

# 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 **2006**

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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.*



## FIRST QUARTERLY RESULTS

FOR THE THREE MONTHS ENDED 31 MARCH 2006

### HIGHLIGHTS

- Achieved a turnover of approximately HK\$33,726,000 for the three months ended 31 March 2006, representing an increase of approximately 10.5% as compared with that of the corresponding period in 2005.
- Net profit from ordinary activities attributable to shareholders increased by 151.7% compared to the corresponding period in 2005 to approximately HK\$745,000 for the three months ended 31 March 2006 mainly due to increase in sales.
- Earnings per share was approximately HK0.41 cents.
- The directors do not recommend the payment of dividend for the three months ended 31 March 2006.
- Due to the persistent high oil prices, the Group will continue to control its costs and improve the efficiency of its operations.



## FIRST QUARTERLY RESULTS

For the three months period ended 31 March 2006 (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 2006 together with comparative unaudited figures for the corresponding period in 2005 (the “Relevant Period”), as follows:

|   | Note | Three months ended<br>31 March |                   |
|---|------|--------------------------------|-------------------|
|   |      | 2006<br>HK\$'000               | 2005<br>HK\$'000  |
| TURNOVER                                      | 2    | 33,726                         | 30,518            |
| COST OF SALES                                 |      | <u>(27,756)</u>                | <u>(26,718)</u>   |
| GROSS PROFIT                                  |      | 5,970                          | 3,800             |
| OTHER REVENUE                                 | 2    | 2,561                          | 2,849             |
| ADMINISTRATIVE EXPENSES                       |      | <u>(5,745)</u>                 | <u>(4,680)</u>    |
| PROFIT FROM OPERATIONS                        |      | 2,786                          | 1,969             |
| INTEREST INCOME                               |      | 97                             | 48                |
| FINANCE COSTS                                 | 3    | <u>(774)</u>                   | <u>(589)</u>      |
| PROFIT (LOSS) BEFORE TAXATION                 |      | 2,109                          | 1,428             |
| TAXATION                                      | 4    | <u>(167)</u>                   | <u>(168)</u>      |
| PROFIT (LOSS) Before Minority Interest        |      | 1,942                          | 1,260             |
| MINORITY INTERESTS                            |      | <u>(1,197)</u>                 | <u>(964)</u>      |
| PROFIT (LOSS) ATTRIBUTABLE<br>TO SHAREHOLDERS |      | <u>745</u>                     | <u>296</u>        |
| EARNINGS (LOSS) PER SHARE                     | 5    |                                |                   |
| – BASIC                                       |      | <u>0.41 cents</u>              | <u>0.16 cents</u> |



Notes:

### 1. Basis of preparation

The Group's financial statements have been prepared under the historical cost convention and in accordance with the Hong Kong Financial Reporting Standards ("HKFRS") issued by the Hong Kong Institute of Certified Public Accountants (HKICPA), accounting principles generally accepted in Hong Kong, the disclosure requirements of the Hong Kong Companies Ordinance and the disclosure requirements set out in Chapter 18 of the Rules Governing the Listing of Securities on the GEM of the Stock Exchange.

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 2005.

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.

### 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 touring as well as management fees. Revenue recognized during the Relevant Period is as follows:

|                                      | Three months ended |          |
|--------------------------------------|--------------------|----------|
|                                      | 31 March           |          |
|                                      | 2006               | 2005     |
|                                      | HK\$'000           | HK\$'000 |
| Turnover                             |                    |          |
| Related bus services                 |                    |          |
| – Public routes                      | 21,145             | 18,494   |
| – Tourist routes                     | 1,983              | 2,642    |
| – 'Hire a bus' services              | 2,394              | 2,210    |
| Taxi rental                          | 4,169              | 4,200    |
| Rental income                        | 485                | 536      |
| Sightseeing ticket sales and touring | 3,032              | 1,958    |
| Management fee                       | 518                | 478      |
|                                      | 33,726             | 30,518   |
| Other revenue                        |                    |          |
| Advertising income on fleet body     | 506                | 554      |
| Subsidy from local authority         | 1,540              | 1,357    |
| Sundries                             | 515                | 938      |
|                                      | 2,561              | 2,849    |
| Total revenue                        | 36,287             | 33,367   |

**3. Finance costs**

|                                       | Three months ended<br>31 March |            |
|---------------------------------------|--------------------------------|------------|
|                                       | 2006                           | 2005       |
|                                       | HK\$'000                       | HK\$'000   |
| Interest on bank loans and overdrafts | <u>774</u>                     | <u>589</u> |

**4. Taxation**

The taxation charge comprises:

|                       |       | Three months ended<br>31 March |            |
|-----------------------|-------|--------------------------------|------------|
|                       |       | 2006                           | 2005       |
|                       | Notes | HK\$'000                       | HK\$'000   |
| Hong Kong profits tax | (i)   | –                              | –          |
| Overseas taxation     | (ii)  | <u>167</u>                     | <u>168</u> |
|                       |       | <u>167</u>                     | <u>168</u> |

Notes:

- (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 2006 of HK\$745,000 (2005: HK\$296,000) and on 180,000,000 (2005: 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 (2005: Nil).

