



# ARGOS ENTERPRISE (HOLDINGS) LIMITED

雅高企業(集團)有限公司

*(Incorporated in Hong Kong with limited liability)*

(STOCK CODE : 8022)

## ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31ST DECEMBER, 2004

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

## **HIGHLIGHTS**

- Turnover of the Group for the year ended 31st December, 2004 increased by HK\$21.2 million to approximately HK\$119.4 million when compared to turnover of approximately HK\$98.2 million in the previous year.
- Profit for the year ended 31st December, 2004 increased by HK\$1.6 million to HK\$1.7 million.
- Earnings per share was approximately 0.96 HK cent for the year ended 31st December, 2004 as compared with earnings per share of approximately 0.08 HK cent recorded in last year.
- The directors do not recommend the payment any dividend in respect of the year (2003: HK\$Nil).

## ANNUAL RESULTS

The Board of Directors of the Company (the “Board”) is pleased to announce the audited consolidated results of the Company and its subsidiaries (hereinafter collectively referred to as the “Group”) for the year ended 31st December, 2004 together with comparative figures for the corresponding period of the previous financial year (the “Relevant Period”), as follows:

	<i>Note</i>	<b>2004</b> <i>HK\$'000</i>	2003 <i>HK\$'000</i>
TURNOVER	2	<b>119,364</b>	98,178
COST OF SALES		<u><b>(104,514)</b></u>	<u>(81,928)</u>
GROSS PROFIT		<b>14,850</b>	16,250
OTHER REVENUE	2	<b>9,362</b>	7,174
OTHER INCOME	5	<b>3,328</b>	–
ADMINISTRATIVE EXPENSES		<u><b>(17,922)</b></u>	<u>(17,525)</u>
PROFIT FROM OPERATIONS	5	<b>9,618</b>	5,899
INTEREST INCOME	3	<b>208</b>	443
FINANCE COSTS	4	<u><b>(2,286)</b></u>	<u>(2,075)</u>
PROFIT FROM ORDINARY ACTIVITIES BEFORE TAXATION		<b>7,540</b>	4,267
TAXATION	6	<u><b>(2,868)</b></u>	<u>(1,113)</u>
PROFIT BEFORE MINORITY INTERESTS		<b>4,672</b>	3,154
MINORITY INTERESTS		<u><b>(2,949)</b></u>	<u>(3,006)</u>
PROFIT ATTRIBUTABLE TO SHAREHOLDERS		<u><b>1,723</b></u>	<u>148</u>
DIVIDENDS	7	<u><b>–</b></u>	<u>–</u>
EARNINGS PER SHARE			
– Basic	8	<b>0.96 cents</b>	0.08 cents
– Diluted		<u><b>N/A</b></u>	<u>N/A</u>

*Notes:*

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

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 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 “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. The measurement basis used in the preparation of the financial statements is historical cost convention as modified by the revaluation of certain investment properties and land and buildings.

The financial statements have been prepared on a going concern basis. The Group and the Company had net current liabilities of HK\$38,512,000 and HK\$4,270,000 respectively as at 31 December 2004 and its continuance in business as a going concern is dependent upon the Group maintaining future profitable operations and the financial support from its ultimate holding company. In the opinion of directors, the Group has been generating profit. Moreover, the ultimate holding company, Twilight Enterprise Limited, has confirmed to provide continuing financial support, if required, to the Group to enable it to continue as a going concern and to settle its liabilities as and when they fall due.

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

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

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

## 2. Turnover and revenue

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

	<b>2004</b>	2003
	<b>HK\$'000</b>	HK\$'000
Related bus services		
– Public routes	<b>83,386</b>	66,323
– Tourist routes	<b>10,080</b>	6,638
– 'Hire a bus' and employee services	<b>9,542</b>	12,542
Sub-contracting	<b>13,591</b>	10,651
Rental income	<b>571</b>	528
Sightseeing ticket sales and touring	<b>326</b>	1,494
Management fee	<b>1,868</b>	2
	<b>119,364</b>	98,178
OTHER REVENUE		
Advertising income on fleet body	<b>4,134</b>	2,541
Subsidy from local authorities	<b>3,730</b>	3,988
Repair service income	<b>333</b>	–
Sundry income	<b>1,165</b>	645
Total revenue	<b>128,726</b>	105,352

