

---

**THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION**

---

**If you are in any doubt** as to any aspect of this circular or as to the action to be taken, you should consult your licensed securities dealer or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser.

**If you have sold or transferred** all your shares in Recruit Holdings Limited, you should at once hand this circular to the purchaser or transferee or to the bank, stockbroker or other agent through whom the sale or the transfer was effected for transmission to the purchaser or transferee.

The Stock Exchange of Hong Kong Limited takes no responsibility for the contents of this circular, 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 circular.



**RECRUIT HOLDINGS LIMITED**

才庫媒體集團有限公司\*

*(continued in Bermuda with limited liability)*

(Stock code: 8073)

**MAJOR TRANSACTION**

**ACQUISITION OF PROPERTY**

---

*\*For identification only*

18 November 2004

---

## CHARACTERISTICS OF GEM

---

**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.**

---

## CONTENTS

---

	<i>page</i>
<b>DEFINITIONS</b> .....	1
<b>LETTER FROM THE BOARD</b>	
Introduction .....	3
Formal Agreement.....	3
Reasons for and effects on the Acquisition .....	4
Approval by the major shareholder .....	5
Additional information.....	5
<b>APPENDIX I – Financial information on the Group</b> .....	6
<b>APPENDIX II – Property valuation</b> .....	36
<b>APPENDIX III – General information</b> .....	40

---

## DEFINITIONS

---

*In this circular, unless the context otherwise requires, the following expressions have the following meanings:*

“Acquisition”	the acquisition of the Property by the Purchaser from the Vendors
“Announcement”	the announcement of the Company dated 14 October 2004 in respect of the Acquisition
“associate”	the same meaning ascribed thereto in the GEM Rules
“Board”	the board of Directors
“Company”	Recruit Holdings Limited, a company continued in Bermuda with limited liability and the Shares of which are listed on GEM
“City Apex”	City Apex Limited, a company incorporated in the British Virgin Islands with limited liability, the controlling shareholder of the Company
“Consideration”	the aggregate consideration of HK\$33,362,000 for the Acquisition
“Director(s)”	the director(s) of the Company
“Formal Agreement”	the formal sale and purchase agreement entered into between the Vendors and the Purchaser in relation to the sale and purchase of the Property on 28 October 2004 which superseded the Provisional Sale and Purchase Agreement
“Group”	the Company and its subsidiaries
“GEM”	the Growth Enterprise Market of the Stock Exchange
“GEM Rules”	the Rules Governing the Listing of Securities on GEM
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Independent Third Parties”	parties not connected with the Directors, chief executive or substantial shareholders of the Company or any of its subsidiaries or any of their respective associates
“Latest Practicable Date”	12 November 2004, the latest practicable date prior to the issue of this circular for the purpose of ascertaining certain information contained herein
“Property”	Office 2601 & 2602 on 26th Floor, K.Wah Centre, No. 191 Java Road, Hong Kong
“Property Valuer”	Dudley Surveyors Limited, an independent Chartered Surveyor

---

## DEFINITIONS

---

“Provisional Sale and Purchase Agreement”	the provisional sale and purchase agreement dated 12 October 2004 entered into between the Vendors and the Purchaser in relation to the sale and purchase of the Property
“Purchaser”	Easking Limited, a wholly-owned subsidiary of the Company
“SFO”	the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong
“Share(s)”	ordinary share(s) of HK\$0.2 each in the capital of the Company
“Shareholder(s)”	the holder(s) of Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Tenancy Agreements”	the tenancy agreements signed between the tenant and Vendors in relation to the rental of the Property before the Acquisition
“Vendors”	Tiger Star Investments Limited and Wickham Properties Limited, both are independent third parties and not connected persons of the Company
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong

---

## LETTER FROM THE BOARD

---



### RECRUIT HOLDINGS LIMITED

才庫媒體集團有限公司\*

*(Continued in Bermuda with limited liability)*

*Executive Directors:*

Lau Chuk Kin (Chairman)  
Ho Suk Yi

*Non-Executive Directors:*

Wan Siu Kau  
Lee Ching Ming, Adrian  
Peter Stavros Patapios Christofis  
Lam Mei Lan

*Independent Non-Executive Directors:*

Ling Ching Man, Eleanor  
Cheng Ping Kuen, Franco  
Tyen Kan Hee, Anthony

*Registered office:*

Clarendon House  
2 Church Street  
Hamilton HM 11  
Bermuda

*Principal place of business  
in Hong Kong:*

26th Floor  
625 King's Road  
North Point  
Hong Kong

18 November 2004

*To the Shareholders*

Dear Sir or Madam,

### MAJOR TRANSACTION

### ACQUISITION OF PROPERTY

#### INTRODUCTION

The Board announced that the Purchaser, a wholly-owned subsidiary of the Company, has entered into the Provisional Sale and Purchase Agreement with the Vendors in relation to the Acquisition of the Property on 12 October 2004 for an aggregate consideration of HK\$33,362,000.

#### FORMAL AGREEMENT

Subsequent to the Provisional Sale and Purchase Agreement entered into on 12 October 2004, the Formal Agreement was entered into between the parties on 28 October 2004, which superseded the Provisional Sale and Purchase Agreement. There is no material difference between the Formal Agreement and the Provisional Sale and Purchase Agreement. Details of the Formal Agreement are set out below:

Date: 28 October 2004

Parties: Easking Limited, a wholly-owned subsidiary of the Company as the Purchaser.

Tiger Star Investments Limited and Wickham Properties Limited, collectively as the Vendors. To the best of the Directors' knowledge, information and belief having made all reasonable enquiry, each of the Vendors and its ultimate beneficial owners

*\*For identification only*

---

## LETTER FROM THE BOARD

---

and their respective associates are third parties independent of the Company and the connected parties (as defined in the GEM Rules) of the Company. The vendors are principally engaged in investment holding.

**Property:** The Property is situated at Office 2601 & 2602 on 26th Floor, K.Wah Centre, No. 191 Java Road, Hong Kong, comprising a total gross floor area of approximately 11,915 square feet. The Property will be sold subject to the existing tenancy which will expire on 28 February 2005. The tenant is an independent third party who had exercised its right to renew the tenancy for a further term of one year from 1 March 2005 to 28 February 2006.

The Property is valued at HK\$33,900,000 as at 11 October 2004 by the Property Valuer. The text of the valuation of the Property is set out in Appendix II to this circular.

**Consideration:** The aggregate consideration for the Acquisition is HK\$33,362,000 which is determined by reference to the valuation of the Property made by the Property Valuer and recent comparable transactions in Hong Kong East. The Consideration will be or has been paid by the Purchaser in cash in the following manner:

- (i) HK\$1,000,860, representing 3% of the Consideration, has been paid as an initial non-refundable deposit upon the signing of the Provisional Sale and Purchase Agreement;
- (ii) HK\$2,335,340, representing 7% of the Consideration, has been paid as a further non-refundable deposit on 21 October 2004; and
- (iii) the balance of the Consideration in the sum of HK\$30,025,800 will be paid upon completion of the Formal Agreement, which is expected to be on or before 23 November 2004.

As at the date of this circular, the Company has sufficient internal source of fund, therefore, the Consideration will be solely financed by internal resource. The terms of Acquisition were determined after arm's length negotiation by reference to the market conditions.

**Termination:** In the event that the Vendors are unable to prove good title to the Property, the Purchaser shall have the right to terminate the Acquisition and shall be entitled to a return of all the deposits paid.

### REASONS FOR AND EFFECTS ON THE ACQUISITION

The Group is engaged in advertising media business which comprises recruitment magazine publishing, inflight magazine advertising and selling of statutory corporate announcement space. The Group is currently occupying its corporate office (approximately 11,800 square feet in floor area) under a lease which will expire in approximately 18 months at an effective monthly rental of approximately HK\$100,000. The Board considers that the Acquisition will provide an effective hedge against the Group's exposure towards volatility in the Hong Kong office rental market. Eventually the Property can be used as the Group's corporate office upon the expiry of its current tenancy in April 2006. In the meantime, the current rental income from the Property will also provide a better yield for the Group's surplus funds as compared to bank deposit income.

---

## LETTER FROM THE BOARD

---

The Board considers that the terms of the Acquisition are fair and reasonable in the current market conditions having regard to the valuation of the Property and are in the interest of the Company and the Shareholders as a whole.

The Acquisition will be funded solely through internal resources of the Group. The unaudited consolidated net asset value of the Group as at 30 June 2004 was approximately HK\$75,476,000. The Directors believe that the Acquisition would not have a significant effect on the net asset value of the Group.

