

# Argos

ARGOS ENTERPRISE (HOLDINGS) LIMITED

雅高企業(集團)有限公司

(Incorporated in Hong Kong with limited liability)

Stock Code: 8022

FIRST QUARTERLY REPORT 20

09



## **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 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

- The Group achieved a turnover of approximately HK\$50,873,000 for the three months ended 31 March 2009 (2008: HK\$43,246,000), representing an increase of approximately 18% as compared with that of the corresponding period in 2008.
- Loss from ordinary activities attributable to equity shareholders of the Company approximately HK\$29,922,000 for the three months ended 31 March 2009 mainly due to the increase in operating costs, administrative costs and amortization of intangible assets incurred during the period. The finance costs were substantially increased as additional costs on the convertible bonds of approximately HK\$9,575,000 and promissory notes of approximately HK\$5,772,000 were incurred (which are calculated based on notional interest rate and do not have material cashflow effect on the financial statements) after the completion of acquisition of lottery-based mobile online game service on 8 January 2009.
- Basic loss per share for the three months ended 31 March 2009 was approximately HK11.20 cents (2008: HK1.04 cents).
- The directors do not recommend the payment of any dividend for the three months ended 31 March 2009 (2008: Nil).

## FIRST QUARTERLY RESULTS

For the three months ended 31 March 2009 (Unaudited)

The board of directors (the "Directors") of Argos Enterprise (Holdings) Limited (the "Company") announces the unaudited consolidated results of the Company and its subsidiaries (together the "Group") for the three months ended 31 March 2009 together with comparative unaudited figures for the corresponding period in 2008 (the "Relevant Periods"), as follows:

		<b>Unaudited Three months ended 31 March</b>	
	Notes	<b>2009 HK\$'000</b>	2008 HK\$'000
TURNOVER	2	<b>50,873</b>	43,246
COST OF SALES		<b>(51,339)</b>	(38,537)
GROSS (LOSS)/PROFIT		<b>(466)</b>	4,709
OTHER NET INCOME	2	<b>7,454</b>	1,644
OPERATING AND ADMINISTRATIVE EXPENSES		<b>(32,478)</b>	(8,469)
LOSS FROM OPERATIONS		<b>(25,490)</b>	(2,116)
FINANCE COSTS	3	<b>(15,699)</b>	(776)
LOSS BEFORE TAXATION		<b>(41,189)</b>	(2,892)
INCOME TAX	4	–	–
LOSS FOR THE PERIOD		<b>(41,189)</b>	(2,892)
ATTRIBUTABLE TO:			
EQUITY SHAREHOLDERS OF THE COMPANY		<b>(29,922)</b>	(1,867)
MINORITY INTERESTS		<b>(11,267)</b>	(1,025)
		<b>(41,189)</b>	(2,892)
LOSS PER SHARE			
– BASIC (cent)	5	<b>(11.20)</b>	(1.04)
– DILUTED (cent)	5	<b>N/A</b>	N/A

Notes:

#### **1. Basis of preparation**

These financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards (“HKFRSs”), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (“HKASs”) and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”), accounting principles generally accepted in Hong Kong and the requirements of the Hong Kong Companies Ordinance. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited.

The accounting policies adopted in preparing the unaudited first quarterly consolidated results are consistent with those adopted in the preparation of the annual audited financial statements for the year ended 31 December 2008.

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.

As at 31 March 2009, the Group had net current liabilities of approximately HK\$125,359,000. The directors are of the opinion that the Group should be able to generate sufficient cash flows from future operations to cover its operating costs and to meet its financing commitments and the consolidated financial statements are prepared on a going concern basis.