### 3. Interest Income

	<b>2004</b> <i>HK\$'000</i>	2003 <i>HK\$'000</i>
Interest income	<u><b>208</b></u>	<u>443</u>

### 4. Finance Costs

	<b>2004</b> <i>HK\$'000</i>	2003 <i>HK\$'000</i>
Borrowing costs		
Interest expenses on bank loans, overdrafts and other loans wholly repayable within 5 years	<u><b>2,286</b></u>	<u>2,075</u>

### 5. Profit From Operations

Profit from operations is stated after charging the following:

	<b>2004</b> <i>HK\$'000</i>	2003 <i>HK\$'000</i>
Amortisation of intangible assets	<b>298</b>	228
Auditors' remuneration	<b>145</b>	130
Depreciation	<b>14,304</b>	12,558
Loss on disposals of fixed assets	–	811
Operating leases rentals in respect of rented premises	<b>26</b>	298
Staff costs (including directors, and senior Management emoluments)	<b>22,388</b>	22,747

and after crediting:

Other income:

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

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

	<b>2004</b> <i>HK\$'000</i>	2003 <i>HK\$'000</i>
Current taxation		
– PRC income tax provided for the year	<b>48</b>	898
Deferred taxation		
– Charge for the year	<u><b>2,820</b></u>	<u>215</u>
	<u><b>2,868</b></u>	<u>1,113</u>

No provision for Hong Kong Profits Tax has been made as the Group did not have any assessable profits subject to Hong Kong Profits Tax during the year (2003: HK\$ Nil). Taxation on PRC profits has been calculated on the estimated assessable profits for the year at the rates of taxation prevailing in the PRC.

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

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

## **7. Dividends**

The directors do not recommend the payment of any dividend for the year ended 31st December, 2004 (2003: HK\$ Nil).

## **8. Earnings Per Share**

The calculation of earnings per share is based on the Group's profit attributable to shareholders for the year ended 31st December, 2004 of HK\$1,723,000 (2003: HK\$148,000) and on the weighted average number of 180,000,000 (2003: 180,000,000) shares in issue during the year.

No diluted earnings per share has been presented as there was no dilutive potential ordinary shares in existence during the year ended 31st December, 2004 (2003: nil).

## STATEMENT OF CHANGES IN EQUITY

	Issued Capital HK\$'000	Exchange reserve HK\$'000	Share premium HK\$'000	Merger reserve HK\$'000	General reserve HK\$'000	Retained earnings/ (accumulated losses) HK\$'000	Total HK\$'000
i) Group							
At 1/1/2003	1,800	456	29,200	(490)	2,830	14,144	47,940
Net profit for the year	-	-	-	-	-	148	148
Transfer	-	-	-	-	165	(165)	-
Translation of financial statements of overseas subsidiaries	-	(35)	-	-	-	-	(35)
At 31/12/2003 and 1/1/2004	1,800	421	29,200	(490)	2,995	14,127	48,053
Net profit for the year	-	-	-	-	-	1,723	1,723
Transfer	-	-	-	-	232	(232)	-
Translation of financial statements of overseas subsidiaries	-	(44)	-	-	-	-	(44)
At 31/12/2004	<u>1,800</u>	<u>377</u>	<u>29,200</u>	<u>(490)</u>	<u>3,227</u>	<u>15,618</u>	<u>49,732</u>
ii) Company							
At 1/1/2003	1,800	-	29,200	-	-	(2,793)	28,207
Net loss for the year	-	-	-	-	-	(2,423)	(2,423)
At 31/12/2003	1800	-	29,200	-	-	(5,216)	25,784
Net loss for the year	-	-	-	-	-	(1,898)	(1,898)
At 31/12/2004	<u>1,800</u>	<u>-</u>	<u>29,200</u>	<u>-</u>	<u>-</u>	<u>(7,114)</u>	<u>23,886</u>

In accordance with the relevant PRC regulations, subsidiaries of the Company established in the PRC are required to transfer a certain percentage of their profit after taxation, if any, to the general reserves which comprise of the statutory reserve and the enterprise expansion fund. The percentage of the transfer is determined by the board of directors of the subsidiaries.

