



Recruit Holdings Limited

Connect

3rd Quarterly Report

2004

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

**GEM has been established as a market designed to accommodate companies to which a high investment risk may be attached. In particular, companies may list on GEM with neither a track record of profitability nor any obligation to forecast future profitability. Furthermore, there may be risks arising out of the emerging nature of companies listed on GEM and the business sectors or countries in which the companies operate. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.**

**Given the emerging nature of companies listed on GEM, there is a risk that securities trade on GEM may be more susceptible to high market volatility than securities traded on the Main Board and no assurance is given that there will be a liquid market in the securities traded on GEM.**

**The principal means of information dissemination on GEM is publication on the internet website operated by the Stock Exchange. Listed companies are not generally required to issue paid announcements in gazetted newspapers. Accordingly, prospective investors should note that they need to have access to the GEM website in order to obtain up-to-date information on GEM listed issuers.**

*The Stock Exchange takes no responsibility for the contents of this report, makes no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this report.*

*This report, for which the directors (the “Directors”) of Recruit Holdings Limited (the “Company”) 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 of Hong Kong Limited (the “GEM Listing Rules”) for the purpose of giving information with regard to the Company. The Directors, 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.*

## **FINANCIAL REVIEW**

The Group's business continued to enjoy significant growth in the third quarter. Net profit attributable to shareholders for the nine months ended 30th September 2004 was approximately HK\$20.6 million, an increase of approximately 16 times over that of HK\$1.2 million in the same period last year. Turnover was approximately HK\$72.9 million, a 96% increase over that of HK\$37.2 million in the same period last year.

For the three months ended 30th September 2004, net profit attributable to shareholders was approximately HK\$9.2 million, an increase of 20 times over that of HK\$0.4 million in same period last year. Turnover was approximately HK\$28.7 million, an increase of 110% over that of HK\$13.7 million in the same period last year. The significant growth was mainly attributable to advertising income of approximately HK\$9 million generated from Inflight magazine business which was brought into the Group's operation in the second quarter of 2004.

On 14th October 2004, the Company announced that it had entered into a provisional sale and purchase agreement with two independent third parties to acquire a property at the 26th floor of K.Wah Centre No. 191 Java Road Hong Kong at a total consideration of approximately HK\$33.4 million. The acquisition constituted a major transaction for the Company under GEM Listing Rules. City Apex Limited, the controlling shareholder holding approximately 65.3% of the issued share capital of the Company, has given its irrevocable written approval for the acquisition. The acquisition will be solely financed by internal resource as the Company has sufficient internal source of fund as at 14th October 2004.

## **BUSINESS REVIEW AND PROSPECTS**

"Recruit magazine" sustained steady growth in the third quarter of 2004. Turnover from "Recruit" magazine grew by 30% as compared to the same quarter last year. We anticipate that sales growth from "Recruit magazine" will slow down in the fourth quarter due to the traditional slack demand for jobs in this period. The Group's project team has redesigned Recruit's website by adding new functions and features. We expect the redesigned website will come into full operation by the end of 2004.

Our inflight magazine business unit continued its steady growth with a new contract signed for selling advertising space in the inflight magazine of China Southern Airline starting from October 2004. We believe that the Group's inflight magazine business will provide a significant income to the Group as the growth in PRC aviation market continues to be buoyant.

With the contracts signed with about 170 listed companies as at 30th September 2004, the third quarter's revenue from statutory corporate announcement placement business grew by 138% as compared to the same quarter last year. In response to the possible amendment in Hong Kong listing rules allowing listed companies to publish brief announcement in newspapers and run the full details on the Stock Exchange website, the Group would take a cautious view on the operation result in the announcement business for 2005.

### THIRD QUARTERLY RESULTS (UNAUDITED)

The Board of Directors (the “Board”) of the Company presents the unaudited results of the Company and its subsidiaries (collectively referred to as the “Group”) for the nine months ended 30th September, 2004 together with the comparative unaudited figures for the corresponding period in 2003 as follows:

