITED**  
*(INCORPORATED IN HONG KONG WITH LIMITED LIABILITY)*

We have audited the financial statements on pages 26 to 64 which have been prepared in accordance with accounting principles generally accepted in Hong Kong.

**RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS**

The Companies Ordinance requires the directors to prepare financial statements which give a true and fair view. In preparing financial statements which give a true and fair view it is fundamental that appropriate accounting policies are selected and applied consistently.

It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

**BASIS OF OPINION**

We conducted our audit in accordance with Statements of Auditing Standards issued by the Hong Kong Society of 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 judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the circumstances of the Company and the Group, 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 Company and of the Group as at 31st December, 2002 and of the profit and cash flows of the Group for the year then ended and have been properly prepared in accordance with the Companies Ordinance.

**Charles Chan, Ip & Fung CPA Ltd.**  
*Certified Public Accountants*  
Hong Kong, 26th March, 2003

**Chan Wai Dune, Charles**  
Practising Certificate Number P00712



# CONSOLIDATED INCOME STATEMENT

FOR THE YEAR ENDED 31ST DECEMBER, 2002

	Note	2002 HK\$'000	2001 HK\$'000
TURNOVER	4	<b>87,068</b>	61,938
COST OF BUS SERVICES RENDERED	13	<b>(69,553)</b>	(48,431)
GROSS PROFIT	13	<b>17,515</b>	13,507
OTHER REVENUE	5	<b>10,599</b>	12,009
ADMINISTRATIVE EXPENSES	13	<b>(16,713)</b>	(10,747)
PROFIT FROM OPERATIONS	6	<b>11,401</b>	14,769
INTEREST INCOME		<b>637</b>	1,202
FINANCE COSTS	7	<b>(2,246)</b>	(2,267)
PROFIT FROM ORDINARY ACTIVITIES BEFORE TAXATION		<b>9,792</b>	13,704
TAXATION	8	<b>(2,379)</b>	(3,157)
NET PROFIT FROM ORDINARY ACTIVITIES AFTER TAXATION		<b>7,413</b>	10,547
MINORITY INTERESTS		<b>(4,357)</b>	(5,638)
PROFIT ATTRIBUTABLE TO SHAREHOLDERS	10	<b>3,056</b>	4,909
DIVIDENDS	11	–	–
EARNINGS PER SHARE	12		
– Basic		<b>1.70 cents</b>	3.04 cents
– Diluted		<b>N/A</b>	N/A

The notes on pages 34 to 64 form an integral part of these financial statements.



# CONSOLIDATED BALANCE SHEET

AT 31ST DECEMBER, 2002

	Note	2002 HK\$'000	2001 HK\$'000
<b>ASSETS</b>			
<b>Non-current assets</b>			
Goodwill	14	–	–
Intangible assets	15	<b>1,565</b>	1,056
Property, plant and equipment	16	<b>107,392</b>	82,920
Investments in securities	18	<b>1,018</b>	701
Deferred tax asset	19	<b>4,057</b>	4,231
		<b>114,032</b>	88,908
<b>Current assets</b>			
Amount due from a fellow subsidiary	20	<b>4,337</b>	4,049
Amounts due from related companies	21	<b>1,770</b>	289
Amount due from a minority shareholder	22	<b>660</b>	–
Prepayments, deposits and other receivables		<b>6,824</b>	3,678
Consumables	23	<b>1,302</b>	1,210
Trade receivables	24	<b>1,636</b>	1,087
Tax recoverable		<b>240</b>	–
Fixed deposits	35	<b>27,134</b>	31,385
Cash and bank balances	35	<b>8,548</b>	6,549
		<b>52,451</b>	48,247
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Bank overdraft, secured	25	<b>6,157</b>	–
Current portion of interest-bearing borrowings	25	<b>29,249</b>	23,566
Bills payable		<b>3,566</b>	–
Trade payables	26	<b>4,034</b>	1,121
Advertising income on fleet body receipt in advance	27	<b>2,025</b>	783
Other payables and accruals	28	<b>37,969</b>	34,204
Taxation payable		–	1,027
Amount due to a related company	29	<b>377</b>	16
Amounts due to minority shareholders	30	<b>797</b>	2,320
		<b>84,174</b>	63,037
<b>Net current liabilities</b>		<b>(31,723)</b>	(14,790)
<b>Total assets less current liabilities</b>		<b>82,309</b>	74,118



# CONSOLIDATED BALANCE SHEET (Continued)

AT 31ST DECEMBER, 2002

	Note	2002 HK\$'000	2001 HK\$'000
<b>Non-current liabilities</b>			
Interest-bearing borrowings	25	<b>13,601</b>	9,750
Advertising income on fleet body receipt in advance	27	<b>3,317</b>	4,476
		<b>16,918</b>	14,226
<b>Minority interests</b>			
		<b>17,451</b>	15,034
<b>NET ASSETS</b>			
		<b>47,940</b>	44,858
<b>CAPITAL AND RESERVES</b>			
Issued capital	31	<b>1,800</b>	1,800
Reserves		<b>46,140</b>	43,058
		<b>47,940</b>	44,858

Approved by the Board of directors on 26th March, 2003

On behalf of the Board

**Wong Man Chiu, Ronnie**

Director

**Yeung Wai Hung**

Director

The notes on pages 34 to 64 form an integral part of these financial statements.



# BALANCE SHEET

AT 31ST DECEMBER, 2002

	Note	2002 HK\$'000	2001 HK\$'000
<b>ASSETS</b>			
<b>Non-current assets</b>			
Interests in subsidiaries	17	20,691	14,557
<b>Current assets</b>			
Amount due from a fellow subsidiary	20	4,005	4,898
Prepayments, deposits and other receivables		204	14
Fixed deposit	35	10,000	11,282
Cash and bank balances		1	41
		<b>14,210</b>	16,235
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Bank overdraft, secured	25	6,157	–
Other payables and accruals	28	537	554
		<b>6,694</b>	554
<b>Net current assets</b>		<b>7,516</b>	15,681
<b>NET ASSETS</b>		<b>28,207</b>	30,238
<b>CAPITAL AND RESERVES</b>			
Issued capital	31	1,800	1,800
Reserves		26,407	28,438
		<b>28,207</b>	30,238

Approved by the Board of directors on 26th March, 2003

On behalf of the Board

**Wong Man Chiu, Ronnie**  
Director

**Yeung Wai Hung**  
Director

The notes on pages 34 to 64 form an integral part of these financial statements.



# STATEMENTS OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31ST DECEMBER, 2002

	<b>Issued capital</b>	<b>Exchange reserve</b>	<b>Share premium</b>	<b>Merger reserve</b>	<b>General reserves</b>	<b>Retained earnings</b>	<b>Total</b>
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>i) Group</b>							
At 1/1/2001	10	–	–	–	1,932	7,077	9,019
Arising from the Reorganisation	–	–	–	–	–	(25)	(25)
Issue of shares in exchange for shares in Argos China	990	–	–	–	–	–	990
Setting-off of an indebtedness	500	–	4,500	–	–	–	5,000
Issue of shares upon listing	300	–	29,700	–	–	–	30,000
Issuing expenses	–	–	(5,000)	–	–	–	(5,000)
Net profit for the year	–	–	–	–	–	4,909	4,909
Transfer	–	–	–	–	502	(502)	–
Translation of financial statements of overseas subsidiaries	–	430	–	–	–	–	430
At 31/12/2001	1,800	430	29,200	–	2,434	11,459	45,323
Prior year adjustment (note 37)	–	–	–	(490)	–	25	(465)
Restated at 1/1/2002	1,800	430	29,200	(490)	2,434	11,484	44,858
Net profit for the year	–	–	–	–	–	3,056	3,056
Transfer	–	–	–	–	396	(396)	–
Translation of financial statements of overseas subsidiaries	–	26	–	–	–	–	26
At 31/12/2002	1,800	456	29,200	(490)	2,830	14,144	47,940





# STATEMENTS OF CHANGES IN EQUITY *(Continued)*

FOR THE YEAR ENDED 31ST DECEMBER, 2002

	<b>Issued capital</b>	<b>Share premium</b>	<b>Accumulated losses</b>	<b>Total</b>
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>ii) Company</b>				
At 1/1/2001	10	–	–	10
Issue of shares in exchange for shares in Argos China	990	–	–	990
Setting-off of an indebtedness	500	4,500	–	5,000
Issue of shares upon listing	300	29,700	–	30,000
Issuing expenses	–	(5,000)	–	(5,000)
Net loss for the year	–	–	(762)	(762)
At 31/12/2001 and 1/1/2002	1,800	29,200	(762)	30,238
Net loss for the year	–	–	(2,031)	(2,031)
At 31/12/2002	1,800	29,200	(2,793)	28,207

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 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.