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

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

## SEGMENT INFORMATION

An analysis of the Group's turnover and contribution to profit from operations by principal activities for the year ended 31st December, 2004 is as follows:

	2004		2003	
	Turnover	Segment	Turnover	Segment
	<i>HK\$'000</i>	<i>Results</i>	<i>HK\$'000</i>	<i>Results</i>
		<i>HK\$'000</i>		<i>HK\$'000</i>
Public Routes	<b>83,386</b>	<b>240</b>	66,323	346
Tourist Routes	<b>10,080</b>	<b>734</b>	6,638	162
"Hire-a-Bus" and Employee Services	<b>9,542</b>	<b>873</b>	12,542	955
Sightseeing Tickets Sales and Touring	<b>326</b>	<b>237</b>	1,494	241
Sub-contracting	<b>13,591</b>	<b>1,805</b>	10,651	994
Rental Income	<b>571</b>	<b>77</b>	528	49
Management Fee	<b>1,868</b>	<b>191</b>	2	2
	<b><u>119,364</u></b>	<b><u>4,157</u></b>	<b><u>98,178</u></b>	<b><u>2,749</u></b>
Other Revenue		<b>9,362</b>		7,174
Other Income		<b>3,328</b>		–
Administrative Expenses		<b><u>(7,229)</u></b>		<b><u>(4,024)</u></b>
Profit from Operations		<b><u>9,618</u></b>		<b><u>5,899</u></b>

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

## EXTRACT OF THE REPORT OF THE AUDITORS

### Basis of opinion

We planned 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.

### Qualified opinion arising from non-compliance of The Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited

In accordance with Chapter 19 of The Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (the "Listing Rules of GEM"), the Company was required to disclose its acquisition of this subsidiary company, Xuzhou China International Travel Service Limited, in the People's Republic of China on 18th August, 2004, but no such disclosure was made by the Company. Such non-disclosure may constitute to a breach of the Listing Rules of GEM.



Except for that the Company did not comply with the disclosure requirement of the Listing Rules of GEM, in our opinion the financial statements give a true and fair view of the state of the Group's and of the Company's affairs as at 31st December, 2004 and of the Group's profit and cash flows for the year then ended and have been properly prepared in accordance with the Hong Kong Companies Ordinance.

## **MANAGEMENT DISCUSSION AND ANALYSIS**

Following a strong rebound at the end of the year in 2003, the economy in the Mainland China continued to recover quickly in the first half of 2004 and consumer confidence continued to hold up extremely well.

According to MasterIndes of Consumer Confidence (as presented by MasterCard International on 6th January, 2005) for the Mainland China, high index scores of over 80 was maintained throughout 2004 even after the Government's austere measures to cool down economic growth and the spiking of world oil price to record highs in the second half of the year and a high GDP growth of 9.5% for the year, still exceeding expectations.

The Group recorded a turnover of HK\$119.4 million for 2004, and increase of 22% over 2003. Net profit for the year, increased by HK\$1.6 million to HK\$1.7 million.

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

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

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

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

## *Nanjing Argos*

Financial year 2004 has proven to be a challenging year for Nanjing Argos. Firstly, the roadworks and the construction project for urban planning and new public routes launched and extended by other public bus operators has disrupted road traffic and caused re-routing in seven of the Public Routes that Nanjing Argos operates. Secondly, the high fuel cost caused by the world crude oil scaling new historical highs from time to time throughout the year causing a big rise of operating cost of services rendered. Thirdly, the regulatory authority imposed mandatory employees medical benefits and social security insurance causing additional operating costs. Lastly, the higher maintenance cost to upgrade the operational efficiency of the bus fleets.

However, Nanjing Argos made a breakthrough on its routes operational right by obtaining a separate legal entity status for direct application for new routes from the regulatory authority, rather than through its JV partner previously.

Nanjing Argos launched three new routes including 6W, 2W and Y1 with theme concepts for each of them, such as health route, civilized route and environmental protection routes respectively, thus to make a breakthrough on service management as well as welcoming the Tenth National Games to be held in Nanjing. Furthermore, Route 93 has been extended during the year.