## 2. Turnover and revenue

The Group is engaged in the rendering of bus services through the operation of public routes, tourist routes, hire-a-bus and employee services, sub-contracting, taxi rental, sightseeing ticket sales and touring as well as provision of lottery-based mobile online game. Revenue recognized during the Relevant Periods is as follows:

	<b>Unaudited</b>	
	<b>Three months ended</b>	
	<b>31 March</b>	
	<b>2009</b>	2008
	<b>HK\$'000</b>	HK\$'000
Turnover		
Public routes	<b>34,835</b>	29,199
Tourist routes	<b>5,158</b>	3,043
'Hire a bus' services and sightseeing ticket	<b>6,551</b>	5,520
Taxi rental	<b>3,310</b>	4,093
Rental income	–	559
Management fee	<b>955</b>	832
Lottery-based mobile online game	<b>64</b>	–
Sub-total	<b>50,873</b>	43,246
Other net (loss)/income		
Advertising income on fleet body	<b>245</b>	283
Subsidy from local authority	<b>5,706</b>	592
Sundries	<b>1,485</b>	685
Interest income	<b>18</b>	84
Sub-total	<b>7,454</b>	1,644
Total revenue	<b>58,327</b>	44,890

## 3. Finance costs

	<b>Unaudited</b>	
	<b>Three months ended</b>	
	<b>31 March</b>	
	<b>2009</b>	2008
	<b>HK\$'000</b>	HK\$'000
Interest on bank loans and overdrafts	<b>352</b>	776
Interest on convertible bonds	<b>9,575</b>	–
Interest on promissory notes	<b>5,772</b>	–
Total finance costs	<b>15,699</b>	776

#### 4. Taxation

The taxation charge comprises:

	<b>Unaudited Three months ended 31 March</b>	
	<b>2009 HK\$'000</b>	2008 HK\$'000
Hong Kong profits tax	–	–
Enterprise income-tax in the PRC	–	–
	–	–

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.

Taxation arising in the PRC is calculated at the rates prevailing in the PRC.

#### 5. Loss per share

The calculation of the basic loss per share is based on basic loss from the ordinary activities for the three months ended 31 March 2009 of HK\$29,922,000 (2008: HK\$1,867,000) and on 300,000,000 (2008: 180,000,000) shares in issue during the period.

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

#### 6. Reserves

	Share capital	Share premium	Merger reserve	Exchange reserve	Statutory reserve	Assets revaluation reserve	Convertible bonds reserve	(Accu- mulated loss)/ retained profits	Total	Minority	Total equity
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)
At 1 January 2008	1,800	29,200	(490)	8,560	3,227	184	432	7,205	50,118	29,705	79,823
Loss for the period	–	–	–	–	–	–	–	(1,867)	(1,867)	(1,025)	(2,892)
Currency translation Difference	–	–	–	1,217	–	–	–	–	1,217	–	1,217
As at 31 March 2008	1,800	29,200	(490)	9,777	3,227	184	432	5,338	49,468	28,680	78,148
At 1 January 2009	2,160	36,472	(490)	14,253	3,227	306	–	(41,057)	14,871	6,270	21,141
Equity components of convertible bonds	–	–	–	–	–	–	140,552	–	140,552	–	140,552
Shares issued upon conversion of convertible bonds	840	51,960	–	–	–	–	–	–	52,800	–	52,800
Arising from acquisition of subsidiary	–	–	–	–	–	–	–	–	–	268,297	268,297
Loss for the period	–	–	–	–	–	–	–	(29,922)	(29,922)	(11,267)	(41,189)
Currency translation Difference	–	–	–	1,810	–	–	–	–	1,810	–	1,810
As at 31 March 2009	3,000	88,432	(490)	16,063	3,227	306	140,552	(70,979)	180,111	263,300	443,411

#### 7. Interim Dividends

The Board does not recommend the payment of any dividend for the three months ended 31 March 2009 (2008: Nil).

## BUSINESS REVIEW

The unaudited consolidated turnover of the Group for the three months ended 31 March 2009 was approximately HK\$50,873,000 representing an increase of 18% over the corresponding period in 2008. The turnover attributable from transportation business was quite stable for the 3 months ended 31 March 2009. On 8 January 2009, the acquisition of 52% equity interest of TLT (Shanghai) Limited was completed and the lottery-based mobile online game commenced its business in Shangdong on 10 January 2009.