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

The notes on pages 34 to 64 form an integral part of these financial statements.

# CONSOLIDATED CASH FLOW STATEMENT

FOR THE YEAR ENDED 31ST DECEMBER, 2002

	2002 HK\$'000	2001 HK\$'000
<b>PROFIT FROM ORDINARY ACTIVITIES</b>		
<b>BEFORE TAXATION</b>	<b>9,792</b>	13,704
<b>ADJUSTMENTS FOR:</b>		
Amortisation of intangible assets	<b>209</b>	24
Depreciation	<b>10,410</b>	6,457
Negative goodwill released to income	<b>(14)</b>	–
Loss on disposals of property, plant and equipment	<b>423</b>	7
Interest income	<b>(637)</b>	(1,202)
Interest expenses	<b>2,246</b>	2,267
	<b>12,637</b>	7,553
<b>OPERATING PROFIT BEFORE</b>		
<b>WORKING CAPITAL CHANGES</b>	<b>22,429</b>	21,257
Increase in amount due from a fellow subsidiary	<b>(288)</b>	(4,049)
Increase in amounts due from related companies	<b>(1,481)</b>	(80)
(Increase)/decrease in amount due from a minority shareholder	<b>(660)</b>	1,401
(Increase)/decrease in prepayments, deposits and other receivables	<b>(3,146)</b>	62
Increase in consumables	<b>(92)</b>	(720)
Increase in trade receivables	<b>(549)</b>	(306)
Increase in bills payable	<b>3,566</b>	–
Increase/(decrease) in trade payables	<b>2,913</b>	(275)
Increase in other payables and accruals	<b>3,636</b>	16,529
Increase/(decrease) in advertising income on fleet body receipt in advance	<b>83</b>	(91)
Decrease in amount due to a fellow subsidiary	–	(7,216)
Increase in amount due to a related company	<b>361</b>	16
(Decrease)/increase in amounts due to minority shareholders	<b>(1,523)</b>	2,320
	<b>2,820</b>	7,591
<b>CASH INFLOW FROM OPERATING ACTIVITIES</b>	<b>25,249</b>	28,848
<b>INTEREST PAID</b>	<b>(2,246)</b>	(2,267)
<b>PRC INCOME TAX PAID</b>	<b>(3,472)</b>	(5,587)
<b>NET CASH INFLOW FROM OPERATING ACTIVITIES</b>	<b>19,531</b>	20,994



# CONSOLIDATED CASH FLOW STATEMENT *(Continued)*

FOR THE YEAR ENDED 31ST DECEMBER, 2002

	Note	2002 HK\$'000	2001 HK\$'000
<b>NET CASH INFLOW FROM OPERATING ACTIVITIES</b>		<b>19,531</b>	20,994
<b>INVESTING ACTIVITIES</b>			
Payment of intangible assets		<b>(718)</b>	(1,080)
Purchases of property, plant and equipment		<b>(35,415)</b>	(46,417)
Acquisition of investments in securities		<b>(317)</b>	–
Proceeds on disposals of property, plant and equipment		<b>110</b>	26
Decrease/(increase) in fixed deposits		<b>4,251</b>	(18,422)
Interest received		<b>637</b>	1,202
<b>NET CASH OUTFLOW FROM INVESTING ACTIVITIES</b>		<b>(31,452)</b>	(64,691)
<b>NET CASH OUTFLOW BEFORE FINANCING</b>		<b>(11,921)</b>	(43,697)
<b>FINANCING</b>			
New loans raised	32(a)	<b>67,104</b>	26,002
Proceeds from issue of new shares		–	35,010
Issuing expenses		–	(5,000)
Repayment of loans	32(a)	<b>(57,570)</b>	(15,427)
Receipt from minority shareholders		–	9,878
Dividends paid to minority shareholders		<b>(1,797)</b>	(3,442)
<b>NET CASH INFLOW FROM FINANCING</b>		<b>7,737</b>	47,021
<b>(DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS</b>		<b>(4,184)</b>	3,324
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>		<b>6,549</b>	3,225
<b>EFFECT OF FOREIGN EXCHANGE RATE CHANGES</b>		<b>26</b>	–
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>		<b>2,391</b>	6,549
<b>ANALYSIS OF THE BALANCES OF CASH AND CASH EQUIVALENTS</b>			
Cash and bank balances		<b>8,548</b>	6,549
Bank overdraft, secured		<b>(6,157)</b>	–
		<b>2,391</b>	6,549

The notes on pages 34 to 64 form an integral part of these financial statements.



# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST DECEMBER, 2002

## 1. GROUP REORGANISATION

The Company was incorporated in Hong Kong on 13th October, 2000 as a limited liability company under the Companies Ordinance. Pursuant to a group reorganisation scheme (the "Group Reorganisation") to rationalise 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 Reorganisation are set out in the prospectus of the Company dated 31st July, 2001.

The Company's shares were listed on The Stock Exchange of Hong Kong Limited on 13th August, 2001.

## 2. BASIS OF PREPARATION

### a) PRINCIPAL ACTIVITIES

The Company is an investment holding company. The principal activities of the Group are the provision of public bus transportation and related services in The People's Republic of China (the "PRC").

### b) GROUP FINANCIAL STATEMENTS

The group financial statements include the financial statements of the Company and its subsidiaries made up to 31st December. The Reorganisation referred to in note 1 above has been accounted for by using merger accounting. Apart from the Reorganisation, 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 intercompany transactions and balances within the Group are eliminated on consolidation.

Minority interests represent the interests of outside shareholders in the operating results and net assets of subsidiaries.



### 3. PRINCIPAL ACCOUNTING POLICIES

The financial statements have been prepared in accordance with generally accepted accounting principles in Hong Kong and comply with Statements of Standard Accounting Practice ("SSAP") issued by the Hong Kong Society of Accountants (the "HKSA") and the requirements of the Companies Ordinance. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the GEM. The financial statements are prepared under the historical cost convention. A summary of the significant policies adopted by the Group is set out below.

In the current year, the Group has adopted, for the first time, the following SSAPs issued by the HKSA which are effective for accounting periods commencing on or after 1st January, 2002:

SSAP 1 (revised)	:	Presentation of financial statements
SSAP 11 (revised)	:	Foreign currency translation
SSAP 15 (revised)	:	Cash flow statements
SSAP 33	:	Discontinuing operations
SSAP 34 (revised)	:	Employee benefits

The adoption of these standards has resulted in a change in the format of presentation of the consolidated cash flow statement and the statements of changes in equities, but has not had any significant impact on the results for the current or prior accounting periods. Accordingly, no prior period adjustment due to the adoption of these standards has been required.

