

Argos

ARGOS ENTERPRISE (HOLDINGS) LIMITED

雅高企業(集團)有限公司

(Incorporated in Hong Kong with limited liability)



First Quarterly

2004

Report

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

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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

- Achieved a turnover of approximately HK\$24,582,000 for the three months ended 31 March 2004, representing an increase of approximately 8.4% as compared with that of the corresponding period in 2003.
- Net profit from ordinary activities attributable to shareholders decreased by 39.9% compared to the corresponding period in 2003 to approximately HK\$539,000 for the three months ended 31 March 2004.
- Earnings per share was approximately HK0.30 cents.
- The directors do not recommend the payment of dividend for the three months ended 31 March 2004.
- The Group continues its effort on cost control and improving operational efficiency.



FIRST QUARTERLY RESULTS**For the three months period ended 31 March 2004 (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 31 March 2004 together with comparative unaudited figures for the corresponding period in 2003 (the “Relevant Period”), as follows:

		Three months ended 31 March	
		2004	2003
	Notes	HK\$'000	HK\$'000
TURNOVER	2	24,582	22,685
COST OF BUS SERVICES RENDERED		<u>(20,394)</u>	<u>(19,085)</u>
GROSS PROFIT		4,188	3,600
OTHER REVENUE	2	2,542	2,529
ADMINISTRATIVE EXPENSES		<u>(4,307)</u>	<u>(3,721)</u>
PROFIT FROM OPERATIONS		2,423	2,408
INTEREST INCOME		13	47
FINANCE COSTS	3	<u>(634)</u>	<u>(482)</u>
PROFIT BEFORE TAXATION		1,802	1,973
TAXATION	4	<u>(234)</u>	<u>(97)</u>
PROFIT BEFORE MINORITY INTERESTS		1,568	1,876
MINORITY INTERESTS		<u>(1,029)</u>	<u>(979)</u>
PROFIT ATTRIBUTABLE TO SHAREHOLDERS		<u>539</u>	<u>897</u>
EARNINGS PER SHARE	5		
– basic (cents)		<u>0.30</u>	<u>0.50</u>



Notes:

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

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

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

The Group financial statements include the financial statements of the Company and its subsidiaries made up to 31 March 2004. The Group Reorganisation above has been accounted for by using merger accounting. Apart from the Group Reorganisation, the results of subsidiaries acquired or disposed of during the period are included in the consolidated income statement from the effect date of acquisition or up to the effective date of disposal, as appropriate.

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

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

2. **Turnover and revenue**

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

	Three months ended	
	31 March	
	2004	2003
	HK\$'000	HK\$'000
Turnover		
Related bus services		
– Public routes	14,618	15,817
– Tourist routes	2,756	921
– "Hire a bus" and employee service	1,956	1,695
Sub-contracting	4,356	3,679
Rental	555	238
Sightseeing ticket sales	341	316
Management fee	–	19
	24,582	22,685
Other revenue		
Advertising income on fleet body	772	763
Subsidy from local authority	1,523	1,448
Sundries	247	318
	2,542	2,529
Total revenue	27,124	25,214



3. Finance costs

	Three months ended	
	31 March	
	2004	2003
	HK\$'000	HK\$'000
Interest on bank loans and overdrafts	<u>634</u>	<u>482</u>

4. Taxation

The taxation charge comprises:

	Notes	Three months ended	
		31 March	
		2003	2002
		HK\$'000	HK\$'000
Hong Kong profits tax	(i)	-	-
Overseas taxation	(ii)	<u>234</u>	<u>97</u>
		<u>234</u>	<u>97</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 31 March 2004 of HK\$539,000 (2003: HK\$897,000) and on 180,000,000 (2003: 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 (2003: Nil).

INTERIM DIVIDENDS

The Board does not recommend the payment of any dividend for the three months ended 31 March 2004 (2003: Nil).

BUSINESS REVIEW

The Chinese economy experienced strong and sustained growth of 9.1% in 2003. While the central government is expected to elect policies to curb inflation and the growth of specific sector, it is believed that the implementation of these austerity policies will not materially affect the overall economy. Though the economic growth will likely slow down in 2004, it is expected to be over 8%. The gradual increase in national income along with the booming domestic economy has resulted in strong growth in the spending power of its people. With the improvement in the standard of living and the availability of a wider range of transportation services, the passengers are getting used to the higher quality transportation services that our Group is providing to the market. The Group has achieved a continuous uplift in turnover and a satisfactory result during the three months ended 31 March 2004 (the "Period"). The continual increase in the gross domestic production in PRC has stimulated all facets of economic activities, which in turn has translated into strong demand in the PRC consumer market that including the transportation services. The huge consumer spending power resumed and was unfettered when the Severe Acute Respiratory Syndrome ("SARS"), which was swiftly and successfully brought under control in the second half of last year.