There were 10 air-conditioned buses and 2 double-deck buses purchased during the year. Fleet size of Nanjing Argos increased from 327 to 339. We present below selected operating statistics of Nanjing Argos:

	<b>2004</b>	2003	2002	2001	2000	1999	1998
Routes operated	<b>15</b>	15	14	13	12	9	8
Number of employees	<b>1,007</b>	962	988	968	900	699	532
Fleet size	<b>339</b>	327	312	283	238	189	152
Total mileage operated (million km)	<b>22.53</b>	21.11	21.31	20.43	17.00	12.86	5.55
Total passenger trip (million trip)	<b>98.94</b>	67.88	80.64	76.26	116.40	44.55	34.09

## *Outlook for Nanjing Argos*

Looking ahead, the operating environment is not expected to improve as competition on the overall operations is becoming increasing keen. Nanjing Argos will continue to increase its revenue by enhancing its public bus services with the addition of more adjusted public routes and to improve the performance of its hire-a-bus services for seizing the business opportunities of the Tenth National Games to be held in Nanjing in 2005 while at the same time, exercise tighter control on other operating costs to offset the unavoidable increase in fuel oil costs.

Based on the implementation plan of the Enterprise Resources Management on Operation Automation and Human Resources Management, Nanjing Argos will further rationalize the flow of management information and enhance management efficiency; strengthen staff recruitment and training to install the sense of belonging of our staff, laying a sound foundation of human resources to facilitate the Group's further development.

Nanjing Argos will establish a system of training and lifelong education for the staff. According to the needs of development and new business, position trainings will be provided to enhance the staff's competence.

Nanjing Argos will continue to improve their safety management system and strengthen safety supervision. Decisions on the adjustment of transportation capacity will be made on the basis of route profitability. It will strictly implement its procedures for comprehensive and rigorous budgetary control on those controllable expenses.

Nanjing Argos will seek to capitalize on its extensive public bus transportation and related services operation and operational expertise to pursue appropriate expansion opportunities, while remaining focused on maintaining a high quality standard in its existing public transport business.

Also, in order to strengthen its competitiveness in the public transportation industry, Nanjing Argos will, from time to time, exercise appropriate control on its costs and improve its management efficiency so as to assure and enhance our Group's profitability in the long run.

#### *Wanzhou Argos*

Wanzhou Argos has devised and implemented a new mode of operation in one of its public routes by selling all its 40 buses to certain proprietary operators and thereupon entered into co-operative agreements with them at early January 2004. Whereas Wanzhou Argos will monitor the operation of the proprietary operators upon their running of buses in assigned public routes in return for a management fee. Thus, Wanzhou Argos will reduce the risk on its own operation, but it can ensure to receive the management fee from the proprietary operators and made an extraordinary profit on the disposal of fixed assets during the year. The decisive action by the management for strategic repositioning shows effect and of utmost importance, this has broken our pattern of loss in Wanzhou Argos operation in the past years. It is important that this turnaround and the new foundation has effectively put the Group in a healthy position for both cost control and operational efficiency.

Performance of Wanzhou Argos has continued its recovery due the above mentioned changing mode of operation and they will continue to expand its operation, enhance its service quality, and introduce more value-added services in order to seek more contribution to the Group's profitability.

On 4th March, 2004, the Company entered into a sale and purchase agreement with the Chongqing Wanzhou Area Transport Committee to acquire 100% interest of the Chongqing Wanzhou Public Transport Company, a state-owned enterprise, of which owned 40% interest in Wanzhou Argos. It is expected that the acquisition would provide an opportunity for the Group to consolidate its resources, eliminating wastage, reducing operation costs and lowering down the burden of retired personnel costs through the resulting merger of business.

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

	<b>2004</b>	2003	2002	2001
Routes operated	<b>6</b>	5	4	2
Number of employees	<b>276</b>	366	360	316
Fleet size	<b>52</b>	90	97	87
Total mileage operated (million km)	<b>3.09</b>	5.50	5.04	2.92
Total passenger trip (million trip)	<b>6.58</b>	9.83	8.59	5.05

#### *Outlook for Wanzhou Argos*

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

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

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

#### *Taizhou Argos*

During the year 2004, Taizhou Argos has only made slight improvement on its profitability due to relatively low in revenue per thousand passengers trip owing to insufficient passengers, high fuel oil cost and increase in operating and maintenance costs for undertaking,

Taizhou Argos has adjusted Route 8, extended the one-man operation Route 26 and re-arranged the Route 4 and 6, in order to improve operational efficiency.

During the year, Taizhou Argos has developed the hire-a-bus and providing school bus services in order to increase revenue income, thus to improve its overall revenue income.