#### a) REVENUE RECOGNITION

- i) Revenue from bus operations is recognised when the related bus services are rendered.
- ii) Revenue of sub-contracting and rental income from public transport is recognised on a straight-line basis over the period of the respective leases.
- iii) Revenue from sightseeing ticket sales and touring is recognised when the tickets are sold.
- iv) Income from management services is recognised upon provision of services.
- v) Advertising income on fleet body, including revenue invoiced in advance, is recognised over the terms of the relevant agreements.
- vi) Interest income is recognised on a time proportion basis, taking into account the principal amounts outstanding and the interest rates applicable.



# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST DECEMBER, 2002

## 3. PRINCIPAL ACCOUNTING POLICIES (Continued)

### b) GOODWILL

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net assets of the acquired subsidiary at the date of acquisition.

Goodwill on acquisitions occurring on or after 1st January, 2001 is included in intangible assets and is amortised using the straight-line method over its estimated useful life.

Goodwill on acquisitions that occurred prior to 1st January, 2001 was eliminated against reserves. Any impairment arising on such goodwill is accounted for in the income statement.

Negative goodwill represents the excess of the fair value of the Group's share of the net assets acquired over the cost of acquisition.

For acquisitions after 1st January, 2001, negative goodwill is presented in the same balance sheet classification as goodwill. To the extent that negative goodwill relates to expectations of future losses and expenses that are identified in the Group's plan for the acquisition and can be measured reliably, but which do not represent identifiable liabilities at the date of acquisition, that portion of negative goodwill is recognised in the income statement when the future losses and expenses are recognised. Negative goodwill in excess of the fair values of those non-monetary assets is recognised in the income statement immediately.

For acquisitions prior to 1st January, 2001, negative goodwill was taken directly to reserves on acquisition.

### c) PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses.

Major costs incurred in restoring property, plant and equipment to their normal working condition are charged to the income statement. Improvements are capitalised and depreciated over their expected useful lives to the Group.

The gain or loss on disposal of property, plant and equipment is the difference between the net sale proceeds and the carrying amount of the relevant asset, and is recognised in the income statement.

Subsequent expenditure relating to an asset that has already been recognised is added to the carrying amount of the asset when it is probable that future economic benefits, in excess of the originally assessed standard of performance of the existing asset, will flow to the enterprise. All other subsequent expenditure is recognised as an expense in the period in which it is incurred.



## 3. PRINCIPAL ACCOUNTING POLICIES (Continued)

### d) OPERATING LEASES

Leases where substantially all the rewards and risks of ownership of assets remain with the leasing company are accounted for as operating leases. Rental payables under such operating leases are accounted for in the income statement on a straight-line basis over the periods of the respective lease.

### e) AMORTISATION AND DEPRECIATION

Property, plant and equipment are depreciated at rates sufficient to write off their cost less accumulated impairment losses over their estimated useful lives after taking into account their estimated residual value on a straight-line basis. The principal annual rates are as follows:

Leasehold improvements	5%
Motor vehicles	10%
Furniture, fixtures and office equipment	20%

Amortisation of intangible assets, which represents obsolete motor vehicles together with licence renewable for 8 years, is charged to the income statement on a straight-line basis over the assets' estimated useful lives of 8 years.

### f) IMPAIRMENT OF ASSETS

Internal and external sources of information are reviewed at each balance sheet date to identify indications that the following assets may be impaired or an impairment loss previously recognised no longer exists or may have decreased:

- property, plant and equipment;
- investments in subsidiaries; and
- intangible assets

If any such indication exists, the asset's recoverable amount is estimated. An impairment loss is recognised whenever the carrying amount of an asset exceeds its recoverable amount.

#### i) Calculation of recoverable amount

The recoverable amount of an asset is the greater of its net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessment of time value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit).



## 3. PRINCIPAL ACCOUNTING POLICIES (Continued)

### f) IMPAIRMENT OF ASSETS (Continued)

#### ii) Reversals of impairment losses

In respect of assets other than goodwill, an impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss in respect of goodwill is reversed only if the loss was caused by a specific external event of an exceptional nature that is not expected to recur, and the increase in recoverable amount relates clearly to the reversal of the effect of that specific event.

A reversal of impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to the income statement in the year in which the reversals are recognised.

### g) SUBSIDIARIES

A subsidiary is a company in which the Group, directly or indirectly, controls more than half of its voting power or issued share capital or controls the composition of its board of directors. Subsidiaries are considered to be controlled if the Company has the power, directly or indirectly, to govern the financial and operating policies, so as to obtain benefits from their activities.

Intra-group balances and transactions, and any unrealised profits arising from intra-group transactions, are eliminated in full in preparing the consolidated financial statements. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

In the Company's balance sheet, an investment in a subsidiary is stated at cost less any impairment losses, unless it is acquired and held exclusively with a view to subsequent disposal in the near future or operates under severe long-term restrictions which significantly impair its ability to transfer funds to the Company, in which case, it is stated at fair value with changes in fair value recognised in the income statement as they arise.

### h) INTANGIBLE ASSETS

i) Other intangible assets that are acquired by the Group are stated in the balance sheet at cost less accumulated amortisation and accumulated impairment losses.

ii) Subsequent expenditure on an intangible asset after its purchase or its completion is recognised as an expense when it is incurred unless it is probable that this expenditure will enable the asset to generate future economic benefits in excess of its originally assessed standard of performance and this expenditure can be measured and attributed to the asset reliably. If these conditions are met, the subsequent expenditure is added to the cost of the intangible asset.





### 3. PRINCIPAL ACCOUNTING POLICIES (Continued)

#### i) INVESTMENTS IN SECURITIES

Security is a bond or share or other negotiable instrument evidencing debts or ownership which is distinguished between equity and debt securities, is classified as held-to-maturity securities, investment securities and other investments.

Debt securities intended to be held-to-maturity are stated at amortised cost, less provision for impairment losses. Investments in other than held-to-maturity debt securities are accounted for using the benchmark treatment. Long-term investment securities are stated at cost less any provision for impairment losses. Investments in other than held-to-maturity debt securities and long-term investment securities are accounted for as other investments and are stated at fair values with unrealised gains or losses included in the income statement.

Gain or loss on disposal of investments in securities, representing the difference between the net sale proceeds and the carrying amount of the securities, is recognised in the income statement in the period in which the disposal occurs.

#### j) RELATED PARTIES

Two parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence.

#### k) CONSUMABLES

Consumables, which represent spare parts for repairs of motor vehicles, are stated at the lower of cost and net realisable value. Cost, calculated on a weighted average basis, comprises all costs of purchase and, where applicable, cost of conversion and other costs incurred in bringing the consumables to their present location and condition.

Net realisable value is the estimated recoverable value in the ordinary course of business less the estimated costs necessary to make the sale.

The amount of any write-down of consumables to net realisable value and all losses of consumables are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of consumables, arising from an increase in net realisable value, is recognised as a reduction in the amount of consumables recognised as an expense in the period in which the reversal occurs.



# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST DECEMBER, 2002

## 3. PRINCIPAL ACCOUNTING POLICIES (Continued)

### l) CASH EQUIVALENTS

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are also included as a component of cash and cash equivalents for the purpose of the cash flow statement.

### m) PROVISIONS AND CONTINGENT LIABILITIES

Provisions are recognised for liabilities of uncertain timing or amount when the Company or Group has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditures expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

### n) DEFERRED TAXATION

Deferred taxation is accounted for under the liability method in respect of timing differences between profit as computed for taxation purposes and profit as stated in the financial statements to the extent that a liability or asset is expected with reasonable probability to crystallise in the foreseeable future. Deferred tax asset is not recognised unless its realisation is assured beyond reasonable doubt.

### o) TRANSLATION OF FOREIGN CURRENCIES

Transactions in foreign currencies during the year are translated at exchange rates ruling at the transaction dates. Monetary assets and liabilities expressed in foreign currencies at the balance sheet date are translated at rates of exchange ruling at the balance sheet date. Exchange differences arising in these cases are dealt with in the income statement.