During the Period under review, the Group achieved a turnover of HK\$24,582,000, representing an increase of approximately 8.4% when compared with the same period last year. The uplift in turnover was mainly attributable to the surge in service income.

Profit from ordinary activities attributable to shareholders for the Period was HK\$539,000, representing a decrease of approximately 39.9% when compared with the same period last year. The drop in net profit was mainly attributable to the high fuel cost and increase in administrative and finance costs.



FUTURE PROSPECTS

The Group believes the Chinese economy will continue to grow. The passengers will demand for quality transportation services. To satisfy different customer needs, the Group will carry out adjustments in various operation processes, aiming to meet customer demand, enhance service reputation and increase service income and market share.

We believe that efficient sales channels and cost control can raise the Group's competitiveness, broaden its market share and enhance its profitability. To achieve these goals, we shall, during the rest of the year, implement measures including the expansion of promotional activities, strengthening its operational efficiency, continuing the "slimming" exercise in further cost control, quality enhancement and efficiency by effective human resources management, strengthening the control of operating cost, and improving the quality of customer services to suit the needs of customers as much as possible.

We shall endeavour to reinforce the well-established connection with our customers. Our target is to strengthen and further increase our market share which will in turn strengthen our foundation for the long-term investment with an ultimate goal of generating better returns on investment to our shareholders.

Meanwhile, we will continue to fine tune our core business and reinforce our competence to uplift profitability.

DIRECTORS' SHAREHOLDING INTERESTS IN THE COMPANY

As at 31 March 2004, the following Directors have the following interests in the share capital of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) which were notified to the Company and the Stock Exchange pursuant to Section 347 of the SFO (including interests which they were taken or deemed to have under Section 344 of the SFO), or which required, pursuant to Section 352 of the SFO, to



be entered in the register referred to therein, or which were required, pursuant to Rules 5.40 to 5.58 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange, were as follows:

Name	Type of interest	Number of issued share held
Mr. Wilson Wong	Corporate	126,000,000 (Notes 1 and 2)
Mr. Yeung Wai Hung	Corporate	1,400,000 (Note 5)

As at 31 March 2004, none of the Directors held any long or short positions in the share capital of the Company or (in respect of positions held pursuant to equity derivatives) underlying shares or in debentures of the Company or its associated corporations.

Notes:

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



SHARE OPTION SCHEME

On 31 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 13 August 2001 to 31 March 2004, no option has been granted or agreed to be granted to the Directors under the scheme.

At no time during the three months ended 31 March 2004 was the Company or any of its subsidiaries a party to any arrangement to enable the Directors, their respective spouse or children under 18 years of age to acquire the benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

DIRECTORS' RIGHTS TO ACQUIRE SHARES

Apart from the share option scheme (under which no option has yet been granted or agreed to be granted) referred to above, at no time during the three months ended 31 March 2004 was any of the Company or any associated corporation a party to any arrangement to enable the Directors to acquire benefits by means of the acquisition of shares in the Company or any other body corporate and none of the Directors, or their spouses or children under the age of the 18, had any right to subscribe for the Shares in the Company, or had exercised any such rights.

SUBSTANTIAL SHAREHOLDERS OF THE COMPANY

As at 31 March 2004, the register of substantial shareholders (other than a Director) maintained under section 336 of the SFO showed that the Company had been notified of substantial shareholding interests, being 5% or more of the Company's issued share capital, as follows:

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



As at 31 March 2004, none of the above-listed substantial shareholders held any long or short positions in the share capital of the Company or (in respect of positions held pursuant to equity derivatives) underlying shares or in debentures of the Company or its associated corporations.

Notes:

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

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



PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S SHARES

Neither the Company or any of its subsidiaries purchased, sold or redeemed any of the Company's listed shares during the three months ended 31 March 2004.

AUDIT COMMITTEE

The Company has established an audit committee with written terms of reference based upon the guidelines recommended by the Hong Kong Society of Accountants. The primary duties of the audit committee are the review and supervision of the Company's financial reporting process and internal control systems. The audit committee comprised Mr. Wong, Wilson, an executive Director and two independent non-executive Directors of the Company, namely Mr. Sung Wai Tak, Herman and Mr. Cheung Man Yau, Timothy.

The audit committee has reviewed the unaudited first quarterly results for the three months ended 31 March 2004.

COMPLIANCE WITH RULES 5.28 TO 5.39 OF THE GEM LISTING RULES

In the opinion of the Directors, the Company had complied with the code of best practice as set out in Rules 5.28 to 5.39 of the GEM Listing Rules since the listing of the Company's shares on GEM on 13 August 2001.

COMPETING INTERESTS

As at 31 March 2004, none of the Directors or the management shareholders of the Company and their respective associates (as defined in the GEM Listing Rules) has an interest in a business which competes or may compete with the business of the Group.

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

By order of the Board
Wong Wah Sang
Chairman

Hong Kong, 14 May 2004