### **APPROVAL BY THE MAJOR SHAREHOLDER**

The Acquisition constitutes a major transaction of the Company as the percentage ratios in respect of the Acquisition exceeds 25% of one or more of the relevant ratios as set out in Rule 19.06 of the GEM Rules. Pursuant to Rule 19.40 of the GEM Rules, the Acquisition is subject to approval of the Shareholders of the Company. Under Rule 19.44 of the GEM Rules, Shareholders' approval for the Acquisition shall be given by a majority vote at a general meeting of the Shareholders of the Company unless the following conditions are met: (a) no Shareholder of the Company is required to abstain from voting if the Company were to convene a general meeting for the approval of the Acquisition and (b) the written Shareholders' approval has been obtained from a Shareholder or a closely allied group of Shareholders who collectively hold more than 50% in nominal value of the Shares giving the right to attend and vote at such general meeting, in which case Shareholders' approval may be accepted in lieu of holding a general meeting.

In compliance with Rule 19.44 of the GEM Rules, as no Shareholders of the Company is required to abstain from voting, the Company has obtained the irrevocable written approval from City Apex, the controlling Shareholder of the Company holding approximately 65.3 per cent. of the Shares of the Company and voting rights in general meeting as at the date of this circular, for the approval of the Acquisition. City Apex is not interested in the Acquisition (other than through its shareholding interest in the Company) and is not required to abstain from voting in the general meeting. Accordingly, the Company has made an application to the Stock Exchange for City Apex's irrevocable written approval to be accepted in lieu of holding a general meeting of the Shareholders for the approval of the Acquisition. The Stock Exchange has confirmed that the Company is not required to convene a general meeting to obtain an approval of the Acquisition from the Shareholders.

### **ADDITIONAL INFORMATION**

Your attention is also drawn to the additional information set out in the appendices to this circular.

Yours faithfully,  
By Order of the Board  
**Recruit Holdings Limited**  
**Ho Suk Yi**  
*Executive Director*



## 1. SUMMARY OF AUDITED FINANCIAL STATEMENTS

The following is a summary of the audited consolidated income statement of the Group for each of the three years ended 31st December, 2003, the audited consolidated balance sheet of the Group as at 31st December, 2002 and 2003, the audited consolidated statement of changes in equity for the two years ended 31st December, 2003 and the audited consolidated cash flow statement for the two years ended 31st December, 2003, together with accompanying notes as extracted from the relevant annual reports of the Company:

## CONSOLIDATED INCOME STATEMENT

	<i>Notes</i>	<b>For the year ended</b>		
		<b>31st December</b>		
		<b>2003</b>	<b>2002</b>	<b>2001</b>
		<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Turnover	4	50,293	70,138	106,343
Direct operating costs		(26,143)	(37,631)	(55,738)
Gross profit		24,150	32,507	50,605
Other operating income	6	2,179	1,276	2,286
Selling and distribution costs		(11,700)	(19,981)	(30,200)
Administrative expenses		(10,664)	(39,028)	(69,692)
Other operating expenses		(1,367)	(3,585)	(733)
Impairment loss on property, plant and equipment		–	(1,337)	(7,431)
Profit (loss) from operations	7	2,598	(30,148)	(55,165)
Finance costs	8	(115)	(1)	(1)
Allowance for loans to an associate		–	(6,032)	(2,709)
Share of results of an associate		–	–	(537)
Profit (loss) before taxation		2,483	(36,181)	(58,412)
Taxation	11	–	–	(29)
Net profit (loss) for the year		<u>2,483</u>	<u>(36,181)</u>	<u>(58,441)</u>
Earnings (loss) per share	12			
Basic		<u>HK0.10 cents</u>	<u>(HK3.22 cents)</u>	<u>(HK\$5.19 cents)</u>
Diluted		<u>HK0.10 cents</u>	<u>N/A</u>	<u>N/A</u>

## CONSOLIDATED BALANCE SHEET

		At 31st December	
	<i>Notes</i>	2003 <i>HK\$'000</i>	2002 <i>HK\$'000</i>
<b>Non-current Assets</b>			
Property, plant and equipment	<i>13</i>	2,508	1,491
Interests in associates	<i>15</i>	7,351	7,281
		<u>9,859</u>	<u>8,772</u>
<b>Current Assets</b>			
Inventories		–	1,275
Trade and other receivables	<i>17</i>	9,470	11,804
Amount due from a related company	<i>18</i>	–	267
Tax recoverable		–	270
Pledged bank deposit	<i>19</i>	–	2,000
Bank balances and cash		21,933	3,770
		<u>31,403</u>	<u>19,386</u>
<b>Current Liabilities</b>			
Trade and other payables	<i>20</i>	8,787	13,490
Amount due to a related company	<i>21</i>	–	4,626
Shareholder's loan	<i>22</i>	–	5,000
		<u>8,787</u>	<u>23,116</u>
<b>Net Current Assets (Liabilities)</b>		<u>22,616</u>	<u>(3,730)</u>
		<u><u>32,475</u></u>	<u><u>5,042</u></u>
<b>Capital and Reserves</b>			
Share capital	<i>23</i>	27,250	56,250
Share premium and reserves	<i>24</i>	5,225	(51,208)
		<u>32,475</u>	<u>5,042</u>

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY***For the year ended 31st December 2003*

	<b>Total equity</b> <i>HK\$'000</i>
At 1st January 2002	41,223
Net loss for the year	(36,181)
	<hr/>
At 31st December 2002	5,042
Net profit for the year	2,483
Share issued at premium	26,400
Share issue expenses	(1,450)
	<hr/>
At 31st December 2003	<u>32,475</u>

During the year, the Group undertook a capital reorganisation as detailed in note 23.

**CONSOLIDATED CASH FLOW STATEMENT***For the year ended 31st December 2003*

	<b>2003</b> <i>HK\$'000</i>	<b>2002</b> <i>HK\$'000</i>
<b>OPERATING ACTIVITIES</b>		
Profit (loss) from operations	2,598	(30,148)
Adjustments for:		
Depreciation	1,456	5,712
Interest income	(96)	(111)
(Gain) loss on disposal and write off of property, plant and equipment	(5)	1,067
Impairment loss on property, plant and equipment	–	1,337
Gain on disposal of a jointly controlled entity	(200)	–
	<hr/>	<hr/>
Operating cash flows before movements in working capital	3,753	(22,143)
Decrease (increase) in inventories	1,275	(150)
Decrease in trade and other receivables	2,334	3,322
Decrease (increase) in amount due from a related company	267	(143)
Decrease in trade and other payables	(4,703)	(1,462)
(Decrease) increase in amount due to a related company	(4,626)	1,443
	<hr/>	<hr/>
Cash used in operations	(1,700)	(19,133)
Hong Kong Profits Tax refunded	270	–
Interest paid	(115)	(1)
	<hr/>	<hr/>
<b>NET CASH USED IN OPERATING ACTIVITIES</b>	<b>(1,545)</b>	<b>(19,134)</b>
<b>INVESTING ACTIVITIES</b>		
Interest received	96	111
Purchase of property, plant and equipment	(2,473)	(79)
Net proceeds on disposal of a jointly controlled entity	200	–
Loan advanced to an associate	(70)	–
Proceeds on disposal of property, plant and equipment	5	64
Decrease in pledged bank deposit	2,000	3,000
	<hr/>	<hr/>
<b>NET CASH (USED IN) FROM INVESTING ACTIVITIES</b>	<b>(242)</b>	<b>3,096</b>
<b>FINANCING ACTIVITIES</b>		
Loan advanced from a shareholder	10,000	5,000
Proceeds on issue of ordinary shares	11,400	–
Share issue expenses paid	(1,450)	–
	<hr/>	<hr/>
<b>NET CASH FROM FINANCING ACTIVITIES</b>	<b>19,950</b>	<b>5,000</b>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>18,163</b>	<b>(11,038)</b>
<b>CASH AND CASH EQUIVALENTS AT 1ST JANUARY</b>	<b>3,770</b>	<b>14,808</b>
	<hr/>	<hr/>
<b>CASH AND CASH EQUIVALENTS AT 31ST DECEMBER</b>	<b>21,933</b>	<b>3,770</b>
	<hr/> <hr/>	<hr/> <hr/>
Representing:		
Bank balances and cash	21,933	3,770
	<hr/> <hr/>	<hr/> <hr/>

**NOTES TO THE FINANCIAL STATEMENTS**

*For the years ended 31st December 2003 and 31st December 2002*

**1. GENERAL**

The Company was incorporated in the Cayman Islands as an exempted company and redomiciled to Bermuda by way of de-registration in the Cayman Islands and continuation as an exempted company under the laws of Bermuda, with limited liability and its shares are listed on the Growth Enterprise Market (“GEM”) of The Stock Exchange of Hong Kong Limited.

Pursuant to a special resolution passed on 16th January 2003, the name of the Company changed from “Panda-Recruit Limited” to “Recruit Holdings Limited”.

The Company acts as an investment holding company. Details of the principal activities of the principal subsidiaries are set out in note 31.

As at 31st December 2003, the Company’s ultimate holding company is ER2 Holdings Limited, incorporated in Hong Kong.

**2. ADOPTION OF STATEMENT OF STANDARD ACCOUNTING PRACTICE**

In the current year, the Company has adopted, for the first time, the revised Statement of Standard Accounting Practice 12 “Income taxes” (“SSAP 12 (Revised)”) issued by the Hong Kong Society of Accountants.