The loss was approximately HK\$29,922,000 in the first quarter of 2009. The loss was mainly due to the increase in operating costs, general administrative costs and amortization of intangible assets incurred during the period. The finance costs were substantially increased as additional costs on the convertible bonds of approximately HK\$9,575,000 and promissory notes of approximately HK\$5,772,000 were incurred (which are calculated based on notional interest rate and do not have material cashflow effect on the financial statements) after the completion of acquisition of lottery-based mobile online game service on 8 January 2009. Loss per share for the three months ended 31 March 2009 was HK11.20 cents as compared to loss per share of HK1.04 cents for the corresponding period in 2008.

## FUTURE PROSPECTS

On 6 May 2009, the Company has entered into a Sale and Purchase Agreement with Cable Best Development Limited, being the Purchaser, and Mr. Law Wing Hoi and Mr. Wang Yue Hung, being the Guarantors, pursuant to which the Company has agreed to sell 100% of Argos Bus Services (China) Company Limited ("Argos Bus"), a company wholly-owned by the Company and the sale loan amounting to HK\$18,434,530 for a consideration of totalling HK\$8,000,000, subject to adjustment (the "Disposal"). The Disposal constitutes a very substantial disposal on the part of the Company under the GEM Listing Rules.

Also, the Board announced on 11 May 2009 that a special resolution will be proposed at the extraordinary general meeting (the "EGM") to approve the change of the Company name from "Argos Enterprise (Holdings) Limited" to "TLT Lottotainment Group Limited" and the new Chinese name "唐路彩娛集團有限公司" will be adopted to replace "雅高企業(集團)有限公司".

The Group is not only principally engaged in public bus operation and travel agent services, but has also been actively engaged in lottery-based mobile on-line entertainment business since its acquisition in January 2009. The Group has entered into six mobile lottery recharging services agreements with Shandong Sports Lottery Administrative Center,



Hainan Sports Lottery Administrative Center, Qinghai Sports Lottery Administrative Center, Hubei Sports Lottery Administrative Center, Gansu Sports Lottery Administrative Center and Shaanxi Sports Lottery Administrative Center respectively. The Group is currently in final stage of negotiation to enter into the mobile lottery recharging services agreement with Liaoning Sports Lottery Administrative Center. The Group has commenced operation of lottery-based mobile on-line entertainment business in Shandong in January 2009 and is expected to commence operation of lottery-based mobile on-line entertainment business in other provinces in the PRC soon.

In light of the recent fast development of lottery-based mobile on-line entertainment industry and tourist industry in the PRC, the Board believes that it is in the best interest of the Company to focus its resources and future investment in lottery-based mobile online entertainment business and tourist industry in the PRC. The Board believes that both travel agent business and lottery-based mobile on-line entertainment business are able to generate stable income and profitability to the Group. Accordingly, the Board is of the view that the Disposal represents a good opportunity for the Company to dispose of Argos Bus and its subsidiaries but excluding Argos Enterprise Management Consultant (Nanjing) Limited and Xuzhou China International Travel Service Limited and focus the resources on lottery-based mobile on-line entertainment business and travel agent services in the PRC in order to maintain its competitiveness and achieve the greatest returns for the shareholders of the Company in future.

The proposed change of name of the Company is to reflect its expansion and development of the scope of business in lottery and entertainment industry. The Board believes that the proposed name of the Company will provide a better identification of the Company's current and future business activities, which the Board considers is in the interests of the Company and its Shareholders as a whole.

A circular containing details of the Disposal, details of the proposed change of the Company name, together with the notice of the EGM will be despatched to the Shareholders as soon as practicable and in accordance with the GEM Listing Rules. Further details in relation thereto are published on the Company's announcement dated 11 May 2009.

## DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITION IN THE SHARES, UNDERLYING SHARES AND DEBENTURES

As at 31 March 2009, the following Directors or chief executives of the Company had the following interests in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Cap. 571, Laws of Hong Kong) ("SFO")) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), or which were recorded in the register required to be kept by the Company under Section 352 of the SFO, or otherwise notified to the Company and the Stock Exchange pursuant to the required standards of dealings by directors as referred to in Rule 5.46 of the GEM Listing Rules.