#### CONSOLIDATED INCOME STATEMENT

	Note	Three months ended		Nine months ended	
		30th September		30th September	
		2004	2003	2004	2003
		HK\$'000	HK\$'000	HK\$'000	HK\$'000
Turnover	2	<b>28,703</b>	13,697	<b>72,852</b>	37,204
Direct operating costs		<b>(13,952)</b>	(7,220)	<b>(33,266)</b>	(18,695)
Gross profit		<b>14,751</b>	6,477	<b>39,586</b>	18,509
Other income		<b>756</b>	568	<b>938</b>	2,334
Selling and distribution costs		<b>(3,582)</b>	(2,897)	<b>(10,770)</b>	(8,654)
Administrative expenses		<b>(2,991)</b>	(3,506)	<b>(8,989)</b>	(9,509)
Other operating expenses		<b>221</b>	(213)	<b>(117)</b>	(1,450)
Profit from operations	3	<b>9,155</b>	429	<b>20,648</b>	1,230
Taxation	4	-	-	<b>(28)</b>	-
Net profit for the period		<b>9,155</b>	429	<b>20,620</b>	1,230
Earnings per share					
- Basic ( <i>restated</i> )	5	<b>HK3.36 cents</b>	HK0.27 cents	<b>HK9.17 cents</b>	HK0.86 cents
- Diluted ( <i>restated</i> )	5	<b>HK3.35 cents</b>	HK0.27 cents	<b>HK9.14 cents</b>	HK0.86 cents

## NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS

### 1. Basis of preparation

The principal accounting policies adopted in preparing the unaudited consolidated results for the nine months ended 30th September, 2004, are consistent with those followed in the Group's annual audited consolidated financial statements for the year ended 31st December, 2003.

### 2. Turnover

	Three months ended 30th September		Nine months ended 30th September	
	2004 <i>HK\$'000</i>	2003 <i>HK\$'000</i>	2004 <i>HK\$'000</i>	2003 <i>HK\$'000</i>
Advertising income	<b>28,690</b>	13,697	<b>72,689</b>	37,204
Publication sales	<b>13</b>	-	<b>13</b>	-
Service income	-	-	<b>150</b>	-
	<b><u>28,703</u></b>	<u>13,697</u>	<b><u>72,852</u></b>	<u>37,204</u>

### 3. Profit from operations

Profit from operations has been arrived at after charging:

	Three months ended 30th September		Nine months ended 30th September	
	2004 <i>HK\$'000</i>	2003 <i>HK\$'000</i>	2004 <i>HK\$'000</i>	2003 <i>HK\$'000</i>
Depreciation	<b>300</b>	314	<b>1,020</b>	1,164
Staff costs	<b>4,045</b>	3,313	<b>11,589</b>	10,555
Operating leases rental in respect of				
Rented premises	<b>303</b>	203	<b>909</b>	609
Internet access line	<b>21</b>	26	<b>70</b>	112

#### 4. Taxation

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

	<b>Three months ended</b>		<b>Nine months ended</b>	
	<b>30th September</b>		<b>30th September</b>	
	<b>2004</b>	2003	<b>2004</b>	2003
	<b><i>HK\$'000</i></b>	<i>HK\$'000</i>	<b><i>HK\$'000</i></b>	<i>HK\$'000</i>
Hong Kong Profits Tax – under-provision in prior years	-	-	<b>28</b>	-
	=====	=====	=====	=====

The Hong Kong Profits Tax paid during the nine months ended 30th September, 2004 represents an under-provision in prior years. No provision for Hong Kong Profits Tax or taxation in other jurisdictions has been made for the period since the estimated assessable profit for both periods were wholly absorbed by tax losses brought forward.

## 5. Earnings per share

The calculation of the basic and diluted earnings per share is based on the following data:

	Three months ended 30th September		Nine months ended 30th September	
	2004 <i>HK\$'000</i>	2003 <i>HK\$'000</i>	2004 <i>HK\$'000</i>	2003 <i>HK\$'000</i>
Earnings for the purposes of basic and diluted earnings per share for the period	<u>9,155</u>	<u>429</u>	<u>20,620</u>	<u>1,230</u>
<b>Number of shares ('000)</b>				
		<i>(Restated)</i>		<i>(Restated)</i>
Weighted average number of ordinary shares for the purposes of basic earnings per share	<b>272,500</b>	159,741	<b>224,763</b>	143,250
Effect of dilutive potential ordinary shares in respect of share options granted	<b>421</b>	375	<b>918</b>	124
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Weighted average number of ordinary shares for the purposes of diluted earnings per share	<u>272,921</u>	<u>160,116</u>	<u>225,681</u>	<u>143,374</u>

Following the completion of the rights issue exercise in April 2004, a rights issue on the basis of one rights share for every issued ordinary share of HK\$0.01 each in the share capital of the Company was made at an issue price of HK\$0.012 per share. In addition, a share consolidation that every twenty issued and unissued shares of HK\$0.01 each in the share capital of the Company being consolidated into one consolidated shares of HK\$0.20 each was effective on 27th August, 2004. As such, the comparative figure of basic earnings per share for three months and nine months ended 30th September, 2003 were re-calculated based on the adjusted weighted average of 159,741,000 shares and 143,250,000 shares respectively, as adjusted to reflect the rights issue and share consolidation deemed to have occurred during the period.