The principal effect of the implementation of SSAP 12 (Revised) is in relation to deferred tax. SSAP 12 (Revised) requires the adoption of a balance sheet liability method, whereby deferred tax is recognised in respect of all temporary differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, with limited exceptions. The retrospective adoption of SSAP 12 (Revised) has not resulted in any significant effect on the financial statements in the prior periods, and accordingly, no prior period adjustment has been made.

**3. SIGNIFICANT ACCOUNTING POLICIES**

The financial statements have been prepared under the historical cost convention and in accordance with accounting principles generally accepted in Hong Kong. The principal accounting policies adopted are as follows:

**Basis of consolidation**

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries made up to 31st December each year.

All significant intercompany transactions and balances within the Group have been eliminated on consolidation.

**Goodwill**

Goodwill arising on consolidation represents the excess of the cost of acquisition over the Group’s interest in the fair value of the identifiable assets and liabilities of a subsidiary or an associate at the date of acquisition.

Goodwill arising on the acquisition of subsidiaries is presented separately in the balance sheet. Goodwill arising on the acquisition of an associate is included within the carrying amount of the associate.

On disposal of a subsidiary or an associate, the attributable amount of unamortised goodwill is included in the determination of the profit or loss on disposal.

**Negative goodwill**

Negative goodwill represents the excess of the Group’s interest in the fair value of the identifiable assets and liabilities of a subsidiary or an associate at the date of acquisition over the cost of acquisition.

Negative goodwill arising on acquisition prior to 1st January 2001 continues to be held in reserves and will be credited to income at the time of disposal of the relevant subsidiary or associate.

Negative goodwill arising on acquisition after 1st January 2001 is presented as deduction from assets. To the extent that the negative goodwill is attributable to losses or expenses anticipated at the date of acquisition, it is released to income in the period in which those losses or expenses arise. The remaining negative goodwill is recognised as income on a straight-line basis over the remaining average useful life of the identifiable acquired depreciable assets. To the extent that such negative goodwill exceeds the aggregate fair value of the acquired identifiable non-monetary assets, it is recognised as income immediately.

Negative goodwill arising on the acquisition of subsidiaries is presented separately in the balance sheet as a deduction from assets. Negative goodwill arising on the acquisition of an associate is deducted from the carrying value of that associate.

#### **Investments in subsidiaries**

Investments in subsidiaries are included in the Company's balance sheet at cost less any identified impairment loss.

#### **Interests in associates**

The consolidated income statement includes the Group's share of the post-acquisition results of its associates for the year. In the consolidated balance sheet, interests in associates are stated at the Group's share of the net assets of the associates less any identified impairment loss.

The results of associates are accounted for by the Company on the basis of dividends received and receivable during the year. In the Company's balance sheet, investments in associates are stated at cost, as reduced by any identified impairment loss.

#### **Revenue recognition**

Advertising income is recognised on the date of the relevant publication issue or on time basis by reference to the period in which the advertisement is displayed in website.

Service income is recognised when services are provided.

Publication sales were recognised when the risk and reward of ownerships had been passed.

Publishing income was recognised when services were provided.

Interest income from bank deposits is accrued on a time basis by reference to the principal outstanding and at the interest rate applicable.

Rental income under operating leases are recognised on a straight line basis over the term of the relevant lease.

#### **Property, plant and equipment**

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses.

Depreciation is provided to write off the cost of property, plant and equipment over their estimated useful lives, using the straight line method, at the following rates per annum:

Furniture and fixtures	20%
Office equipment	20%
Leasehold improvements	20% - 50% or over the lease term, whichever is shorter
Computer equipment and systems	33 $\frac{1}{3}$ %
Motor vehicles	20%

The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sale proceeds and the carrying amount of the asset and is recognised in the income statement.

**Impairment**

At each balance sheet date, the Group reviews the carrying amounts of its assets to determine whether there is any indication that those assets have suffered an impairment loss. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately.

**Inventories**

Inventories representing paper for production are stated at the lower of cost and net realisable value. Cost is calculated using the first-in, first-out method.

**Foreign currencies**

Transactions in foreign currencies are translated at the rates ruling on the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are re-translated at the rates prevailing on the balance sheet date. Gains and losses arising on exchange are dealt with in the income statement.

On consolidation, the assets and liabilities of the Group's operations outside Hong Kong are translated at exchange rates prevailing on the balance sheet date. Income and expense items are translated at the average exchange rates for the period. Exchange differences arising, if any, are classified as equity and transferred to the Group's translation reserve. Such translation differences are recognised as income or as expenses in the period in which the operation is disposed of.

**Retirement benefit schemes**

Payments to Group's retirement benefit schemes are charged as expenses as they fall due.

**Taxation**

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years, and it further excludes income statement items that are never taxable or deductible.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences, and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill (or negative goodwill) or from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the year when the liability is settled or the asset realised. Deferred tax is charged or credited to the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

**Operating leases**

Operating leases rentals are charged to the income statement on a straight line basis over the relevant lease term.

**Website/portal development costs**

All costs incurred in the development of new websites/portals and enhancement of existing websites/portals, including costs incurred in the development and enhancement of contents, are charged to the income statement as incurred.

**Advertising and promotion expenses**

Advertising and promotion expenses are charged to the income statement when incurred.

**4. TURNOVER**

Turnover represents recruitment and non-recruitment advertising income, service income, publication sales and publishing income less returns and discounts, and is analysed as follows:

	<b>2003</b> <i>HK\$'000</i>	<b>2002</b> <i>HK\$'000</i>
Advertising income	49,943	69,223
Service income	350	150
Publication sales	–	336
Publishing income	–	429
	<u>50,293</u>	<u>70,138</u>



## 5. GEOGRAPHICAL AND BUSINESS SEGMENTS

**Geographical segments**

The Group's operations are located in Hong Kong and the People's Republic of China (other than Hong Kong) (the "PRC"). The Group's business in advertising and publishing are carried out in Hong Kong. Provision of internet technology service was carried out in the PRC.

<b>2003</b>	<b>Hong Kong</b> <i>HK\$'000</i>	<b>PRC</b> <i>HK\$'000</i>	<b>Elimination</b> <i>HK\$'000</i>	<b>Consolidated</b> <i>HK\$'000</i>
REVENUE	<u>51,433</u>	<u>–</u>	<u>–</u>	<u>51,433</u>
RESULT				
Segment result	<u>1,984</u>	<u>1,330</u>		3,314
Interest income				96
Unallocated corporate revenue				203
Unallocated corporate expenses				<u>(1,015)</u>
Profit from operations				2,598
Finance costs				<u>(115)</u>
Profit before taxation				2,483
Taxation				<u>–</u>
Net profit for the year				<u>2,483</u>
		<b>Hong Kong</b> <i>HK\$'000</i>	<b>PRC</b> <i>HK\$'000</i>	<b>Consolidated</b> <i>HK\$'000</i>
BALANCE SHEET				
ASSETS				
Segment assets		31,331	97	31,428
Interests in associates		7,351	–	7,351
Unallocated corporate assets		2,483	–	<u>2,483</u>
Consolidated total assets				<u>41,262</u>
LIABILITIES				
Segment liabilities		6,831	491	7,322
Unallocated corporate liabilities		1,465	–	<u>1,465</u>
Consolidated total liabilities				<u>8,787</u>
OTHER INFORMATION				
Additions to property, plant and equipment		2,473	–	2,473
Depreciation		1,456	–	1,456

2002	Hong Kong <i>HK\$'000</i>	PRC <i>HK\$'000</i>	Elimination <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
<b>REVENUE</b>				
External revenue	70,950	213	–	71,163
Inter-segment revenue	417	305	(722)	–
Total	<u>71,367</u>	<u>518</u>	<u>(722)</u>	<u>71,163</u>
Inter-segment sales are charged at market price or at cost.				
<b>RESULT</b>				
Segment result	<u>(22,203)</u>	<u>(4,207)</u>		(26,410)
Interest income				111
Unallocated corporate revenue				140
Unallocated corporate expenses				<u>(3,989)</u>
Loss from operations				(30,148)
Finance costs				(1)
Allowance for loans to an associate	(6,032)	–	–	<u>(6,032)</u>
Loss before taxation				(36,181)
Taxation				<u>–</u>
Net loss for the year				<u>(36,181)</u>
		<b>Hong Kong</b> <i>HK\$'000</i>	<b>PRC</b> <i>HK\$'000</i>	<b>Consolidated</b> <i>HK\$'000</i>
<b>BALANCE SHEET</b>				
<b>ASSETS</b>				
Segment assets		18,900	101	19,001
Interests in an associate		7,281	–	7,281
Unallocated corporate assets				<u>1,876</u>
Consolidated total assets				<u>28,158</u>
<b>LIABILITIES</b>				
Segment liabilities		13,572	2,067	15,639
Unallocated corporate liabilities				<u>7,477</u>
Consolidated total liabilities				<u>23,116</u>
<b>OTHER INFORMATION</b>				
Additions to property, plant and equipment		79	–	79
Depreciation		5,526	186	5,712
Impairment loss on property, plant and equipment		653	684	1,337

**Business segments**

For management purpose, the Group is currently organised into three operating divisions - advertising, publishing and provision of internet technology service.

