

# Argos

ARGOS ENTERPRISE (HOLDINGS) LIMITED

雅高企業(集團)有限公司



First Quarterly Report  
**2003**

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*This report, for which the directors of ARGOS ENTERPRISE (HOLDINGS) LIMITED collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the GEM of the Stock Exchange for the purpose of giving information with regard to ARGOS ENTERPRISE (HOLDINGS) LIMITED. The directors of ARGOS ENTERPRISE (HOLDINGS) LIMITED, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief: (1) the information contained in this report is accurate and complete in all material respects and not misleading; (2) there are no other matters the omission of which would make any statement in this report misleading; and (3) all opinions expressed in this report have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.*

## HIGHLIGHTS

- Turnover for the three months ended 31st March, 2003 amounted to approximately HK\$22.7 million, representing an increase of approximately 14.3% compared to the corresponding period in 2002.
- Net profit from ordinary activities attributable to shareholders decreased by 40.4% compared to the corresponding period in 2002 to approximately HK\$0.9 million for the three months ended 31st March, 2003.
- Earnings per share was approximately HK\$0.50 cents.
- The directors do not recommend payment of an interim dividend for the three months ended 31st March, 2003.
- Management is expecting the outbreak of atypical pneumonia in Mainland China to exert a significant and adverse impact on the results of the Company and is closely monitoring the business conditions to mitigate as much as possible any such adverse impact.



## QUARTERLY RESULTS

For the period ended 31st March, 2003 (Unaudited)

The directors (the “Directors”) of Argos Enterprise (Holdings) Limited (the “Company”) are pleased to announce the unaudited consolidated results of the Company and its subsidiaries (together the “Group”) for the three months ended 31st March, 2003 together with comparative unaudited figures for the corresponding period in 2002 (the “Relevant Period”), as follows:

	Notes	Three months ended 31st March,	
		2003 HK\$'000	2002 HK\$'000
TURNOVER	2	22,685	19,840
COST OF BUS SERVICES RENDERED		<u>(19,085)</u>	<u>(14,640)</u>
GROSS PROFIT		3,600	5,200
OTHER REVENUE	2	2,529	2,581
ADMINISTRATIVE EXPENSES		<u>(3,721)</u>	<u>(3,579)</u>
PROFIT FROM OPERATIONS		2,408	4,202
INTEREST INCOME		47	65
FINANCE COSTS	3	<u>(482)</u>	<u>(470)</u>
PROFIT BEFORE TAXATION		1,973	3,797
TAXATION	4	<u>(97)</u>	<u>(737)</u>
PROFIT BEFORE MINORITY INTERESTS		1,876	3,060
MINORITY INTERESTS		<u>(979)</u>	<u>(1,555)</u>
PROFIT ATTRIBUTABLE TO SHAREHOLDERS		<u>897</u>	<u>1,505</u>
EARNINGS PER SHARE	5	<u>0.50 cents</u>	<u>0.84 cents</u>



Notes:

**1. Group Reorganization and basis of presentation**

The Company was incorporated in Hong Kong on 13th October, 2000 as a limited liability company under the Hong Kong Companies Ordinances. Pursuant to a group reorganization scheme (the "Group Reorganization") to rationalize the structure of the Group in preparation for the listing of the Company's shares on the Growth Enterprise Market ("the GEM") of the Stock Exchange on 13th August 2001, the Company became the holding company of the Group on 30th July, 2001. Further details of the Reorganization are set out in the prospectus of the Company dated 31st July, 2001.

The Group's financial statements have been prepared in accordance with the Hong Kong Statement of Standard Accounting Practice, accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention.