The balance sheet of subsidiaries expressed in foreign currencies are translated at the rates of exchange ruling at the balance sheet date whilst the profit and loss is translated at an average rate. Exchange differences are dealt with as a movement in reserves.

In prior years, the profit and loss of foreign enterprises was translated at closing rate. This is a change in accounting policy, however, the translation of the profit and loss of foreign enterprises in prior years has not been restated as the effect of this change is not material to the current and prior years.



### 3. PRINCIPAL ACCOUNTING POLICIES (Continued)

#### p) EMPLOYEE BENEFITS

- i) Salaries, annual bonuses, paid annual leave, leave passage and the cost to the Group of non-monetary benefits are accrued in the year in which the associated services are rendered by employees of the Group. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.
- ii) The Group's contributions to the Hong Kong Mandatory Provident Fund Scheme are expensed as incurred.

The Group's contributions to the defined contribution retirement benefit scheme of the subsidiaries are expensed as incurred.

The assets of the schemes are held separately from those of the Group in independently administered funds.

- iii) When the Group grants employees options to acquire shares of the Company at nil consideration, no employee benefit cost or obligation is recognised at the date of grant. When the options are exercised, equity is increased by the amount of the proceeds received.

#### q) SEGMENT REPORTING

A segment is a distinguishable component of the Group that is engaged either in providing services (business segment), or in providing services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments.

In accordance with the Group's internal financial reporting, the Group has chosen business segment information as the primary reporting format. No geographical segment information is presented as the Group's operations are primarily in the PRC.

Segment revenue, expenses, results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis to that segment. For example, segment assets may include inventories, trade receivables and property, plant and equipment. Segment revenue, expenses, assets and liabilities are determined before intra-group balances and intra-group transactions are eliminated as part of the consolidation process, except to the extent that such intra-group balances and transactions are between group enterprises within a single segment. Inter-segment pricing is based on similar terms as those available to other external parties.

Segment capital expenditure is the total cost incurred during the period to acquire segment assets (both tangible and intangible) that are expected to be used for more than one period.

Unallocated items mainly comprise financial and corporate assets, interest-bearing loans, borrowings, corporate and financing expenses and minority interests.



# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST DECEMBER, 2002

## 4. TURNOVER

The principal activities of the Group are the provision of public bus transportation and related services in the PRC.

	<b>2002</b>	2001
	<b>HK\$'000</b>	HK\$'000
Related bus services		
– Public routes	<b>57,575</b>	46,095
– Tourist routes	<b>7,253</b>	9,942
– “Hire a bus” and employee services	<b>10,225</b>	1,549
Sub-contracting	<b>9,538</b>	2,141
Rental income	<b>709</b>	653
Sightseeing ticket sales and touring	<b>1,636</b>	1,558
Management fee	<b>132</b>	–
	<b>87,068</b>	61,938

## 5. OTHER REVENUE

	<b>2002</b>	2001
	<b>HK\$'000</b>	HK\$'000
Advertising income on fleet body	<b>3,275</b>	2,123
Negative goodwill released to consolidated income statement	<b>14</b>	–
Subsidies from local authorities	<b>6,699</b>	9,406
Sundries	<b>611</b>	480
	<b>10,599</b>	12,009

Subsidies from local authorities represent cash incentives received from local authorities. For Chongqing Wanzhou Area Argos Public Transport Bus Company Limited (“Wanzhou Argos”), they are calculated on the sales tax payables by Wanzhou Argos for 2001 and 2002. For Nanjing Public Transport Argos Bus Company Limited (“Nanjing Argos”), they are calculated on 80% of Public Utility Surcharge paid in 2002 and income tax payable for 2001 by Nanjing Argos and income tax payable by 南京雅高風光旅游有限公司 for 2001.



# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST DECEMBER, 2002

## 6. PROFIT FROM OPERATIONS

Profit from operations is stated after charging the following:

	<b>2002</b>	2001
	<b>HK\$'000</b>	HK\$'000
Amortisation of intangible assets	<b>209</b>	24
Auditors' remuneration	<b>200</b>	220
Depreciation	<b>10,410</b>	6,457
Loss on disposals of property, plant and equipment	<b>423</b>	7
Net exchange loss	<b>13</b>	–
Operating leases rentals in respect of rented premises	<b>476</b>	8
Staff costs (note 9)	<b>31,626</b>	21,501

## 7. FINANCE COSTS

	<b>2002</b>	2001
	<b>HK\$'000</b>	HK\$'000
Borrowing costs		
Interest expenses on bank loans, overdrafts and other loans wholly repayable within 5 years	<b>2,246</b>	2,267

## 8. TAXATION

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

	<b>2002</b>	2001
	<b>HK\$'000</b>	HK\$'000
PRC income tax		
– provided for the year	<b>2,204</b>	3,144
– deferred taxation charge	<b>175</b>	13
	<b>2,379</b>	3,157

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 (2001: HK\$nil).

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



# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST DECEMBER, 2002

## 8. TAXATION (Continued)

Deferred taxation charge represents the 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.

## 9. STAFF COSTS

	<b>2002</b>	2001
	<b>HK\$'000</b>	HK\$'000
The amounts comprise:		
Directors' remuneration	<b>285</b>	375
Retirement benefit scheme contributions	<b>8,288</b>	3,732
Other staff costs	<b>23,053</b>	17,394
	<b>31,626</b>	21,501

Directors' remuneration:

	<b>2002</b>	2001
	<b>HK\$'000</b>	HK\$'000
Fees		
– Executive directors	–	–
– Independent non-executive directors	<b>100</b>	100
Other emoluments		
Salaries and other benefits-in-kind		
– Executive directors	<b>185</b>	275
– Independent non-executive directors	–	–
Retirement benefit costs		
– Executive directors	<b>9</b>	9
– Independent non-executive directors	–	–
	<b>294</b>	384



## 9. STAFF COSTS (Continued)

The remuneration of the directors is within the following bands:

	<b>2002</b>	2001
	<b>Number</b>	Number
	<b>of directors</b>	of directors
Executive directors		
HK\$nil – HK\$1,000,000	<b>4</b>	4
Independent non-executive directors		
HK\$nil – HK\$1,000,000	<b>2</b>	2
	<b>6</b>	6

During the year ended 31st December, 2002, four executive directors received individual emoluments of approximately HK\$185,000 (2001: HK\$275,000), HK\$nil (2001: HK\$nil), HK\$nil (2001: HK\$nil) and HK\$nil (2001: HK\$nil) respectively. Both independent non-executive directors received individual fees of HK\$50,000 (2001: HK\$50,000).

During the year, no emoluments were paid by the Group to the directors as an inducement to join or upon joining the Group or as compensation for loss of office. None of the directors waived any emoluments during the year.

Employees' emoluments:

Of the five individuals with the highest emoluments, one (2001: two) is a director whose emoluments is disclosed above. The aggregate of the emoluments in respect of the other four (2001: three) are as follows:

	<b>2002</b>	2001
	<b>HK\$'000</b>	HK\$'000
Salaries and other benefits	<b>530</b>	672
Bonuses	–	–
Performance related incentive payments	–	–
Retirement benefit scheme contributions	<b>31</b>	25
	<b>561</b>	697



# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST DECEMBER, 2002

## 9. STAFF COSTS (Continued)

The emoluments of the four (2001: three) individuals with the highest emoluments are within the following band:

	<b>2002</b>	2001
	<b>Number of individuals</b>	Number of individuals
HK\$nil – HK\$1,000,000	<b>4</b>	3

During the year, no emoluments were paid by the Group to the five individuals with the highest emoluments as an inducement to join or upon joining the Group or as compensation for loss of office.