The following table provides an analysis of the Group's revenue by business divisions:

	Revenue by business divisions		Contribution to operation	
	Year ended	Year ended	Year ended	Year ended
	31.12.2003	31.12.2002	31.12.2003	31.12.2002
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Advertising	51,433	69,881	3,314	(19,472)
Publishing	–	1,069	–	(2,731)
Internet technology service	–	213	–	(4,207)
	<u>51,433</u>	<u>71,163</u>	3,314	(26,410)
Interest income			96	111
Unallocated corporate revenue			203	140
Unallocated corporate expenses			(1,015)	(3,989)
Profit (loss) from operations			<u>2,598</u>	<u>(30,148)</u>

The following is an analysis of the carrying amount of segment assets and additions to property, plant and equipment, analysed by business divisions for which the assets are used:

	Carrying amount of segment assets		Additions to property, plant and equipment	
	Year ended	Year ended	Year ended	Year ended
	31.12.2003	31.12.2002	31.12.2003	31.12.2002
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Advertising	31,428	18,663	2,473	74
Publishing	–	237	–	5
Internet technology service	–	101	–	–
Interests in associates	7,351	7,281	–	–
Unallocated corporate assets	2,483	1,876	–	–
	<u>41,262</u>	<u>28,158</u>	<u>2,473</u>	<u>79</u>

**6. OTHER OPERATING INCOME**

Included in other operating income are interest earned on bank deposits of HK\$96,000 (2002: HK\$111,000) and gain on disposal of a jointly controlled entity of HK\$200,000 (2002: Nil).

During the year, the Group entered into an agreement to form a jointly controlled entity ("JCE") with 50% interest held by the Group for the purpose of engaging in the printing business. Subsequently, the Group could not reach an agreement with the partner for the control over the daily operations of the JCE and as a result, agreed to dispose of the Group's 50% equity interest to the partner for a consideration of HK\$2,000,000. The Group also agreed to pay for an aggregate amount of HK\$1,800,000 to the employees of the JCE in connection with the Group's withdrawals, resulting in a net gain of HK\$200,000.

## 7. PROFIT (LOSS) FROM OPERATIONS

	<b>2003</b> <i>HK\$'000</i>	<b>2002</b> <i>HK\$'000</i>
Profit (loss) from operations has been arrived at after charging (crediting):		
Auditors' remuneration		
Current year	250	676
Overprovision in prior year	(65)	(4)
	<u>185</u>	<u>672</u>
Depreciation	1,456	5,712
Staff costs	14,245	33,082
(Gain) loss on disposal and write off of property, plant and equipment	(5)	1,067
Operating lease rental in respect of:		
Rented premises	591	3,517
Website hosting	–	333
Internet access line	112	346
	<u>703</u>	<u>4,196</u>
Operating lease rental income in respect of subleasing of office premises	<u>(219)</u>	<u>(189)</u>

## 8. FINANCE COSTS

	<b>2003</b> <i>HK\$'000</i>	<b>2002</b> <i>HK\$'000</i>
Interest on:		
Amount due to a related company	115	–
Bank overdraft	–	1
	<u>115</u>	<u>1</u>

## 9. DIRECTORS' REMUNERATION

	<b>2003</b> <i>HK\$'000</i>	<b>2002</b> <i>HK\$'000</i>
Fees:		
Executive directors	30	–
Non-executive directors	90	300
Independent non-executive directors	60	200
	<u>180</u>	<u>500</u>
Other emoluments for executive directors:		
Basic salaries and other benefits	346	7,234
Retirement benefit scheme contributions	7	289
	<u>353</u>	<u>7,523</u>
	<u>533</u>	<u>8,023</u>

The emoluments of the directors were within the following bands:

	<b>2003</b> <b>Number</b> <b>of directors</b>	<b>2002</b> <b>Number</b> <b>of directors</b>
Nil – HK\$1,000,000	11	12
HK\$2,000,001 – HK\$2,500,000	–	1
HK\$5,000,001 – HK\$5,500,000	–	1
	<u>          </u>	<u>          </u>

The executive directors received individual emolument for the year ended 31st December 2003 of approximately HK\$30,000 (2002: Nil), HK\$47,000 (2002: Nil), Nil (2002: HK\$132,000), Nil (2002: HK\$5,056,000) and Nil (2002: HK\$2,335,000). No emolument was paid to the remaining executive director for the year ended 31st December 2003 (2002: Nil).

Three (2002: three) of the non-executive directors with each received director's fee for the year ended 31st December 2003 of approximately HK\$30,000 (2002: HK\$100,000) and one (2002: Nil) of the non-executive directors received individual emolument for the year ended 31st December 2003 of approximately HK\$306,000 (2002: Nil) in the capacity of executive director. No emolument was paid to the remaining non-executive director for the year ended 31st December 2003 (2002: Nil). The independent non-executive directors received directors' fee for the year ended 31st December 2003 of HK\$30,000 (2002: HK\$100,000), HK\$30,000 (2002: Nil) and Nil (2002: HK\$100,000).

#### 10. EMPLOYEES' REMUNERATION

The five highest paid individuals of the Group did not include any (2002: two) executive directors of the Company, whose emoluments are included in note 9 above. The emoluments of the five (2002: three) individuals are as follows:

	<b>2003</b> <i>HK\$'000</i>	<b>2002</b> <i>HK\$'000</i>
Basic salaries and other benefits	2,080	2,303
Retirement benefit scheme contributions	78	143
Compensation for loss of office	–	68
	<u>          </u>	<u>          </u>
	<u>2,158</u>	<u>2,514</u>

The aggregate emoluments of each of the employees during the year were within the emoluments bands ranging from Nil to HK\$1,000,000.

During each of the two years ended 31st December 2003, no emoluments were paid by the Group to the directors and the five highest paid individuals (including directors and employees) as an inducement to join or upon joining the Group and no director waived any emoluments during each of the two years ended 31st December 2003.

## 11. TAXATION

No tax is payable on the estimated assessable profit arising in Hong Kong since the estimated assessable profit of the Company and its subsidiaries are wholly absorbed by tax losses brought forward. There are no known tax liabilities elsewhere.

Details of deferred taxation of the Group are set out in note 25.

The nil provision for the year can be reconciled from taxation based on profit (loss) per income statement as follows:

	<b>2003</b> <i>HK\$'000</i>	<b>2002</b> <i>HK\$'000</i>
Profit (loss) before taxation	<u>2,483</u>	<u>(36,181)</u>
Tax at the domestic tax rate of 17.5% (2002: 16%)	435	(5,789)
Tax effect of income not taxable for tax purpose	(280)	(120)
Tax effect of expenses not deductible for tax purpose	588	1,456
Tax effect of general allowance for doubtful debts not recognised	106	67
Tax effect of utilisation of tax losses not previously recognised	(1,208)	(141)
Tax effect of tax losses not recognised	208	4,076
Others	<u>151</u>	<u>451</u>
Tax charge for the year	<u>–</u>	<u>–</u>

*Note:* The domestic tax rate in the jurisdiction where the operation of the Group is substantially based is used.

## 12. EARNINGS (LOSS) PER SHARE

The calculation of the diluted earnings (loss) per share for the year is based on the following data:

	<b>2003</b> <i>HK\$'000</i>	<b>2002</b> <i>HK\$'000</i>
Earnings (loss) for the purposes of basic and diluted earnings (loss) per share	<u>2,483</u>	<u>(36,181)</u>
	<b>Number of shares '000</b>	<b>Number of shares '000</b>
Weighted average number of ordinary shares for the purposes of basic earnings (loss) per share	2,514,589	1,125,000
Effect of dilutive potential ordinary shares in respect of share options granted	<u>4,356</u>	<u>N/A</u>
Weighted average number of ordinary shares for the purposes of diluted earnings (loss) per share	<u>2,518,945</u>	<u>N/A</u>

## 13. PROPERTY, PLANT AND EQUIPMENT

	Furniture and fixtures <i>HK\$'000</i>	Office equipment <i>HK\$'000</i>	Leasehold improvements <i>HK\$'000</i>	Computer equipment and systems <i>HK\$'000</i>	Motor vehicles <i>HK\$'000</i>	Total <i>HK\$'000</i>
<b>THE GROUP COST</b>						
At 1st January 2003	661	1,433	323	33,367	233	36,017
Additions	4	4	256	2,073	136	2,473
Disposals/write-off	–	(305)	(323)	(11,334)	–	(11,962)
At 31st December 2003	<u>665</u>	<u>1,132</u>	<u>256</u>	<u>24,106</u>	<u>369</u>	<u>26,528</u>
<b>DEPRECIATION AND IMPAIRMENT</b>						
At 1st January 2003	645	1,292	323	32,033	233	34,526
Provided for the year	7	80	81	1,263	25	1,456
Eliminated on disposals/ write-off	–	(305)	(323)	(11,334)	–	(11,962)
At 31st December 2003	<u>652</u>	<u>1,067</u>	<u>81</u>	<u>21,962</u>	<u>258</u>	<u>24,020</u>
<b>NET BOOK VALUES</b>						
At 31st December 2003	<u><u>13</u></u>	<u><u>65</u></u>	<u><u>175</u></u>	<u><u>2,144</u></u>	<u><u>111</u></u>	<u><u>2,508</u></u>
At 31st December 2002	<u><u>16</u></u>	<u><u>141</u></u>	<u><u>–</u></u>	<u><u>1,334</u></u>	<u><u>–</u></u>	<u><u>1,491</u></u>

## 14. INVESTMENTS IN SUBSIDIARIES

	<b>THE COMPANY</b>	
	<b>2003</b>	<b>2002</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Unlisted shares, at cost	62,029	62,029
Impairment losses recognised	(62,029)	(59,229)
	<u><u>–</u></u>	<u><u>2,800</u></u>

The cost of the Company's investments in subsidiaries is determined by the directors on the basis of the underlying net assets of the subsidiaries at the time they were acquired by the Company pursuant to a group reorganisation in 2000.