There were totally 34 buses and taxis purchased during the year. We present below selected operating statistics of Taizhou Argos:

	<b>2004</b>	2003	2002
Routes operated	<b>21</b>	22	21
Number of employees	<b>745</b>	495	433
Fleet size (buses and taxis)	<b>516</b>	481	442
Total mileage operated (million km)	<b>12.83</b>	7.21	15.59
Total passenger trip (million trip)	<b>15.25</b>	9.2	9.0

## *Outlook for Taizhou*

Taizhou Argos expects to improve its operating results by various initiatives, such as, to devise and implementation of the operational management system on one-man-operation, sub-contracting and renting of buses, hire-a-bus services and fleet body advertising.

Taizhou Argos also expects to devise and implementation of the operational and sales management system on vehicle repairing and maintenance factory, including spare parts sales.

Taizhou Argos will enhance its service quality, continue to tap it brand advantage, and introduce cost-effective means to improve profitability.

## **Financial Position**

### *The Group*

As at 31st December, 2004, the total assets of the Group was approximately HK\$159 million (2003: HK\$173 million), including cash and bank balances and deposits of approximately HK\$33 million (2003: HK\$48.5 million) of which HK\$13 million (2003:HK\$15 million) were pledged to secure banking facilities.

Balance of bank loans, overdrafts and other loans as at 31st December, 2004 was approximately HK\$29.8 million (2003: HK\$39.3 million) of which HK\$29.5 million (2003: HK\$29.5 million) are due within one year. The borrowings are secured by bank deposits and motor vehicles amounting to approximately HK\$17 million and HK\$15 million respectively and by guarantee of certain directors of the Company. Bank loans of the Group are denominated in both Hong Kong Dollar and Renminbi bearing variable rates of interest.

### *The Company*

At 31st December, 2004, the Company also pledged its fixed deposit of HK\$10 million (2003: HK\$10 million) to secure banking facilities to the Company. Motor vehicles of the Group with carrying value of approximately HK\$15 million (2003: HK\$ 17 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 new acquisition plan except the acquisition of a travel company in the PRC by Argos Enterprise Management Consultant (Nanjing) Ltd., a wholly owned subsidiary of Argos Bus Service (China) Company Limited, of which is a wholly owned subsidiary of the Company taken place at 18th August, 2004. 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 60% (2003: 82%).

## **CHARGES ON ASSETS**

Fixed deposits and bank balances of approximately HK\$17 million (2003: HK\$23 million) and HK\$768,000 (2003: HK\$955,000) respectively have been pledged by the Group to banks to secure banking facilities granted to the Group. At 31st December, 2004, the Company had pledged its fixed deposit of HK\$10 million (2003: HK\$10 million) to a bank to secure banking facilities granted to the Company.

## FOREIGN CURRENCY RISK

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

## CONTINGENT LIABILITY

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

## COMMITMENTS UNDER OPERATING LEASES

As at 31st December, 2004, the Group had future aggregate minimum lease payments under non-cancellable operating leases in respect of land and buildings as follows:

	<b>Group</b>	
	<b>2004</b>	2003
	<i>HK\$'000</i>	<i>HK\$'000</i>
Within one year	–	94
In the second to fifth year inclusive	–	377
After the fifth year	–	2,747
	<hr/>	<hr/>
	–	3,218
	<hr/> <hr/>	<hr/> <hr/>

Operating lease payments represent rentals payable by the Group for its office located in the People's Republic of China. Leases and rentals were negotiated and fixed for a term of 30 years.

As at 31st December, 2004, the Company has no commitments under operating leases.

## EMPLOYEES AND REMUNERATION POLICY

As at 31st December, 2004, the Group had 2,050 (2003: 1,829) full-time employees. The total of employee remuneration, including that of the directors of the Company, for the year ended 31st December, 2004 amounted to approximately HK\$22,388,000 (2003: HK\$22,747,000). The Group remunerates its employees based on their performance, experience and the prevailing industry practice.

## PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

The Company has not redeemed any of its listed securities during the year. Neither the Company nor any of its subsidiaries has purchased or sold any of the Company's listed securities during the year (2003: Nil).

## 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, 2004, no option was granted under the share option scheme.

## **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.

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

Hong Kong, 31st March, 2005

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

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

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