The Group financial statements include the financial statements of the Company and its subsidiaries made up to 31st March, 2003. The Group Reorganisation above has been accounted for by using merger accounting. Apart from the Group Reorganisation, the results of subsidiaries acquired or disposed of during the period are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

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

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



2. Turnover and revenue

The Group is engaged in the rendering of bus services through public routes, tourist routes, hire-a-bus and employee services, sub-contracting, rental, sightseeing ticket sales and tours as well as management fees. Revenue recognized during the Relevant Period is as follows:

	Three months ended 31st March,	
	2003 HK\$'000	2002 HK\$'000
Turnover		
Related bus services		
– Public routes	15,817	13,531
– Tourist routes	921	1,615
– “Hire-a-bus” and employee service	1,695	1,308
Sub-contracting	3,679	2,951
Rental	238	239
Sightseeing ticket sales	316	196
Management fee	19	–
	22,685	19,840
Other revenue		
Advertising income on fleet body	763	469
Subsidy from local authority	1,448	1,661
Sundries	318	451
	2,529	2,581
Total revenue	<u>25,214</u>	<u>22,421</u>

3. Finance costs

	Three months ended 31st March,	
	2003 HK\$'000	2002 HK\$'000
Interest on bank loans and overdrafts	<u>482</u>	<u>470</u>



4. **Taxation**

The taxation charge comprises:

	Notes	Three months ended 31st March,	
		2003 HK\$'000	2002 HK\$'000
Hong Kong profits tax	(i)	-	-
Overseas taxation	(ii)	<u>97</u>	<u>737</u>
		<u>97</u>	<u>737</u>

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

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

5. **Earnings per share**

The calculation of the basic earnings per share is based on profit from the ordinary activities attributable to shareholders for the three months ended 31st March, 2003 of HK\$897,000 (31st March, 2002: HK\$1,505,000) and on 180,000,000 (2002: 180,000,000) shares in issue during the period.

There were no potentially dilutive shares outstanding during the Relevant Periods. No dilutive earnings per share is presented.

6. **Reserves**

There has been no movement of reserves, other than retained earnings, during the period (2002: Nil)

## INTERIM DIVIDENDS

The Board does not recommend the payment of any dividend for the three months ended 31st March, 2003 (2002: Nil).

## PURCHASE, SALE OR REDEMPTION OF SHARES

During the period, neither the Company or any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.



## BUSINESS REVIEW

During the first three months of year 2003, the Company followed the business plan and strategy in capturing opportunities, meeting challenge, enhancing stability, focusing on expanding current scale of operation and capacity and increasing the spread of income and market share in all areas and business segments that the Group operates. The Group has also invested significant resources in the development of new services in an attempt to further enhance the overall business performance and growth of the Company.

The trend in turnover growth continued in the first quarter of 2003 from 2002 as revenues from Taizhou and Wanzhou continued to grow as existing operations become mature and additional services are gradually introduced. Turnover for the three months ended 31st March, 2003 amounted to approximately HK\$22,685,000 representing an increase of 14.3% as compared with the corresponding period of 2002.

However, net profit from ordinary activities attributable to shareholders in the first quarter of 2003 decreased by approximately 40.4% compared to the corresponding period in 2002 to approximately HK\$0.9 million. The drop in net profit was primarily attributable to high fuel cost as a result of the war in Iraq, higher maintenance costs and a difficult operating environment in Wanzhou. Consequently, the gross profit margin of the Group has dropped from 26% in 2002 to 16% in 2003. Apart from the above, other expenses of the Group remain stable.

## FUTURE PROSPECTS

The business of the Group in the second quarter of year 2003 has been significantly and adversely affected by the outbreak of atypical pneumonia in China even though the numbers of atypical pneumonia cases in Nanjing, Taizhou and Wanzhou are all insignificant as at the date of this report.

Ever since the outbreak of atypical pneumonia became more widely publicized in April, patronage on the public bus routes and tourist bus routes have fallen significantly as passengers became wary of visiting crowded places. Furthermore, the announcement by the Central Government to suspend the week-long Labour Day holidays, to prevent inter-provinces spreading of atypical pneumonia, has further dampened business in tourist bus routes, chartered bus services and tour services as planned travels have to be cancelled. In addition, costs of bus services rendered have also increased as the Company takes a leading initiative in disinfecting our fleet on a frequent basis.