In view of the losses incurred by the subsidiaries, an impairment loss of HK\$2,800,000 (2002:HK\$10,076,000) was recognised as the directors considered that the expected cash flows from these subsidiaries were not sufficient to recover the investment cost.

Details of principal subsidiaries are set out in note 31.

## 15. INTERESTS IN ASSOCIATES

	THE GROUP		THE COMPANY	
	2003 HK\$'000	2002 HK\$'000	2003 HK\$'000	2002 HK\$'000
Unlisted shares, at cost	-	-	-	-
Share of net assets	-	-	-	-
Loans to associates	16,092	16,022	70	-
Allowance for loans to an associate	(8,741)	(8,741)	-	-
	<u>7,351</u>	<u>7,281</u>	<u>70</u>	<u>-</u>

Loans to associates are unsecured and interest free. In the opinion of the directors, no repayment will be demanded within the next twelve months. Accordingly the loans are classified as non-current asset.

Details of the associates as at 31st December 2003 are as follows:

Name of Company	Place of incorporation	Class of shares held	Proportion of nominal value of issued capital held by the Company		Principal activity
			Directly	Indirectly	
PPG Investments Limited	British Virgin Islands	Ordinary	-	20%	Investment holding
Trion Pacific Limited	Hong Kong	Ordinary	35%	-	Inactive

The following details have been extracted from the latest unaudited financial statements of PPG Investments Limited, the Group's significant associate, for the nine months ended 30th September 2003.

**Results**

	1.1.2003 to 30.9.2003 HK\$'000	1.1.2002 to 31.12.2002 HK\$'000
Loss from ordinary activities before taxation	<u>(5,473)</u>	<u>(9,645)</u>
Loss from ordinary activities before taxation attributable to the Group	<u>-</u>	<u>-</u>

**Financial position**

	At 30.9.2003 HK\$'000	At 31.12.2002 HK\$'000
Non-current assets	51,436	56,909
Current assets	103	126
Current liabilities	(95)	(117)
Non-current liabilities	<u>(80,110)</u>	<u>(80,111)</u>
Net liabilities	<u>(28,666)</u>	<u>(23,193)</u>
Net liabilities attributable to the Group	<u>-</u>	<u>-</u>



## 16. AMOUNTS DUE FROM SUBSIDIARIES

	<b>THE COMPANY</b>	
	<b>2003</b>	<b>2002</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Amounts due from subsidiaries	72,309	52,849
Allowance for amounts due from subsidiaries	(39,169)	(44,854)
	<u>33,140</u>	<u>7,995</u>

The amounts due from subsidiaries are unsecured and interest free. In the opinion of directors, no repayment will be demanded within the next twelve months. Accordingly, the amounts are classified as non-current assets.

## 17. TRADE AND OTHER RECEIVABLES

The Group allows a credit period from 7 days to 120 days to its trade customers.

The following is an aged analysis of accounts receivable at the balance sheet date:

	<b>2003</b>	<b>2002</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
0 – 60 days	4,743	5,043
61 – 120 days	2,171	3,263
>120 days	553	1,349
Total trade receivables	<u>7,467</u>	<u>9,655</u>
Other receivables	<u>2,003</u>	<u>2,149</u>
	<u>9,470</u>	<u>11,804</u>

## 18. AMOUNT DUE FROM A RELATED COMPANY

**THE GROUP**

Particulars of amount due from a related company are as follows:

<b>Name of related company</b>	<b>Balance at</b>	<b>Balance at</b>	<b>Maximum amount</b>
	<b>31.12.2003</b>	<b>1.1.2003</b>	<b>outstanding</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Premier Printing Group Limited (“PPG”)	<u>–</u>	<u>267</u>	<u>267</u>

PPG is an associate of PPG Investments Limited.

The former directors, Dr. Lo Ka Shui, Mr. Chow Yung and Ms. Ifan Chan have beneficial interests in PPG.

The amount due from PPG was unsecured, interest free and was fully repaid during the year.

## 19. PLEDGED BANK DEPOSIT

The pledged bank deposit at 31st December 2002 was placed in a designated bank account in favour of a bank as part of the security for the short term banking facilities granted to the Group by the bank and the pledge was released during the year.

**20. TRADE AND OTHER PAYABLES**

The following is an aged analysis of accounts payable at the balance sheet date:

	<b>2003</b> <i>HK\$'000</i>	<b>2002</b> <i>HK\$'000</i>
0 – 60 days	1,260	–
61 – 120 days	31	–
Total trade payables	1,291	–
Other payables	7,496	13,490
	<u>8,787</u>	<u>13,490</u>

**21. AMOUNT DUE TO A RELATED COMPANY**

The amount due to a related company represents trade balance with PPG. The following is the aged analysis of payable at the reporting date:

	<b>2003</b> <i>HK\$'000</i>	<b>2002</b> <i>HK\$'000</i>
0 – 60 days	–	2,167
61 – 120 days	–	2,459
	<u>–</u>	<u>4,626</u>

**22. SHAREHOLDER'S LOAN**

Pursuant to a conditional subscription agreement (“Subscription Agreement”) entered into between the Company and a substantial shareholder, City Apex Limited (“City Apex”), on 27th September 2002, City Apex conditionally agreed to subscribe for shares in the Company. According to another agreement entered into on 17th December 2002, City Apex advanced an interest free loan of HK\$5,000,000 to the Company and on 17th January 2003, a loan of HK\$10,000,000 was drawn under a standby credit facility provided by City Apex under the Subscription Agreement. A promissory note of HK\$10,000,000 was executed, which bore interest at 2% per annum. These loans were treated as part of the subscription money payable by City Apex to the Company and City Apex agreed to waive the interest on the promissory note pursuant to the Subscription Agreement upon completion on 18th February 2003. The director, Mr. Lau Chuk Kin has a beneficial interest in City Apex.

**23. SHARE CAPITAL**

	<b>Number of shares</b>		<b>Share capital</b>	
	<b>2003</b> <i>'000</i>	<b>2002</b> <i>'000</i>	<b>2003</b> <i>HK\$'000</i>	<b>2002</b> <i>HK\$'000</i>
Ordinary shares of HK\$0.01 (2002: HK\$0.05) each				
Authorised:				
At beginning of year	2,000,000	2,000,000	100,000	100,000
Capital reorganisation	8,000,000	–	–	–
At end of year	<u>10,000,000</u>	<u>2,000,000</u>	<u>100,000</u>	<u>100,000</u>
Issued and fully paid:				
At beginning of year	1,125,000	1,125,000	56,250	56,250
Capital reorganisation	–	–	(45,000)	–
Shares issued at premium	1,600,000	–	16,000	–
At end of year	<u>2,725,000</u>	<u>1,125,000</u>	<u>27,250</u>	<u>56,250</u>

### Capital reorganisation

During the year, the Group undertook a capital reorganisation which involved (i) a reduction of the nominal value of the shares from HK\$0.05 each to HK\$0.01 each by cancelling the issued capital to the extent of HK\$0.04 paid up on each of the issued shares and the sub-division of each unissued share into five unissued new shares; and (ii) maintaining, after implementation of the reduction in nominal value of each share as referred to in the foregoing paragraph (i), the authorised share capital of the Company at HK\$100,000,000 but divided into 10,000,000,000 new shares of HK\$0.01 each. The credit in the sum of HK\$45,000,000 arising from the capital reduction was credited to the contributed surplus account of the Company.

### Issue of shares

Pursuant to a special resolution passed on 16th February 2003, the Subscription Agreement relating to the subscription of 1,600,000,000 new shares of HK\$0.01 each in the capital of the Company at the subscription price of HK\$0.0165 per new share was generally and unconditionally approved, confirmed and satisfied. The completion of the Subscription Agreement took place on 18th February 2003 with 1,600,000,000 new shares of the Company being allotted and issued to City Apex. The shares were issued for the purpose of financing the working capital of the Group.