Retirement benefit scheme:

The Group operates a Mandatory Provident Fund Scheme ("the MPF scheme") under the Hong Kong Mandatory Provident Fund Schemes Ordinance for employees employed under the jurisdiction of the Hong Kong Employment Ordinance (the "HKEO") and not previously covered by the any other scheme. The MPF scheme is a defined contribution retirement scheme administrated by independent trustees. Under the MPF scheme, the employer and its employees are each required to make contributions to the scheme at 5% of the employees' relevant income, subject to a cap of monthly relevant income of HK\$20,000. Moreover, pursuant to the PRC Government regulations, the Group is required to contribute to a central pension scheme in respect of certain of the Group's employees in the PRC based on 33% of the salaries of those employees and there is no forfeited contributions under the central pension scheme.

## 10. PROFIT ATTRIBUTABLE TO SHAREHOLDERS

The consolidated profit attributable to shareholders includes a loss of approximately HK\$2,031,000 (2001: HK\$762,000) which has been dealt with in the financial statements of the Company.

## 11. DIVIDENDS

The directors do not recommend the payment of a dividend.





## 12. EARNINGS PER SHARE

The calculation of earnings per share is based on the net profit for the year of HK\$3,056,000 (2001: HK\$4,909,000) and on the weighted average number of 180,000,000 (2001: 161,589,041) shares in issue during the year.

There is no share issue for the year ended 31st December, 2002. In determining the number of shares in issue for the year ended 31st December, 2001, a total of 150,000,000 shares issued pursuant to the Group Reorganisation as mentioned in note 1 are deemed to have been in issue throughout the year ended 31st December, 2001, representing the shares issued for the Group Reorganisation during the year ended 31st December, 2001.

Diluted earnings per share is not presented as there was no dilutive potential ordinary shares in existence during the year ended 31st December, 2002 (2001: nil).

## 13. SEGMENT REPORTING

In accordance with the Group's internal financial reporting, the Group has chosen business segment information as the primary reporting format. No geographical segment information is presented as the Group's operations are primarily in the PRC.



# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST DECEMBER, 2002

## 13. SEGMENT REPORTING (Continued)

The results of the major business activities for the year ended 31st December, 2002 and 2001 are summarised below:

### i) Year ended 31st December, 2002

	2002							Total HK\$'000
	Public routes HK\$'000	Tourist routes HK\$'000	"Hire a bus" and employee services HK\$'000	Sightseeing ticket sales and touring HK\$'000	Sub- contracting HK\$'000	Rental income HK\$'000	Management fee HK\$'000	
Turnover	57,575	7,253	10,225	1,636	9,538	709	132	87,068
Cost of bus services rendered	(45,755)	(10,469)	(7,161)	(1,254)	(4,768)	(146)	-	(69,553)
Gross profit/(loss)	11,820	(3,216)	3,064	382	4,770	563	132	17,515
Administrative expenses	(9,003)	(1,045)	(1,414)	(191)	(1,790)	(130)	(101)	(13,674)
Segment results	2,817	(4,261)	1,650	191	2,980	433	31	3,841
Unallocated items:								
Other revenue								10,599
Administrative expenses								(3,039)
Profit from operations								11,401
Interest income								637
Finance costs								(2,246)
Profit from ordinary activities before taxation								9,792
Taxation								(2,379)
Net profit from ordinary activities after taxation								7,413
Minority interests								(4,357)
Profit attributable to shareholders								3,056
Depreciation and amortisation for the year	5,201	2,335	985	-	2,094	-	4	10,619
Segment assets								
Trade receivables	146	-	1,355	-	135	-	-	1,636
Capital expenditure incurred during the year	13,884	3,073	6,528	-	11,911	-	19	35,415



# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST DECEMBER, 2002

## 13. SEGMENT REPORTING (Continued)

### ii) Year ended 31st December, 2001

	2001						Total HK\$'000
	Public routes HK\$'000	Tourist routes HK\$'000	"Hire a bus" and employee services HK\$'000	Sightseeing ticket sales and touring HK\$'000	Sub- contracting HK\$'000	Rental income HK\$'000	
Turnover	46,095	9,942	1,549	1,558	2,141	653	61,938
Cost of bus services rendered	(36,832)	(8,807)	(1,067)	(777)	(835)	(113)	(48,431)
Gross profit	9,263	1,135	482	781	1,306	540	13,507
Administrative expenses	(6,291)	(1,133)	(73)	(110)	(611)	(159)	(8,377)
Segment results	2,972	2	409	671	695	381	5,130
Unallocated items:							
Other revenue							12,009
Administrative expenses							(2,370)
Profit from operations							14,769
Interest income							1,202
Finance costs							(2,267)
Profit from ordinary activities before taxation							13,704
Taxation							(3,157)
Net profit from ordinary activities after taxation							10,547
Minority interests							(5,638)
Profit attributable to shareholders							4,909
Depreciation and amortisation for the year	3,753	2,314	132	-	282	-	6,481
Segment assets							
Trade receivables	-	-	1,083	-	4	-	1,087
Capital expenditure incurred during the year	30,185	4,898	-	-	11,334	-	46,417

- iii) The Group's operations are primarily in the PRC. Consequently, no geographical segment analysis is presented.



# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST DECEMBER, 2002

## 14. GOODWILL

	<b>2002</b>	2001
	<b>HK\$'000</b>	HK\$'000
Goodwill arising on consolidation	<b>(14)</b>	–
Goodwill arising from Reorganisation	–	490
Released to income	<b>14</b>	–
	–	490
Less: Accumulated amortisation	–	(25)
	–	465
Prior year adjustment (note 37)	–	(465)
	–	–

The negative goodwill is included in "other revenue" in the consolidated income statement.

## 15. INTANGIBLE ASSETS – GROUP

	<b>2002</b>	2001
	<b>HK\$'000</b>	HK\$'000
Cost		
At 1st January	<b>1,080</b>	–
Additions	<b>718</b>	1,080
At 31st December	<b>1,798</b>	1,080
Accumulated amortisation		
At 1st January	<b>24</b>	–
Amortisation for the year	<b>209</b>	24
At 31st December	<b>233</b>	24
Net book value		
At 31st December	<b>1,565</b>	1,056

The amortisation charge for the year is included in "administrative expenses" in the consolidated income statement.

This cost represents one hundred and thirty seven (2001: eighty eight) obsolete motor vehicles purchased by Taizhou Argos Public Transport Bus Co., Ltd., one of the subsidiaries of the Group, together with licence renewable for eight years. As at 31st December, 2002, there are eighty one (2001: five) licences renewed. Up to the date of this report, further fifteen licences have been renewed.



# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST DECEMBER, 2002

## 16. PROPERTY, PLANT AND EQUIPMENT – GROUP

	<b>Leasehold improvements</b>	<b>Motor vehicles</b>	<b>Furniture, fixtures and office equipment</b>	<b>Total</b>
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>Cost</b>				
At 1/1/2002	2,459	91,911	2,848	97,218
Additions	122	34,965	328	35,415
Disposals	–	(628)	–	(628)
At 31/12/2002	2,581	126,248	3,176	132,005
<b>Accumulated depreciation</b>				
At 1/1/2002	589	12,848	861	14,298
Charge for the year	111	9,798	501	10,410
Disposals	–	(95)	–	(95)
At 31/12/2002	700	22,551	1,362	24,613
<b>Net book value</b>				
At 31/12/2002	1,881	103,697	1,814	107,392
At 31/12/2001	1,870	79,063	1,987	82,920

## 17. INTERESTS IN SUBSIDIARIES

	<b>2002</b>	2001
	<b>HK\$'000</b>	HK\$'000
Investments at cost:		
Unlisted shares	<b>990</b>	990
Amount due from a subsidiary (note a)	<b>19,701</b>	13,567
	<b>20,691</b>	14,557

Notes: a) The amount is interest free, unsecured and has no fixed repayment terms.



# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST DECEMBER, 2002

## 17. INTERESTS IN SUBSIDIARIES (Continued)

Notes: b) The following is a list of the subsidiaries at 31st December, 2002:

Name	Place/country of incorporation/ establishment and operation	Principal activities	Particulars of issued/ registered capital	Interests held		Note
				Directly %	Indirectly %	
Argos Bus Services (China) Company Limited ("Argos China")	Hong Kong	Investment holding	500,000 ordinary shares of HK\$1 each	100	–	
雅高企業管理顧問 (南京)有限公司	PRC	Management	RMB1,000,000	–	100	(i)
Nanjing Public Transport Argos Bus Company Limited	PRC	Bus operation	RMB31,442,272	–	60	(ii)
Chongqing Wanzhou Area Argos Public Transport Bus Company Limited	PRC	Bus operation	RMB10,000,000	–	60	(iii)
Taizhou Argos Public Transport Bus Co., Ltd.	PRC	Bus operation	RMB16,000,000	–	60	(iv)
南京雅高風光旅游 有限公司	PRC	City touring and sightseeing agent	RMB2,500,000	–	59.4	(v)

Notes:

- i) 雅高企業管理顧問(南京)有限公司 is a wholly foreign owned enterprise established in the PRC for a term of 30 years up to December 2031.
- ii) Nanjing Public Transport Argos Bus Company Limited is a Sino-foreign co-operative enterprise established in the PRC for a term of 19 years up to September 2016.



## 17. INTERESTS IN SUBSIDIARIES (Continued)

- iii) Chongqing Wanzhou Area Argos Public Transport Bus Company Limited is a Sino-foreign equity enterprise established in the PRC for a term of 30 years up to December 2030.
  
- iv) Taizhou Argos Public Transport Bus Co., Ltd. is a Sino-foreign equity enterprise established in the PRC for a term of 30 years up to September 2031.
  
- v) 南京雅高風光旅游有限公司 is a domestic owned enterprise established in the PRC for a term of 19 years up to January 2018.

The registered capital of it has been increased from RMB500,000 to RMB2,500,000 during the year. The interest of the Group in it has been increased from 57% to 59.4% during the year.

## 18. INVESTMENTS IN SECURITIES

Under benchmark treatment:

	<b>2002</b>	2001
	<b>HK\$'000</b>	HK\$'000
Unlisted, at cost	<b>1,018</b>	701

## 19. DEFERRED TAX ASSET

Deferred tax asset represents principally the tax effect of timing differences attributable to the recognition of advertising income on fleet body in the year of receipt for the PRC income tax purposes whilst such income is to be recognised in the income statement of the Group over the period of the agreements.

At the balance sheet date, the Group did not have any significant unprovided deferred tax balances.

## 20. AMOUNT DUE FROM A FELLOW SUBSIDIARY

This represents the proportional allocation of floatation expenses to be borne by the management shareholders. The amount is unsecured, interest free and repayable on demand.



# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST DECEMBER, 2002

## 21. AMOUNTS DUE FROM RELATED COMPANIES

Name	Connected party/ relationship	Balance at end of year HK\$'000	Balance at beginning of year HK\$'000	Maximum outstanding balance during the year		Note
				2002 HK\$'000	2001 HK\$'000	
東莞沙田游艇俱樂部 有限公司	Connected director/ related company	189	–	189	209	(i)
Nanjing Public Utility IC Card Company Limited (*Nanjing IC Cards*)	Investee company	1,581	289	1,581	289	(ii)
		1,770	289			

- i) This represents an amount due from 東莞沙田游艇俱樂部有限公司 of which Mr. Wong Man Chiu, Ronnie, is also a director. The amount is unsecured, interest free and repayable on demand. At 31st December, 2002 and 2001, there was no outstanding overdue interest and provision has not been made for the amount due.
- ii) Nanjing IC Cards is an unlisted company established in the PRC in which the Group holds 3% equity interest. The amount represents bus fare collected by it on behalf of Nanjing Argos, one of the subsidiaries of the Group, and reimbursement has been made in January 2003.

## 22. AMOUNT DUE FROM A MINORITY SHAREHOLDER

The amount is unsecured, repayable on demand and interest free except an amount of approximately HK\$528,000 which bears interest of 5.265% per annum.

## 23. CONSUMABLES

	2002 HK\$'000	2001 HK\$'000
Spare parts, at cost	1,302	1,210





# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST DECEMBER, 2002

## 24. TRADE RECEIVABLES

	<b>2002</b>	2001
	<b>HK\$'000</b>	HK\$'000
Trade receivables	<b>1,636</b>	1,087

All of the trade receivables are expected to be recovered within one year. Included in trade receivables are trade debtors with the following ageing analysis:

	<b>2002</b>	2001
	<b>HK\$'000</b>	HK\$'000
0-30 days	<b>879</b>	597
31-60 days	<b>193</b>	148
61-90 days	<b>126</b>	64
Over 90 days but less than 1 year	<b>438</b>	278
	<b>1,636</b>	1,087

## 25. INTEREST-BEARING BORROWINGS

	<b>Group</b>		<b>Company</b>	
	<b>2002</b>	2001	<b>2002</b>	2001
	<b>HK\$'000</b>	HK\$'000	<b>HK\$'000</b>	HK\$'000
Bank overdraft	<b>6,157</b>	-	<b>6,157</b>	-
Bank loans	<b>31,002</b>	33,316	-	-
Other loans	<b>11,848</b>	-	-	-
	<b>49,007</b>	33,316	<b>6,157</b>	-
Analysed as:				
Secured	<b>41,877</b>	31,429	<b>6,157</b>	-
Unsecured	<b>7,130</b>	1,887	-	-
	<b>49,007</b>	33,316	<b>6,157</b>	-



# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST DECEMBER, 2002

## 25. INTEREST-BEARING BORROWINGS (Continued)

	Group		Company	
	2002 HK\$'000	2001 HK\$'000	2002 HK\$'000	2001 HK\$'000
The terms of repayment of the borrowings are analysed as follows:				
Within one year	<b>35,406</b>	23,566	<b>6,157</b>	–
One to two years	<b>8,828</b>	3,000	–	–
Two to five years	<b>4,773</b>	6,750	–	–
	<b>49,007</b>	33,316	<b>6,157</b>	–
Less: Amount due within one year Included in current liabilities	<b>(35,406)</b>	(23,566)	<b>(6,157)</b>	–
Amount due after one year	<b>13,601</b>	9,750	–	–

At 31st December, 2002, the borrowings were secured by fixed deposits and bank balances of approximately HK\$27 million (2001: HK\$19.6 million) and HK\$640,000 (2001: HK\$nil) respectively, motor vehicles with carrying value of approximately HK\$7 million (2001: HK\$1.8 million) and personal guarantees executed by certain directors of the Group. At 31st December, 2002, the borrowings were also secured by a fixed deposit of HK\$10 million (2001: HK\$nil) of the Company. Besides, part of the borrowings was secured by the pledge of a property held by a related company and which was released during the year.



# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST DECEMBER, 2002

## 26. TRADE PAYABLES

	<b>2002</b>	2001
	<b>HK\$'000</b>	HK\$'000
Trade payables	<b>4,034</b>	1,121

Included in trade payables are trade creditors with the following ageing analysis:

	<b>2002</b>	2001
	<b>HK\$'000</b>	HK\$'000
0-30 days	<b>1,694</b>	921
31-60 days	<b>494</b>	160
61-90 days	<b>502</b>	11
Over 90 days but less than 1 year	<b>1,296</b>	17
Over 1 year	<b>48</b>	12
	<b>4,034</b>	1,121

## 27. ADVERTISING INCOME ON FLEET BODY RECEIPT IN ADVANCE

	<b>2002</b>	2001
	<b>HK\$'000</b>	HK\$'000
Within one year	<b>2,025</b>	783
In second to fifth year inclusive	<b>3,317</b>	4,476
	<b>5,342</b>	5,259
Less: Amount due within one year included in current liabilities	<b>(2,025)</b>	(783)
Amount due after one year	<b>3,317</b>	4,476



# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST DECEMBER, 2002

## 28. OTHER PAYABLES AND ACCRUALS

	Group		Company	
	2002 HK\$'000	2001 HK\$'000	2002 HK\$'000	2001 HK\$'000
Purchase of motor vehicles	11,061	11,707	–	–
Security deposits received				
from drivers (note)	13,131	8,299	–	–
Others	13,777	14,198	537	554
	<b>37,969</b>	34,204	<b>537</b>	554

Note: The amount represents security deposits received from drivers as compensation for any loss in case of accidents and will be repaid to drivers only when they resign.

## 29. AMOUNT DUE TO A RELATED COMPANY

The amount is unsecured, bearing interest of 5.31% per annum and will be repayable on 30th November, 2003.

## 30. AMOUNTS DUE TO MINORITY SHAREHOLDERS

The amounts are unsecured, repayable on demand and interest free except an amount of approximately HK\$472,000 which bears interest of 5.575% per annum and will be repayable on 30th July, 2003.

## 31. ISSUED CAPITAL AND SHARE OPTIONS

	2002 HK\$'000	2001 HK\$'000
Authorised:		
10,000,000,000 ordinary shares of HK\$0.01 each	100,000	100,000
Issued and fully paid:		
180,000,000 ordinary shares of HK\$0.01 each	1,800	1,800

On 31st July, 2001, a share option scheme of the Company was approved by the shareholders of the Company. As at 31st December, 2002, no options were granted under the share option scheme.



### 32. NOTES TO CONSOLIDATED CASH FLOW STATEMENT

**a) Analysis of changes in financing during the year**

	Other loans		Bank loans		Total	
	2002	2001	2002	2001	2002	2001
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Balance at beginning of year	-	-	<b>33,316</b>	22,679	<b>33,316</b>	22,679
New loans raised	<b>15,000</b>	-	<b>52,104</b>	26,002	<b>67,104</b>	26,002
Repayment during the year	<b>(3,152)</b>	-	<b>(54,418)</b>	(15,427)	<b>(57,570)</b>	(15,427)
Exchange adjustments	-	-	-	62	-	62
Balance at end of year	<b>11,848</b>	-	<b>31,002</b>	33,316	<b>42,850</b>	33,316

**b) Non-cash transactions**

- i) On 30th July, 2001, the Company acquired the entire issued share capital of Argos Bus Services (China) Company Limited amounting to HK\$500,000 by allotting 99,000,000 shares of HK\$0.01 each amounting to HK\$990,000 in exchange.
- ii) During the year, one of the subsidiaries increased its registered capital and the Group increased the interest thereof as stated in note 17 (b)(v) to the financial statements.



# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST DECEMBER, 2002

## 33. RELATED PARTY TRANSACTIONS

During the year, the Group had the following significant transactions with related parties:

Name of related parties	Nature of related party relationship	Nature of transactions	Amount paid/ (received)		Note
			2002 HK\$'000	2001 HK\$'000	
Nanjing Public Transport Company	Minority shareholder	Salaries paid	<b>2,615</b>	1,598	(i)
		Sightseeing ticket sales and touring	<b>(139)</b>	–	
Argos Bus Services Company, Limited (“Argos Hong Kong”)	Fellow subsidiary	Rental paid	<b>17</b>	8	(ii)
		Handling income	–	(2)	(iii)
Nanjing IC Cards	Investee company	Purchase of property, plant and equipment	<b>151</b>	1,015	(iv)
		Service charge	<b>547</b>	492	(iv)
Wanzhou Public Transport Company	Minority shareholder	Purchase of consumables	–	379	(v)
Always Earn Investments Limited (“Always Earn”)	Related company	Service fee	<b>63</b>	156	(vi)
Constant Success Limited (“Constant Success”)	Related company	Interest paid	–	87	(vii)



## 33. RELATED PARTY TRANSACTIONS (Continued)

Name of related parties	Nature of related party relationship	Nature of transactions	Amount paid/ (received)		Note
			2002 HK\$'000	2001 HK\$'000	
Metro Line Tours Limited (“Metro Line”)	Related company	Interest paid	–	29	(viii)
東莞沙田游艇俱樂部有限公司	Related company	Interest income	–	(10)	(ix)
Taizhou Public Transport Company	Minority shareholder	Purchase of property, plant and equipment	–	9,497	(x)
		Interest income	<b>(16)</b>	(48)	(xi)
		Advertising income on fleet body	<b>(684)</b>	–	
		“Hire a bus” and employee services	<b>(73)</b>	–	
南京雅高信科技 有限公司 (“雅高信”)	Related company	Service fee	<b>5</b>	–	(xii)

Banking facilities granted by banks have been secured by personal guarantees executed by certain directors of the Group.

Notes:

- i) Nanjing Argos agreed to bear some of the surplus staff cost of Nanjing Public Transport Company. The salaries paid were determined in accordance with the terms contained in the agreement.
- ii) Rental expenses were determined in accordance with the tenancy agreement entered into between Argos Hong Kong and Argos China.



# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST DECEMBER, 2002

## 33. RELATED PARTY TRANSACTIONS (Continued)

- (iii) Handling income was charged at 1% per annum on the fixed deposit of HK\$400,000 of the Group pledged to a bank to secure banking facility granted to Argos Hong Kong and such facility expired in September 2002.
- (iv) The amount represents a touchless smart card fare payment system and readers purchased from Nanjing IC Cards. Fares will automatically be deducted when the smart card is presented to the smart card reader installed on the boarding gate of buses. A service charge of 2.5% was charged by Nanjing IC Cards which acted as a collecting agent and reimbursed the fare to Nanjing Argos on a monthly basis. Further details can be referred to note 21(ii) to the financial statements.
- (v) The amount represents spare parts for repairs of motor vehicles purchased from Wanzhou Public Transport Company.
- (vi) Mr. Wong Man Chiu, Ronnie and Mr. Wong Wah Sang are the shareholders and directors of Always Earn. Mr. Wong Wilson and Mr. Yeung Wai Hung are the directors of Always Earn. The amount represents service fee of using its property to secure the facility granted to the Group. The security was discharged in 2002.
- (vii) Mr. Wong Wilson is one of the directors of Constant Success. Interest was charged at 10% per annum on the outstanding balance. The balance was fully settled in August 2001.
- (viii) Mr. Wong Wilson is one of the directors of Metro Line. Mr. Yeung Wai Hung is both shareholder and director of Metro Line. Interest was charged at 10% per annum on the outstanding balance. The balance was fully settled in August 2001.
- (ix) Interest income was charged at prime rate plus 2% per annum on the outstanding balance. The advance was fully settled in April 2001.
- (x) The amount mainly represents motor vehicles, furniture, fixtures and office equipment purchased from Taizhou Public Transport Company.
- (xi) Interest income was charged at 5.265% (2001: 5.58%) per annum on a loan of approximately HK\$528,000 (2001: on the outstanding balance).
- (xii) Mr. Wong Wilson and Mr. Yeung Wai Hung are also directors of 雅高信. The amount represents website services provided by it. During the year, the Group entered into a contract with 雅高信 which would develop an information system on behalf of Nanjing Argos amounting to approximately HK\$280,000.

The directors of the Company have represented that all of the above transactions were carried out in the ordinary course of business of the Group and in accordance with the relevant agreements governing these transactions.