## INTERIM DIVIDENDS

The Board does not recommend the payment of any dividend for the three months ended 31 March 2006 (2005: Nil).



## ***BUSINESS REVIEW***

Due to persistent high oil prices in the first quarter of 2006, the period under review is a difficult one for the Group as the high oil prices have a direct and negative impact on the profitability of the Group. Also, the increase in staff costs in some subsidiaries in the PRC also had an unfavourable effect on the profitability of the Group.

The unaudited consolidated turnover of the Group for the three months ended 31 March 2006 was approximately HK\$33,726,000 representing an increase of 10.5% over the corresponding period in 2005. The increase in turnover was mainly attributable to “Public routes” bus services segment and “Sightseeing ticket sales and touring” segment operated by the Group.

The profit (loss) attributable to shareholders was approximately HK\$745,000, representing a increase of 151.7% over the corresponding period in 2005. The increase in the profit attributable to shareholders was mainly due to the increase in gross profit caused by the increase in bus fare for public routes. Earnings per share for the three months ended 31 March 2006 was HK0.41 cents as compared to HK0.16 cents for the corresponding period in 2005.

## ***FUTURE PROSPECTS***

Although restrained by the concerns over inflation stemming from the relevant government authorities in the PRC, the Directors will endeavour to negotiate with the relevant government authorities in the PRC for raising the bus fares and/or subsidy schemes in order to offset the negative impact on the Group’s operation due to high oil prices and increase in staff costs so as to improve the overall profitability of the Group.

Also the Group will continue to control its costs and improve the efficiency of its operations in order to offset the negative impact on the profitability of the Group due to high oil prices and the increase in staff costs.



## DIRECTORS' SHAREHOLDING INTERESTS IN THE COMPANY

As at the 31 March 2006, 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 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 5.46 to 5.67 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. Yeung Wai Hung | Corporate        | 1,400,000 ( <i>Notes 1 and 2</i> ) |

As at 31 March 2006 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. Under Part XV of the SFO, Mr. Yeung Wai Hung is personally interested in 2,000 shares in Sinoman International Limited and 150 shares in Metro Line Tours Limited.
2. 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 2006, 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 2006 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 2006 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 2006, 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<br>of Shares | Percentage<br>of issued<br>share capital |
|---------------------------------|-------|---------------------|--|
| Sino Market Enterprises Limited | 1     | 126,000,000         | 70%                                      |
| Sinoman International Limited   | 1     | 126,000,000         | 70%                                      |
| Twilight Enterprises Limited    | 2     | 126,000,000         | 70%                                      |
| Kenworth Enterprises Limited    | 3     | 126,000,000         | 70%                                      |
| Chiu Gee Chai                   | 4     | 126,000,000         | 70%                                      |

As at 31 March 2006 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 by Mr. Wilkie Wong, a non-executive director of the company, as to 12.5 per cent.; Mr. Wong Wai Lok, William, as to 12.5 per cent.; Ms. Wong Wai Yee, Winnie, as to 12.5 per cent.; Ms. Wong Wai Ying, Vivian, as to 12.5 per cent.; and as to 50 per cent. by Madam Chiu Gee Chai, the wife of Mr. Wilson Wong.
3. 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.
4. By virtue of Part XV of the SFO, Madam Chiu Gee Chai is deemed to be interested in 126,000,000 shares.
5. 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.

Save as disclosed above, no person has registered an interest or short position in the share capital of the Company that was required to be recorded 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 2006.



## 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. Cheung Man Yau, Timothy and Mr. Wong Lit Chor, Alexis.

The audit committee has reviewed with management, the accounting principles and practices adopted by the Group and discussed auditing, internal control and financial reporting matters including the review of the unaudited consolidated first quarterly financial statements for the three months ended 31 March 2006.

## BOARD PRACTICES AND PROCEDURES

During the three months ended 31 March 2006, the Company has complied with the board practices and procedures as set out in Rules 5.34 to 5.45 of the GEM Listing Rules.

## 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. ("Argos Hong Kong"), a fellow subsidiary of the Company, and Goldspark HK Tours Limited, indirectly owned subsidiary of Argos Hong Kong, and Metro Line Tours 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  
**Argos Enterprise (Holdings) Limited**  
**Wong Wah Sang**  
*Chairman*

Hong Kong, 23 May 2006

*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.*