### Share option scheme

The Company's share option scheme (the "Share Option Scheme"), was adopted pursuant to a resolution passed on 3rd July 2000 for the purpose of providing incentives to directors and eligible employees, and will expire on 2nd July 2010. The committee of the Board of Directors constituted to administer the Share Option Scheme may, at its discretion, offer to full time employees, including Executive Directors in the full time employment of the Company or any of its subsidiaries, options to subscribe for shares in the Company at a price not less than the highest of: (i) the closing price of the shares of the Company on the Stock Exchange on the date of offer of the option; (ii) the average of the closing prices of the shares on the Stock Exchange for the five trading days immediately preceding the date of the grant of the options; and (iii) the nominal value of a share. A nominal consideration of HK\$1 is payable on acceptance of the grant of an option.

Pursuant to Chapter 23 of the GEM Listing Rules, unless shareholders' prior approval otherwise is obtained, the maximum number of shares in respect of which options may be granted shall not exceed 10% of the issued share capital of the Company and the maximum number of shares in respect of which options may be granted to any one employee in any 12-month period shall not exceed 1% of the issued share capital.

The following table discloses details of the Company's share options granted to certain employees of the Group on 2nd July 2003 and movements in such holding:

Exercisable period	Exercise price HK\$	Granted during the year	Lapsed during the year	Outstanding at 31st December 2003
2nd July 2004 – 2nd July 2013	0.012	37,500,000	(15,000,000)	22,500,000

No share option was exercised during the year.

## 24. SHARE PREMIUM AND 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>THE GROUP</b>							
Balance at 1st January 2002	40,774	5	(43,897)	-	13,440	(25,349)	(15,027)
Net loss for the year	-	-	-	-	-	(36,181)	(36,181)
Balance at 31st December 2002	40,774	5	(43,897)	-	13,440	(61,530)	(51,208)
Shares issued at premium	10,400	-	-	-	-	-	10,400
Share issue expenses	(1,450)	-	-	-	-	-	(1,450)
Capital reorganisation (note 23)	-	-	-	45,000	-	-	45,000
Net profit for the year	-	-	-	-	-	2,483	2,483
Balance at 31st December 2003	<u>49,724</u>	<u>5</u>	<u>(43,897)</u>	<u>45,000</u>	<u>13,440</u>	<u>(59,047)</u>	<u>5,225</u>
				<b>Share premium HK\$'000</b>	<b>Contributed surplus HK\$'000</b>	<b>Accumulated losses HK\$'000</b>	<b>Total HK\$'000</b>
<b>THE COMPANY</b>							
Balance at 1st January 2002			40,774	17,919		(84,785)	(26,092)
Net loss for the year			-	-		(25,096)	(25,096)
Balance at 31st December 2002			40,774	17,919		(109,881)	(51,188)
Share issued at premium			10,400	-		-	10,400
Share issue expenses			(1,450)	-		-	(1,450)
Capital reorganisation (note 23)			-	45,000		-	45,000
Net profit for the year			-	-		1,930	1,930
Balance at 31st December 2003			<u>49,724</u>	<u>62,919</u>		<u>(107,951)</u>	<u>4,692</u>

The accumulated losses of the Group include accumulated losses of HK\$2,002,000 (2002: HK\$2,002,000) attributable to associate of the Group.

The merger reserve of the Group arose as a result of a group reorganisation in 2000 and represents the difference between the nominal amount of the share capital issued by the Company and the nominal amount of the issued share capital of Recruit (BVI) Limited (formerly known as Panda-Recruit (BVI) Limited).

The contributed surplus of the Company as at 1st January 2002 also arose as a result of a group reorganisation in 2000 and represents the difference between the excess of the value of the consolidated shareholders' funds of Recruit (BVI) Limited at the date on which the group reorganisation became effective over the nominal amount of the share capital of the Company issued under the group reorganisation.

The contributed surplus of the Group and the Company arising during the year represents the reduction in share capital in accordance with the Company's capital reorganisation as detailed in note 23.

The Company's reserves available for distribution represent the contributed surplus and retained profits.

Under the Companies Act 1981 of Bermuda (as amended), the contributed surplus account of the Company is available for distribution. However, the Company cannot declare or pay a dividend, or make a distribution out of contributed surplus if:

- it is, or would after the payment be, unable to pay its liabilities as they become due; or
- the realisable value of its assets would thereby be less than the aggregate of its liabilities and its issued share capital and share premium accounts.

In the opinion of the directors, the Company had no reserve available for distribution to shareholders at 31st December 2003 and 2002.

**25. DEFERRED TAXATION**

At the balance sheet date, the Group have provided for deferred tax liabilities of HK\$323,000 (2002: Nil) and recognised deferred tax asset of HK\$323,000 (2002: Nil) in respect of accelerated tax depreciation and tax loss respectively. The deferred tax asset and liabilities have been offset for the purpose of balance sheet presentation.

At the balance sheet date, the major components of unprovided deferred tax assets (liabilities) are as follows:

	<b>THE GROUP</b>		<b>THE COMPANY</b>	
	<b>2003</b>	<b>2002</b>	<b>2003</b>	<b>2002</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Tax effect of temporary differences because of:				
Difference between depreciation and depreciation allowance	97	(58)	-	-
Tax losses	14,653	14,290	1,058	814
Other temporary differences	162	73	-	-
	<u>14,912</u>	<u>14,305</u>	<u>1,058</u>	<u>814</u>

The net deferred tax asset has not been recognised in the financial statements as it is not probable that taxable profit will be available against which the tax losses or other deductible temporary differences can be utilised due to the unpredictability of future profit streams.

**26. MAJOR NON-CASH TRANSACTION**

During the year, the Company allotted and issued 1,600,000,000 new shares to City Apex for a consideration of HK\$26,400,000. Loans amount of HK\$15,000,000 advanced by City Apex were treated as part of the subscription money payable by City Apex to the Company. Details of the transaction was set out in note 23.

**27. OPERATING LEASE COMMITMENTS**

At the balance sheet date, the Group had commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

	<b>Rented premises</b>		<b>Internet access line</b>	
	<b>2003</b>	<b>2002</b>	<b>2003</b>	<b>2002</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Within one year	1,128	-	-	97
In the second to fifth years inclusive	1,629	-	-	-
	<u>2,757</u>	<u>-</u>	<u>-</u>	<u>97</u>

Operating lease payments represent rentals payable by the Group for its office properties and internet access line. The lease of rental premises was negotiated for a term of three years with fixed rentals over the term of the leases and the premises were subleased to related parties on monthly basis as disclosed in note 30. No tenancy agreement was entered into between the Group and the related parties.

At the balance sheet date, the Company had no commitments under non-cancellable operating leases (2002: Nil).

## 28. CAPITAL COMMITMENTS

	2003 HK\$'000	2002 HK\$'000
Capital expenditure in respect of the acquisition of property, plant and equipment contracted for but not provided for in the financial statements	<u>930</u>	<u>–</u>
Capital expenditure in respect of additional capital investment in one of its subsidiaries	<u>–</u>	<u>390</u>

## 29. RETIREMENT BENEFITS SCHEMES

The Group participates in both a defined contribution scheme which is registered under the Occupational Retirement Schemes Ordinance (the “ORSO Scheme”) and a Mandatory Provident Fund Scheme (the “MPF Scheme”) established under the Mandatory Provident Fund Ordinance in December 2000. The assets of the schemes are held separately from those of the Group, in funds under the control of trustees. Employees who were members of the ORSO Scheme prior to the establishment of the MPF Scheme were offered a choice of staying within the ORSO Scheme or switching to the MPF Scheme, whereas all new employees joining the Group on or after 1st October 2000 are required to join the MPF Scheme.

The retirement benefits cost charged to income statement represents contributions payable to the schemes by the Group at rates specified in the rules of the schemes.

For members of the MPF Scheme, the Group contributes 5% of the relevant payroll costs to the Scheme, which contribution is matched by the employee.

The ORSO Scheme is funded by monthly contributions from both employees and the Group at rates ranging from 5% to 7.5% of the employee’s basic salary, depending on the length of service with the Group.

Where there are employees who leave the ORSO Scheme prior to vesting fully in the contributions, the contributions payable by the Group are reduced by the amount of forfeited contributions.

The amount of retirement benefits contributions for the Group’s employees, net of forfeited contributions, which has been dealt with in the income statement of the Group for each of the two years ended 31st December 2003 are as follows:

	2003 HK\$'000	2002 HK\$'000
Gross retirement benefits scheme contributions	614	1,320
Less: Forfeited contributions for the year	<u>(663)</u>	<u>(670)</u>
Net retirement benefits scheme (refunds) contributions	<u>(49)</u>	<u>650</u>

There was no significant amount of forfeited contributions available to reduce future contributions payable by the Group as at 31st December 2003 and 2002.