## 6. Movement in reserves

	Share Premium HK\$'000	Exchange Reserve HK\$'000	Merger Reserve HK\$'000	Contributed Surplus HK\$'000	Goodwill Reserve HK\$'000	Accumulated Losses HK\$'000	Total HK\$'000
<b>2004</b>							
At 1st January	49,724	5	(43,897)	45,000	13,440	(59,047)	5,225
Issue of right shares	5,450	-	-	-	-	-	5,450
Share issuing expenses	(1,204)	-	-	-	-	-	(1,204)
Profit for the period	-	-	-	-	-	20,620	20,620
At 30 <sup>th</sup> September	<u>53,970</u>	<u>5</u>	<u>(43,897)</u>	<u>45,000</u>	<u>13,440</u>	<u>(38,427)</u>	<u>30,091</u>
<b>2003</b>							
At 1st January	40,774	5	(43,897)	-	13,440	(61,530)	(51,208)
Capital Reorganization	-	-	-	45,000	-	-	45,000
Issue of shares	10,400	-	-	-	-	-	10,400
Share issuing expenses	(1,450)	-	-	-	-	-	(1,450)
Profit for the period	-	-	-	-	-	1,230	1,230
At 30th September	<u>49,724</u>	<u>5</u>	<u>(43,897)</u>	<u>45,000</u>	<u>13,440</u>	<u>(60,300)</u>	<u>3,972</u>

## 7. Interim Dividend

The Directors do not recommend the payment of an interim dividend for the nine months ended 30th September, 2004 (2003: Nil).



## DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS IN SECURITIES

As at 30th September, 2004, the interests of the Directors and Chief Executives of the Company in the shares of the Company as recorded in the register required to be kept under section 352 of Part XV of the Securities and Futures Ordinance (the "SFO") were as follows:

Name of Directors	Personal Interests (Shares)	Family Interests (Shares)	Corporate Interests (Shares)	Total Interests (Shares)	Percentage to the issued share capital of the Company (%)
Mr. Lau Chuk Kin (Note 1)	Nil	Nil	179,002,000	179,002,000	65.69
Mr. Lee Ching Ming, Adrian (Note 2)	100,500	50,000	Nil	150,500	0.06
Mr. Peter Stavros Patapios Christofis	670,500	Nil	Nil	670,500	0.25

### Number of share options

Name of Directors	Outstanding at 1.1.2004	Granted during the period	Exercised during the period	Cancelled/lapsed during the period	Outstanding at 30.9.2004
Ms Ho Suk Yi (Note 3)	-	5,000,000	-	-	5,000,000

### Notes:

- Of 179,002,000 shares, 1,048,000 shares and 177,954,000 shares are beneficially owned by ER2 Holdings Limited and City Apex Limited respectively. As at 30th September, 2004, Mr. Lau Chuk Kin beneficially owned 79% of the issued share capital of ER2 Holdings Limited, which is the ultimate holding company of City Apex Limited. Accordingly, Mr. Lau Chuk Kin is deemed to be interested in the said shares pursuant to Part XV of the SFO.
- Of 150,500 shares, 50,000 shares are beneficially owned by the wife of Mr. Lee Ching Ming, Adrian, who is deemed to be interested in the said shares under Part XV of the SFO.
- The share options were granted to Ms Ho Suk Yi on 17th May, 2004 with an exercise price of HK\$0.014 (HK\$0.28 with effect on 27th August, 2004 when share consolidation was made). The vesting period is a year from 17th May, 2004 to 16th May, 2005 whereas the exercisable period will be from 17th May, 2005 to 2nd July, 2013.

Saved as disclosed above, as at 30th September, 2004, to the knowledge of the Company, none of the directors or chief executive of the Company had or was deemed to have any interests or short positions in the shares, underlying shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be maintained under section 352 of Part XV of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the required standard of dealings by directors as referred to in Rule 5.46 of the GEM Listing Rules.