Name of Director	Company/name of its associated corporations	Nature of interests	Number of ordinary share(s) held	Approximate of percentage of the Company's issued share capital
Mr. Cheung Man Yau, Timothy	Company	Corporate	50,000,000 (Note 1)	16.67%
Mr. Wong Man Chiu, Ronnie	Company	Corporate	7,037,342 (Note 2)	2.35%
Mr. Wong Wah Sang (resigned on 9 March 2009)	Company	Corporate	7,037,342 (Note 3)	2.35%
Mr. Wong Wilkie (resigned on 9 March 2009)	Company	Corporate	4,265,999 (Note 4)	1.42%
	Twilight Enterprises Limited	Beneficial	1 (Note 5)	12.50%

### Notes:

1. Wonderful Source Limited, which directly holds 50,000,000 Shares, is wholly owned by Mr. Cheung Man Yau, Timothy, the Executive Director and Chief Executive Officer of the Company. By virtue of Part XV of the SFO, Mr. Cheung Man Yau, Timothy is deemed to be interested in these 50,000,000 Shares.

2. 62,277,360 Shares are held by Sino Market Enterprises Limited which is beneficially owned as to 22.6% by Mellin Enterprises Limited. Mr. Wong Man Chiu, Ronnie, an executive director of the Company, has 50% control in Mellin Enterprises Limited, therefore, Mr. Wong Man Chiu, Ronnie has 7,037,342 shares as the effective interests of the Company.
3. 62,277,360 Shares are held by Sino Market Enterprises Limited which is beneficially owned as to 22.6% by Mellin Enterprises Limited. Mr. Wong Wah Sang has 50% control in Mellin Enterprises Limited, therefore, Mr. Wong Wah Sang has 7,037,342 shares as the effective interests of the Company.
4. 62,277,360 Shares are held by Sino Market Enterprises Limited which is beneficially owned as to 54.8% by Sinoman International Limited, which is 100% owned by Twilight Enterprises Limited. Mr. Wong Wilkie has 12.5% control in Twilight Enterprises Limited, therefore, Mr. Wong Wilkie has 4,265,999 shares as the effective interests of the Company.
5. Mr. Wong Wilkie has 12.5% control in Twilight Enterprises Limited, which is an associated corporation of the Company.

All the interests disclosed above represent long position in the shares.

Save as disclosed above, as at 31 March 2009, none of the Directors or chief executives of the Company had any interests or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 352 of the SFO, or otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

## SHARE OPTION SCHEME

On 30 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 2009, no option had been granted or agreed to be granted to the Directors under the scheme.

At no time during the three months ended 31 March 2009 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 2009 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 INTEREST IN SHARES

As at 31 March 2009, other than the interests and short positions of the Directors or chief executives of the Company disclosed above, person or corporation who had interests in the shares and underlying shares and debentures of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or, who was, directly or indirectly, interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other members of the Group, or any other substantial shareholders whose interests or short positions were recorded in the register required to be kept by the Company under Section 336 of the SFO were as follows:

Name of Shareholder	Capacity and nature of interests	Number of ordinary Shares held	Percentage of the Company's issued share capital
Sino Market Enterprises Limited (Note 1)	Beneficial	62,277,360	20.76%
Sinoman International Limited (Note 2)	Corporate	62,277,360	20.76%
Twilight Enterprises Limited (Note 2)	Corporate	62,277,360	20.76%
Madam Chiu Gee Chai (Note 3)	Corporate	62,277,360	20.76%
Premier Capital Enterprises Limited (Note 4)	Beneficial	624,000,000	208.00%
Mr. Zhang Wei Ting (Note 4)	Corporate	624,000,000	208.00%
Mr. Yeung Wai Hung (Notes 1 and 5)	Corporate	15,474,683	5.16%

Notes:

- These 62,277,360 Shares are held by Sino Market Enterprises Limited which is beneficially owned as to 54.8% by Sinoman International Limited and as to 22.6% by Mellin Enterprises Limited and as to 22.6% by Mr. Yeung Wai Hung, a former executive Director who resigned on 14 February 2008.