**30. RELATED PARTY TRANSACTIONS**

During the year, the Group entered into the following transactions with related parties:

Name of related parties	Nature of transaction	2003 HK\$'000	2002 HK\$'000
PPG ( <i>note a</i> )	Advertising and publishing income	–	29
	Rental income	9	189
	Sales of waste paper	(27)	418
	Printing cost	–	16,027
	Storage charge	–	429
	Interest expense	115	–
ER2 Holdings Limited ( <i>note b</i> )	Service income	350	–
	Rental income	210	–
Capstone Limited ( <i>note c</i> )	Consultancy fee	150	–
Sit, Fung, Kwong & Shum ( <i>note d</i> )	Legal fee	–	208
		<u>–</u>	<u>208</u>

*Notes:*

- a. PPG is an associate of PPG Investments Limited, an associate of the Group. The former directors, Dr. Lo Ka Shui, Mr. Chow Yung and Ms. Ifan Chan have beneficial interests in PPG.
- b. The director, Mr. Lau Chuk Kin, has a beneficial interest in ER2 Holdings Limited.
- c. The director, Ms. Rosaline Tam, has a beneficial interest in Capstone Limited.
- d. A former director, Mr. Sit Kien Ping, Peter, is a senior partner of the firm.

In the opinion of the directors, the rental income was determined with reference to market price.

All other transactions were carried out at market price or where no market price was available, at cost plus a percentage profit mark-up.

## 31. PARTICULARS OF PRINCIPAL SUBSIDIARIES

Name of company	Place of incorporation or registration/operation	Class of shares	Issued and fully paid share capital/registered capital	Proportion of nominal value of issued capital/registered capital %	Principal activities
Recruit (BVI) Limited (formerly known as Panda – Recruit (BVI) Limited)	British Virgin Islands/ Hong Kong	Ordinary	US\$10,000	100	Investment holding
The Recruit Publishing Company Limited (formerly known as PandaPlanet.com Limited)	Hong Kong	Ordinary	HK\$52,000,000	100	Publishing of “Recruit”, advertising business and investment holding
Panda Planet (China) Limited (formerly known as PandaPlanet.com (China) Limited)	Hong Kong	Ordinary	HK\$10,000	100	Investment holding
Recruit Company Limited (formerly known as Recruit Holdings Limited)	Hong Kong	Ordinary	HK\$213,536	100	Investment holding
SAR Media Limited	Hong Kong	Ordinary	HK\$10,000	100	Provision of advertising services
Recruit Information Technology Limited	Hong Kong	Ordinary	HK\$1,000	100	Provision of website development services

All the principal subsidiaries are indirectly held by the Company except for Recruit (BVI) Limited.

The above table lists the subsidiaries of the Company of which, in the opinion of the Directors, principally affected the results or net assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

None of the subsidiaries had any debt securities outstanding at 31st December 2003 or at any time during the year.



**2. INDEBTEDNESS**

At the close of the business on 30 September 2004, being the latest practicable date for the purpose of this indebtedness statement prior to the printing of this circular, the Group did not have, apart from intra-group liabilities, any loan capital issued and outstanding or agreed to be issued, bank credits, debentures, mortgages, charges, obligations under hire purchases contracts or finance leases, guarantees, or other material contingent liabilities.

**3. MATERIAL ADVERSE CHANGES**

The Directors are not aware of any material adverse changes in the financial or trading position of the Group since 31 December 2003, being the date to which the latest published audited financial statements of the Group were made up of.

**4. WORKING CAPITAL**

The Directors are of the opinion that, after taking into account the present available internal resources of the Group and the expected cash inflow to be generated from the Property, the Group has sufficient working capital for its present requirements for at least the next twelve months from the date of this circular in the absence of unforeseen circumstances.

**5. PROFIT AND LOSS STATEMENT OF THE PROPERTY**

For the three years ended 31 December 2003 and the six months ended 30 June 2004:

	For the year ended 31 December			For the six months
	2001	2002	2003	ended 30 June
	HK\$	HK\$	HK\$	HK\$
Rental income	-	-	673,141	385,257

Profit and loss statement of the Property for the three financial year ended 31 December 2003 and six months ended 30 June 2004 set out above has been prepared by the Directors based on the information shown on Tenancy Agreements. As the Directors are unable to gain access to the underlying accounting books and records of the Vendors in relation to the Property, this statement may not give a true picture of the performance of the Property actually occurred during each of the three financial years ended 31 December 2003 and the six months ended 30 June 2004.

*Notes:*

- Income for the each of the three financial years ended 31 December 2003 and the six months ended 30 June 2004 comprised of rental receipt, exclusive of government rates, management fees and air-conditioning charges, charged at pre-determined amount as derived from the amount stated in the Tenancy Agreements. The tenancy commenced on 17 February 2003 and will terminate on 28 February 2006, as the tenant had exercised its right to extend the tenancy for a further term of one year in accordance with the terms of the Tenancy Agreements. As no information has been provided on any tenancy commencing before 17 February 2003, the income stream on the Property for the period from 1 January 2001 to 16 February 2003 cannot be presented and is thus assumed to be nil.
- In accordance with the Tenancy Agreements, the tenant agreed to pay and discharge the government rates, management fees and air-conditioning charges during the aforesaid term stated in the Tenancy Agreements. However, it is assumed that such amounts have to be paid by the Vendors to the relevant parties as expenses to the Property when there are vacancies in the tenancy or such amounts had not been paid by the tenant. Since the Directors are unable to gain access to the underlying accounting books and records of the Vendors in relation to

the Property, the expenses to the Property for the period from 1 January 2001 to 16 February 2003 cannot be presented and are thus assumed to be nil.

3. Save for the Tenancy Agreements, the Directors do not have any other information about the Property such as the Vendors' financing arrangement or tax arrangement in relation to the Property. Due to the limited information available to them, the Directors are unable to ascertain the amount of the finance costs and Hong Kong Profits Tax expenses in relation to the Property. Accordingly, no finance cost and provision for Hong Kong Profits Tax were included in the above statement.

## 6. REPORT ON UNAUDITED PRO FORMA ASSETS AND LIABILITIES STATEMENT

**Deloitte.**  
**德勤**

德勤·關黃陳方會計師行  
香港中環干諾道中111號  
永安中心26樓

Deloitte Touche Tohmatsu  
26/F Wing On Centre  
111 Connaught Road Central  
Hong Kong

18 November 2004

The Directors  
Recruit Holdings Limited

Dear Sirs,

We report on the unaudited pro forma assets and liabilities statement (“Pro Forma Assets and Liabilities Statement”) of Recruit Holdings Limited (the “Company”) and its subsidiaries (hereinafter collectively referred to as the “Group”) set out in Section 7 of Appendix I of the circular dated 18 November 2004 in connection with the major transaction in respect of the acquisition of property (the “Acquisition”) situated at Office 2601 & 2602 on 26th Floor, K.Wah Centre, No. 191 Java Road, Hong Kong (the “Property”), which has been prepared, for illustrative purposes only, to provide information about how the Acquisition might have affected the assets and liabilities of the Group presented had the Acquisition been taken place on 30 June 2004.

#### Responsibilities

It is the responsibility solely of the directors of the Company to prepare the Pro Forma Assets and Liabilities Statement in accordance with paragraph 31 of Chapter 7 of the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (the “GEM Rules”).

It is our responsibility to form an opinion, as required by paragraph 31(7) of Chapter 7 of the GEM Rules, on the Pro Forma Assets and Liabilities Statement and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the Pro Forma Assets and Liabilities Statement beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

#### Basis of opinion

We conducted our work with reference to the Statements of Investment Circular Reporting Standards and Bulletin 1998/8 “Reporting on pro forma financial information pursuant to the listing rules” issued by the Auditing Practices Board in the United Kingdom, where applicable. Our work, which involved no independent examination of any of the underlying financial information, consisted primarily of comparing the unadjusted financial information with the source documents, considering the evidence supporting the adjustments and discussing the Pro Forma Assets and Liabilities Statement with the directors of the Company.

Our work does not constitute an audit or a review in accordance with Statements of Auditing Standards issued by the Hong Kong Institute of Certified Public Accountants and accordingly we do not express any such assurance on the Pro Forma Assets and Liabilities Statement.

The Pro Forma Assets and Liabilities Statement has been prepared on the basis set out in Section 7(i) of Appendix I to the circular for illustrative purpose only and, because of its nature, it may not give an indicative financial position of the Group as at 30 June 2004 or at any future date.

**Opinion**

In our opinion:

- a) the Pro Forma Assets and Liabilities Statement has been properly compiled on the basis stated;
- b) such basis is consistent with the accounting policies of the Group; and
- c) the adjustments are appropriate for the purposes of the Pro Forma Assets and Liabilities Statement as disclosed pursuant to paragraph 7.31(1) of the GEM Rules.

Yours faithfully,

Deloitte Touche Tohmatsu  
*Certified Public Accountants*  
Hong Kong

**7. UNAUDITED PRO FORMA ASSETS AND LIABILITIES STATEMENT****(i) Introduction to the unaudited pro forma assets and liabilities statement**

The unaudited pro forma assets and liabilities statement of the Group has been prepared giving effect to the Group's acquisition of the Property at a cash consideration of HK\$33,362,000.