## SUBSTANTIAL SHAREHOLDERS

As at 30th September, 2004, in addition to those interests as disclosed above in respect of the Directors, pursuant to Part XV of the SFO, the Company had been notified of the following interests, being 5% or more in the issued share capital of the Company:

Name	Number of shares	Percentage to the issued share capital of the Company %
Mr. Lau Chuk Kin ( <i>Note 1</i> )	179,002,000	65.69
ER2 Holdings Limited ( <i>Note 1</i> )	179,002,000	65.69
City Apex Limited ( <i>Note 1</i> )	177,954,000	65.30
Tai Wah Investment Company Limited ( <i>Note 2</i> )	22,000,000	8.07
Chan Family Investment Corporation Limited ( <i>Note 2</i> )	26,677,333	9.79
Great Eagle Holdings Limited ( <i>Note 3</i> )	22,076,000	8.10
Jolly Trend Limited ( <i>Note 3</i> )	22,076,000	8.10
The Great Eagle Company, Limited ( <i>Note 3</i> )	22,076,000	8.10
Dr. Lo Ka Shui ( <i>Note 4</i> )	22,226,000	8.16
JAIC-Somerley Corporate Development Fund Limited ( <i>Note 5</i> )	16,788,178	6.16
Japan Asia Investment Company Limited ( <i>Note 5</i> )	16,788,178	6.16
HSBC International Trustee Limited ( <i>Note 6</i> )	16,788,178	6.16

*Notes:*

1. Of the 179,002,000 shares, Mr. Lau Chuk Kin is deemed to be interested in the 1,048,000 shares directly held by ER2 Holdings Limited. Each of Mr. Lau Chuk Kin and ER2 Holdings Limited is deemed to be interested in the 177,954,000 shares owned by City Apex Limited.
2. Of these shares, 3,679,333 shares are directly owned by Chan Family Investment Corporation Limited, 998,000 shares and 22,000,000 shares are respectively held by Earnyear Limited and Tai Wah Investment Company Limited. Both Earnyear Limited and Tai Wah Investment Company Limited are wholly-owned subsidiaries of Chan Family Investment Corporation Limited.
3. Each of Great Eagle Holdings Limited and Jolly Trend Limited is deemed to be interested in the 22,076,000 shares owned by The Great Eagle Company, Limited.
4. Of these shares, 22,076,000 shares are duplicated in the interest described in note 3, as The Great Eagle Company, Limited is a wholly-owned subsidiary of Great Eagle Holdings Limited. Dr. Lo Ka Shui was interested and/or deemed to be interested in the issued share capital of Great Eagle Holdings Limited. In addition, Dr. Lo Ka Shui has personal interest in 150,000 shares.
5. Japan Asia Investment Company Limited is deemed to be interested in the 16,788,178 shares owned by JAIC-Somerley Corporate Development Fund Limited.
6. 16,788,178 shares relate to the same block of shares as described in note 5. HSBC International Trustee Limited, in which the corporations mentioned in note 5 are the beneficiaries, is interested and/or deemed to be interested in the said 16,788,178 shares.

## FINANCIAL ASSISTANCE

As previously reported, the Group had provided financial assistance to PPG Investments Limited (“PPGI”) of approximately HK\$16 million, which was proportional to the Group’s 20 per cent equity interest in PPGI. The financial assistance is unsecured, interest free and there is no fixed term of repayment. As at 30th September, 2004, the Group’s advance to PPGI, net of allowance, was approximately HK\$7 million (2003: HK\$7 million). The Directors believe that no further allowance for the amount due from PPGI is required as PPGI is currently holding a 50% stake in a Hong Kong printing company which was at net current asset position throughout the period. The latest unaudited balance sheet of PPGI as at 30th September, 2003 is as follows:

	HK\$’000
Non-current Assets	51,436
Current Assets	103
Current Liabilities	(95)
Non-current Liabilities	(80,110)
	<hr/>
	(28,666)
	<hr/> <hr/>

During the period, the Group did not provide any new financial assistance to PPGI.

## PURCHASE, SALE OR REDEMPTION OF SHARES

During the nine months ended 30th September, 2004, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company’s listed securities.

## COMPETING INTERESTS

The directors of the Company believe that none of the directors or the management shareholders of the Company or any of their respective associates (as defined in the GEM Listing Rules) has any business or interest that competes or may compete with the business of the Group.

## **AUDIT COMMITTEE**

The audit committee has three members comprising the three independent non-executive directors, namely, Mrs Ling Ching Man, Eleanor, Mr. Cheng Ping Kuen, Franco and Mr. Tyen Kan Hee, Anthony, with terms of reference in compliance with the GEM Listing Rules.

The audit committee had met with the management to review the Company's third quarterly report for the nine months ended 30th September, 2004 and had the opinion that such report was complied with the applicable accounting standards and adequate disclosures had been made.

By Order of the Board  
Ho Suk Yi  
Executive Director

Hong Kong, 18th October 2004