## 34. COMMITMENTS

### (a) Capital commitments

	<b>2002</b>	2001
	<b>HK\$'000</b>	HK\$'000
Contracted but not provided for		
– Purchase of property, plant and equipment	<b>3,198</b>	2,042
– Commitment for contributions to subsidiaries	–	5,472
	<b>3,198</b>	7,514

### (b) Commitments under operating leases

At 31st December, 2002, the Group had commitments for future minimum lease under non-cancellable operating leases in respect of land and buildings which fall due as follows:

	<b>2002</b>	2001
	<b>HK\$'000</b>	HK\$'000
Within one year	<b>101</b>	6
In the second to fifth year inclusive	<b>408</b>	–
After the fifth year	<b>2,800</b>	–
	<b>3,309</b>	6

## 35. CHARGES ON ASSETS

- a) Fixed deposits and bank balances of approximately HK\$27 million (2001: HK\$19.6 million) and HK\$640,000 (2001: HK\$nil) respectively have been pledged by the Group to banks to secure banking facilities granted to the Group. At 31st December, 2002, the Company had pledged its fixed deposit of HK\$10 million (2001: HK\$nil) to a bank to secure banking facilities granted to the Company. Fixed deposit amounting to HK\$400,000 was pledged by the Group to a bank to secure banking facilities granted to Argos Hong Kong in 2001 and the pledge was discharged in 2002.
  
- b) Motor vehicles of the Group with carrying value of approximately HK\$7 million (2001: HK\$1.8 million) have been pledged to banks to secure banking facilities granted to the Group.

## 36. LONG SERVICE PAYMENTS

At 31st December, 2002, the Group had no employee who had completed the required number of years of service under the HKEO to be eligible for long service payments on termination of their employment.



# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST DECEMBER, 2002

## **37. PRIOR YEAR ADJUSTMENT**

Goodwill is restated under merger accounting by the adoption of SSAP 27 "Accounting for Group Reconstructions". This change results in a prior year adjustment as at 31st December, 2001 by decreasing both goodwill and equity by HK\$465,000.

## **38. POST BALANCE SHEET EVENT**

Subsequent to the balance sheet date, the Group disposed of motor vehicles with carrying value of approximately HK\$4.2 million at a consideration of approximately HK\$4 million.

## **39. ULTIMATE HOLDING COMPANY**

The directors regard Twilight Enterprises Limited, a company incorporated in the British Virgin Islands, as the ultimate holding company.

## **40. COMPARATIVE FIGURES**

With a review of financial statements' presentation, certain items in the financial statements were reclassified which would result in a more appropriate presentation of events or transactions. Accordingly, comparative figures have been reclassified to conform with the current year's presentation.



## NOTICE OF ANNUAL GENERAL MEETING

**NOTICE IS HEREBY GIVEN** that an Annual General Meeting of the Members of Argos Enterprise (Holdings) Limited will be held at Suite 51, 5th Floor, New Henry House, 10 Ice House Street, Central, Hong Kong on Monday, 28th April, 2003 at 11:00 a.m. of the following purposes:

- (1) To receive and consider the Audited Financial Statements and the Reports of the Directors and of the Auditors for the year ended 31st December, 2002;
- (2) To authorise the Board of Directors to fix the remuneration of the directors of the Company (the "Directors");
- (3) To re-appoint Auditors and to authorise the Board of Directors to fix their remuneration;
- (4) As special business, to consider and, if thought fit, pass with or without amendments, the following resolution as an Ordinary Resolution:

**"THAT:**

- (a) the exercise by the Directors during the Relevant Period of all the powers of the Company to purchase shares of HK\$0.01 each in the capital of the Company, subject to and in accordance with the applicable laws, be and is hereby generally and unconditionally approved;
- (b) the aggregate nominal amount of the shares to be purchased pursuant to the approval in paragraph (a) above shall not exceed 10% of the aggregate nominal amount of the share capital of the Company in issue on the date of the passing of this Resolution and the said approval shall be limited accordingly; and
- (c) for the purpose of this Resolution, "Relevant Period" means the period from the passing of this Resolution until whichever is the earlier of:
  - (i) the conclusion of the next Annual General Meeting of the Company;
  - (ii) the expiration of the period within which the next Annual General Meeting of the Company is required by the articles of the Company or any applicable law to be held; or



## NOTICE OF ANNUAL GENERAL MEETING

(iii) the revocation or variation of the authority given under this Resolution by ordinary resolution of the shareholders in general meeting.”;

(5) As special business, to consider and, if thought fit, pass with or without amendments, the following resolution as an Ordinary Resolution:

**“THAT:**

- (a) the exercise by the Directors during the Relevant Period of all the powers of the Company to allot, issue and deal with additional shares in the capital of the Company and to make or grant offers, agreements and options which might require the exercise of such powers be and is hereby generally and unconditionally approved;
- (b) the approval in paragraph (a) shall authorize the Directors to make or grant offers, agreements and options during the Relevant Period which would or might require the exercise of such powers, after the end of the Relevant Period;
- (c) the aggregate nominal amount of share capital allotted or agreed conditionally or unconditionally to be allotted by the Directors pursuant to the approval in paragraph (a), otherwise than pursuant to (i) a Rights Issue or (ii) any scrip dividend or similar arrangement providing with the articles of the Company or (iii) any share option scheme of the Company, shall not exceed 20% of the aggregate nominal amount of the share capital of the Company in issue at the date of passing of the Resolution and the said approval shall be limited accordingly; and
- (d) for the purpose of this Resolution:

“Relevant Period” means the period from the passing of this Resolution until whichever is the earlier of:

- (i) the conclusion of the next Annual General Meeting of the Company;
- (ii) the expiration of the period within which the next Annual General Meeting of the Company is required by the articles of the Company or any applicable law to be held; or



## NOTICE OF ANNUAL GENERAL MEETING

- (iii) the revocation or variation of the authority given under this Resolution by ordinary resolution of the shareholders in general meeting; and

“Rights Issue” means an offer of shares open for a period fixed by the Directors to holders of shares of the Company or any class thereof on the register of members on a fixed record date in proportion to their then holdings of such shares or class thereof (subject to such exclusions or other arrangements as the Directors may deem necessary or expedient in relation to fractional entitlements or having regard to any restrictions or obligations under the laws of, or the requirements of any recognised regulatory body or any stock exchange in, any territory outside Hong Kong).”; and

- (6) As special business, to consider and, if thought fit, pass with or without amendments, the following resolution as an Ordinary Resolution:

“**THAT** the general mandate referred to in resolution no. 5 above be and is hereby extended by the addition to the aggregate nominal amount of share capital which may be allotted and issued or agreed conditionally or unconditionally to be allotted and issued by the Directors purchased by the Company since the granting of the such general mandate referred to in the above resolution no. 4 pursuant to the exercise by the Directors of the powers of the Company to purchase such shares provided that such amount shall not exceed 10% of the aggregate nominal amount of the share capital of the Company in issue on the date of the passing of this Resolution.”.

By order of the Board  
**Kwok Man Pang, Lewis**  
*Company Secretary*

Hong Kong, 1st April, 2003



## NOTICE OF ANNUAL GENERAL MEETING

Notes:

1. A Member may appoint more than one proxy to represent him and vote on his behalf. A proxy need not be a Member. If more than one proxy is so appointed, the appointment shall specify the number and class of shares in respect of which each such proxy is so appointed.
2. To be valid, a form of proxy and the power of attorney or other authority, if any, under which it is signed, or a notarially certified copy of such power of attorney or authority, must be lodged with the Company's Share Registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, Room 1901-05, 19/F., Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not less than 48 hours before the time appointed for holding the Meeting.
3. An explanatory statement containing further details regarding Resolution Nos. 4 to 6 above will be sent to shareholders shortly together with the 2002 Annual Report.