In view of the difficult environment, measures have been introduced to lower operating costs. For instance, headway have been adjusted on certain bus routes most affected by the outbreak while employees are encouraged to apply for outstanding leave entitlements.

The Board does not currently have a view as to how long the current weakness might last and therefore it is not possible to quantify the potential impact on the Company's result for the second quarter and the first half of 2003.

The Group will carry on to enhance market share in chartered bus service, increase focus on value creation on ancillary services to customers, deliver efficiency and flexibility in technology and operations, rationalise parent company costs and improve capital efficiency in order to cope with the adverse effect brought by the atypical pneumonia outbreak.

In conclusion, the profitability outlook for the second quarter of 2003 is likely to be unfavourable. The Group is well prepared for a quick rebound in the second half of 2003 if conditions in both the transportation and tourist market improve.

## DIRECTORS' SHAREHOLDING INTERESTS IN THE COMPANY

As at the 31st March, 2003, the following Director(s) have the following interests in the share capital of the Company and its associated corporations (within the meaning of the Securities (Disclosure of Interests) Ordinance (the "SDI Ordinance") which were notified to the Company and the Stock Exchange pursuant to Section 28 of the SDI Ordinance (including interests which they were taken or deemed to have under Section 31 of, or Part 1 of the Schedule to, the SDI Ordinance), or which required, pursuant to Section 29 of the SDI Ordinance, to be entered in the register referred to therein, or which were 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 to 61.03 per cent. by Sinoman International Limited. Sinoman International Limited is in turn beneficially owned as to 80 per cent. by Twilight Enterprises Limited which is beneficially owned as to 50 per cent. by Mr. Wong, Wilson, the managing director of the Group and as to 50 per cent. by Madam Chiu Gee Chai, the wife of Mr. Wong, Wilson.



2. Mr. Wong, Wilson is deemed to be interested in 126,000,000 shares under SDI Ordinance.
3. Under the SDI Ordinance, Mr. Wong, Wilson is deemed to be interested in the entire issued share capital of Argos Bus Services Company Limited, Argos Bus Services (China) Company Limited, Moving Step Limited and Ming Tak Transportation Service Co., Limited, 80 per cent. of the issued share capital of Sinoman International Limited and 50 per cent. of the issued share capital of each of Twilight Enterprises Limited, Ringloma Limited, Metro Line Tours Limited and Goldspark HK Tours Limited.
4. Under the SDI Ordinance, Mr. Yeung Wai Hung is personally interested in 20 per cent. of the issued capital of Sinoman International Limited and 150 shares in Metro Line Tours Limited.
5. By virtue of the SDI Ordinance, Mr. Yeung Wai Hung is deemed to be interested in the entire issued capital of Cherikoff Bakery & Confections Limited which is interested in 1,400,000 shares in the Company.

### SHARE OPTION SCHEME

On 31st July, 2001, a share option scheme was approved by a written resolution of all the shareholders of the Company under which the Directors may, at their discretion, grant options to themselves and the full-time employees of the Group entitling them to subscribe for shares representing up to a maximum of 10 per cent. of the shares in the Company in issue from time to time (excluding shares which have been allotted and issued pursuant to the share option scheme). During the period from 13th August, 2001 to 31st March, 2003, no option has been granted or agreed to be granted to the Directors under the scheme.

At no time during the three months ended 31st March, 2003 was the Company or any of its subsidiaries a party to any arrangement to enable the Directors, their respective spouse or children under 18 years of age to acquire the benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

### DIRECTORS' RIGHTS TO ACQUIRE SHARES

Apart from the share option scheme (under which no option has yet been granted or agreed to grant) referred to above, at no time during the three months ended 31st March, 2003 was any of the Company, its holding companies, fellow subsidiaries and subsidiaries a party to any arrangement to enable the Directors to acquire benefits by means of the acquisition of shares in the Company or any other body corporate and none of the Directors, or their spouses or children under the age of 18, had any right to subscribe for the Shares in the Company, or had exercised any such rights.