2. Sinoman International Limited is beneficially owned as to 100% by Twilight Enterprises Limited which is beneficially owned by Mr. Wilkie Wong, a non-executive Director, as to 12.5%; Mr. Wong Wai Lok, William, as to 12.5%; Ms. Wong Wai Yee, Winnie, as to 12.5%; Ms. Wong Wai Ying, Vivian, as to 12.5%; and as to 50% by Madam Chiu Gee Chai.
3. By virtue of Part XV of the SFO, Madam Chiu Gee Chai is deemed to be interested in 62,277,360 Shares.
4. These shares are owned by Premier Capital Enterprises Limited, a company wholly owned by Mr. Zhang Wei Ting. The 624,000,000 Shares held by Premier Capital Enterprises Limited consist of convertible bonds which can be converted into 580,000,000 shares of the Company during its conversion period of three years from 9 January 2009. Mr. Zhang is deemed to be interested in 624,000,000 Shares pursuant to Part XV of the SFO.
5. Cherikoff Bakery & Confections Limited, which directly holds 1,400,000 Shares, is wholly owned by Mr. Yeung Wai Hung. By virtue of Part XV of the SFO, Mr. Yeung Wai Hung is deemed to be interested in these 1,400,000 Shares.

All the interests disclosed above represent long position in the shares.

Save as disclosed above, as at 31 March 2009, the Directors or chief executives of the Company were not aware of any party who had an interest or short position in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or, who is, directly or indirectly, interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the Company, or substantial shareholders as recorded in the register required to be kept by the Company under Section 336 of the SFO.

## **PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S SHARES**

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed shares during the three months ended 31 March 2009.

## **COMPETING INTERESTS**

As at 31 March 2009, as far as the Directors are aware of, none of the Directors or the management shareholders of the Company (as defined in the GEM Listing Rules) has any interest in a business which competes or may compete with the business of the Group or has any other conflict of interest with the Group.

## COMPLIANCE ADVISER'S INTERESTS

Pursuant to the agreement dated 26 June 2008 entered into between the Company and GF Capital (Hong Kong) Limited ("GF Capital"), GF Capital has received a fee for acting as the Company's compliance adviser commenced on 30 June 2008, the date on which the trading in shares of the Company were resumed, and ending on the date on which the Company complies with Rule 18.03 of the GEM Listing Rules in respect of its financial results for the second full financial year commencing from the date of the appointment of compliance adviser.

Neither GF Capital nor its director or employees or associates had any interests in the securities of the Company, or any right to subscribe for or to nominate persons to subscribe for the securities of the Company as at 31 March 2009.

## AUDIT COMMITTEE

The Company has established an audit committee with written terms of reference based upon the guidelines recommended by the Hong Kong Institute of Certified Public 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 three independent non-executive Directors of the Company, namely Mr. Sung Wai Tak, Herman, Mr. Fung Wai Shing (Chairman) and Mr. Wong Lit Chor, Alexis.

The audit committee has reviewed the accounting principles and practices adopted by the Group with the management of the Company and discussed auditing, internal control and financial reporting matters including the review of the unaudited consolidated financial statements for the three months ended 31 March 2009.

By order of the Board  
**Argos Enterprise (Holdings) Limited**  
**Wong Wai Sing**  
*Chairman*

Hong Kong, 13 May 2009

*As of the date hereof, the executive directors are Mr. Cheung Man Yau, Timothy, Mr. Wong Man Chiu, Ronnie, Mr. Chan Kin Yip and Mr. Cheng Wing Hong; the non-executive director is Mr. Wong Wai Sing (Chairman); while the independent non-executive directors are Mr. Sung Wai Tak, Herman, Mr. Wong Lit Chor, Alexis and Mr. Fung Wai Shing.*