## SUBSTANTIAL SHAREHOLDERS OF THE COMPANY

As at 31st March, 2003, the register of substantial shareholders (other than a Director) maintained under section 16(1) of the SDI Ordinance showed that the Company had been notified of substantial shareholding interests, being 10% or more of the Company's issued share capital, as follows:

Name	Notes	Number of Shares	Percentage of issued share capital
Sino Market Enterprises Limited	1	126,000,000	70%
Sinoman International Limited	2	126,000,000	70%
Twilight Enterprises Limited	4	126,000,000	70%
Kenworth Enterprises Limited	5	126,000,000	70%
Chiu Gee Chai	3	126,000,000	70%

### Notes:

- These 126,000,000 shares are held by Sino Market Enterprises Limited which is beneficially owned as to 61.03 per cent. by Sinoman International Limited and as to 34.97 per cent. by Kenworth Enterprises Limited.
- Sinoman International Limited is beneficially owned as to 80 per cent. by Twilight Enterprises Limited which is beneficially owned as to 50 per cent. by Mr. Wong, Wilson, the managing Director, and as to 50 per cent. by Madam. Chiu Gee Chai, the wife of Mr. Wong, Wilson.
- By virtue of the SDI Ordinance, Ms Chiu Gee Chai is deemed to be interested in 126,000,000 shares.
- 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 interested in 500,000 ordinary shares in Argos Bus Services (China) Company Limited, a subsidiary of the Company.
- The issued share capital of Kenworth Enterprises Limited is beneficially owned by Mr. Wong Wah Sang, an executive Director and chairman of the Company, as to 22.23 per cent., Mr. Wong Man Fung, Anthony as to 11.11 per cent., Mr. Wong Man Che, Edward as to 11.11 per cent., Mr. Wong Man Ka, Stephen as to 11.11 per cent., Ms. Wong Man Hing, Alice, the wife of Mr. Kwan Yan Ming, as to 11.11 per cent., Mr. Wong Man Chiu, Ronnie, an executive Director, as to 11.11 per cent., Mr. Wong Man Kon, John as to 11.11 per cent. and Mr. Wong Man Kong, Peter as to 11.11 per cent.. Mr. Wong Wah Sang is the father of the other shareholders mentioned above and is also the elder brother of Mr. Wong, Wilson, an executive Director.

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.



## SPONSOR'S INTEREST

Pursuant to the agreement dated 30th July, 2001 entered into between the Company and Yu Ming Investment Management Limited ("Yu Ming"), Yu Ming will receive a fee for acting as the Company's retained sponsor for the period commencing 13th August, 2001 and expires on 31st December, 2003 (being the last day of the second full financial year of the Company after its listing on the GEM). As at 31st March, 2003, none of Yu Ming, its directors, employees and their associates had any interest in the securities of the Company or any member of the Group, or any right to subscribe for or to nominate persons to subscribe for the securities of the Company or any member of the Group.

## AUDIT COMMITTEE

The Company has established an audit committee with written terms of reference based upon the guidelines recommended by the Hong Kong Society of Accountants. The primary duties of the audit committee are the review and supervision of the Company's financial reporting process and internal control systems. The audit committee 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.

## COMPETING INTERESTS

The Directors have substantial experience in the operation of transportation companies especially bus services, with over 20 years of experience in the operation of such services in Hong Kong. Such operations in Hong Kong are mainly trading under the names of Argos Bus Services Co., Ltd., a fellow subsidiary of the Company, Goldspark HK Tours Limited, a 50 per cent. indirectly owned subsidiary of Argos Hong Kong, and Metro Line Tour Limited, owned 50 per cent. by Twilight Enterprises Limited and 15 per cent. by Mr. Yeung Wai Hung.

Save as disclosed above, none of the Directors or the management shareholders of the Company (as defined in the GEM Listing Rules) has an interest in a business which competes or may compete with the business of the Group.

By order of the Board  
**Wong Wah Sang**  
*Chairman*

Hong Kong, 7th May, 2003