In connection with the Acquisition of the Property, the Group will be required to incur incidental costs including stamp duty and professional costs. The amount payable for stamp duty will be approximately HK\$1,251,000 which is calculated at 3.75% of the consideration for completion of the transaction. The professional costs to be incurred as estimated by the Directors of the Company will be approximately HK\$100,000.

The unaudited pro forma assets and liabilities statement of the Group has been prepared in accordance with Rule 7.31 of the GEM Rules for the purpose of illustrating the Acquisition of the Property as if the Acquisition of the Property has been taken place on 30 June 2004.

The unaudited pro forma assets and liabilities statement of the Group is based upon the unaudited consolidated net assets of the Group as at 30 June 2004, which has been extracted from the interim report of the Company for the six months ended 30 June 2004, after giving effect to the pro forma adjustments described in the notes thereto. A narrative description of the pro forma adjustments of the Acquisition of the Property that are (i) directly attributable to the transaction; (ii) expected to have a continuing impact on the Group; and (iii) factually supportable, are summarised in the accompanying notes.

The unaudited pro forma assets and liabilities statement of the Group is based on a number of assumptions, estimates, uncertainties, the accompanying unaudited pro forma assets and liabilities statement of the Group does not purport to describe the actual financial position of the Group that would have been attained had the Acquisition of the Property been completed on 30 June 2004. The unaudited pro forma assets and liabilities statement of the Group does not purport to predict the future financial position of the Group.

The unaudited pro forma assets and liabilities statement of the Group should be read in conjunction with the historical financial information of the Company as set out in the interim report of the Company for the six months ended 30 June 2004 and other financial information included elsewhere in this Circular.

## (ii) Unaudited pro forma assets and liabilities statement as at 30 June 2004

	The Group <i>HK\$'000</i>	Pro forma adjustments <i>HK\$'000</i>	Notes	Pro forma combined total <i>HK\$'000</i>
<b>ASSETS</b>				
<b>Non-Current Assets</b>				
Property, plant and equipment	2,457	-		2,457
Investment property	-	34,713	1	34,713
Interests in an associate	7,351	-		7,351
	<u>9,808</u>	<u>34,713</u>		<u>44,521</u>
<b>Current Assets</b>				
Trade and other receivables	16,344	-		16,344
Bank balances and cash	57,418	(34,713)	2	22,705
	<u>73,762</u>	<u>(34,713)</u>		<u>39,049</u>
<b>LIABILITIES</b>				
<b>Current Liabilities</b>				
Trade and other payables	8,094	-		8,094
	<u>8,094</u>	<u>-</u>		<u>8,094</u>
<b>Net Current Assets</b>	<u>65,668</u>	<u>(34,713)</u>		<u>30,955</u>
<b>NET ASSETS</b>	<u><u>75,476</u></u>	<u><u>-</u></u>		<u><u>75,476</u></u>

This statement has been prepared for illustrative purposes only and because of its nature, it may not give a true picture of financial position of the Group following completion of the Acquisition of the Property.

*Notes:*

- The Group will acquire the Property at a consideration of HK\$33,362,000. In connection with the Acquisition of the Property, the Group will incur incidental costs including stamp duty of approximately HK\$1,251,000 and professional costs of approximately HK\$100,000. The unaudited pro forma assets and liabilities statement adjustments reflect the increase in the carrying amount of investment properties of approximately HK\$34,713,000 as a result of the Acquisition of the Property as if the Acquisition of the Property had taken place on 30 June 2004.
- The consideration for the Acquisition of the Property will be HK\$33,362,000 payable in cash. It is proposed that the consideration will be solely financed by internal resources of the Group. In connection with the Acquisition of the Property, the Group will be required to pay stamp duty of approximately HK\$1,251,000 and professional costs of approximately HK\$100,000. The total payments in connection with the Acquisition of the Property will be approximately HK\$34,713,000. The pro forma adjustments reflect the decrease in bank balances and cash of approximately HK\$34,713,000.



Chartered Surveyors • Valuers • Estate Agents  
Auctioneers • Plant & Machinery Valuer  
Development Consultants • Property Management

Date : 18 November 2004

**THE BOARD OF DIRECTORS**

**EASKING LIMITED**  
**26<sup>th</sup> Floor, No. 625 King's Road**  
**North Point,**  
**Hong Kong.**

Dear Sirs,

**Re : Office Nos. 2601 and 2602 on 26<sup>th</sup> Floor of K. Wah Centre, No. 191 Java Road, North Point, Hong Kong.**

We refer to your instruction for us to assess the open market value of the captioned property as at 11 October 2004 ("date of valuation") for reference purposes. We confirm that we have carried out inspections, made relevant enquiries and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the open market value of the property as at the date of valuation.

Our valuation is our opinion of the open market value of the property which we would define as intended to mean "the best price at which the sale of an interest in a property might reasonably be expected to have been completed unconditionally for cash consideration on the date of valuation assuming :-

- (a) a willing seller;
- (b) that, prior to the date of valuation, there had been a reasonable period (having regard to the nature of the property and the state of the market) for the proper marketing of the interest, for the agreement of price and terms and for the completion of the sale;
- (c) that the state of the market, level of values and other circumstances were, on any earlier assumed date of exchange of contracts, the same as on the date of valuation;
- (d) that no account is taken of any additional bid by a purchaser with a special interest; and
- (e) that both parties to the transaction had acted knowledgeably, prudently and without compulsion."

Our valuation is prepared in accordance with the Guidance Notes on the Valuation of Property Assets published by the Hong Kong Institute of Surveyors and we have complied with all requirements contained in Chapter 8 of Listing Rules (GEM) published by the Stock Exchange of Hong Kong.

We have valued the property interests on the open market basis by Direct Comparison Approach assuming sale in the existing state with the benefit of immediate vacant possession and by making reference to comparable sales evidence as available in the relevant market. Comparison based on actual prices realized on sales of comparable properties is made. Comparable properties of similar size, character and location are analyzed and weighted against all the respective advantages and disadvantages of the property being valued in order to arrive at a fair comparison of value.

Our valuation has been made on the assumption that the owner sells the property on the open market in its existing state without the benefit of a deferred term contract, leasebacks, joint ventures, management agreement or any similar arrangement which would serve to increase the value of the property.

We have relied to a considerable extent on any information given by your company and have accepted advice given to us on such matters as the properties to be valued, planning approvals or statutory notices, easements, tenure, occupation, site and floor areas, attributable interests and all other relevant matters. Dimensions, measurements and areas included in this valuation certificate are based on information contained in the documents and leases provided to us and are therefore approximations only.

We have no reasons to doubt the truth and accuracy of the information provided to us by your company. Your company has also advised us that no material facts have been omitted from the information and documents supplied for us to reach an informed view.

We have not been provided with copies of the title documents related to the property but have caused searches to be made at the Urban Land Registry. However, we have not searched the original documents to verify ownership and any lease amendments which may not appear on the copies handed to us.

We have inspected the exteriors of the property. No structural survey has been made. We are therefore not able to report that the property is free from rot, infestation or any other structural defects. No tests were carried out on any of the services.

No allowance has been made in our valuation for any charges, mortgages or amounts owing on the property nor for any expenses or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the property is free from encumbrances, restrictions and outgoing of an onerous nature which could affect their values.

Our valuation is shown in the valuation certificate as attached.

Yours faithfully,  
For and on behalf of  
Dudley Surveyors Limited



Ellen Y.T. LO  
B.Sc. (Est. Man.), MRICS, MHKIS  
Registered Professional Surveyor (GP)  
Managing Director

*Note :* Ms. Ellen Y. T. Lo, who is a member of the Hong Kong Institute of Surveyors, a member of the Royal Institution of Chartered Surveyors and a Registered Professional Surveyor in General Practice, has over 21 years' experience in valuing properties in Hong Kong and the PRC.



## VALUATION CERTIFICATE

<u>Property</u>	<u>Description and Tenure</u>	<u>Particulars of Occupancy</u>	<u>Capital Value as at 11 October 2004</u>
Office Nos. 2601-2602 26 <sup>th</sup> Floor, K. Wah Centre, No. 191 Java Road, North Point, Hong Kong.	<p>The property, which currently comprises a 28-storey commercial building, is situated to the northern side of Java Road and at its junction with Healthy Street West to its west in the district of North Point, Hong Kong.</p> <p>The subject building is of reinforced concrete construction with curtain wall exteriors completed in about 1991. It is served by 3 passenger lifts, 1 service lift and 2 staircases.</p> <p>The property is zoned as "Commercial" under the North Point Outline Zoning Plan No. S/H8/18 dated 19 March 2004.</p> <p>The total Gross Floor Area of office nos. 2601 and 2602 is approximately 1,107 square metres (11,915 square feet) and the Saleable Area is approximately 851.34 square metres (9,164 square feet) plus flat roof area of approximately 147.78 square metres (1,591 square feet).</p> <p>The subject lot is held under Government Leases for a term of 75 years and renewable for 75 years commencing from 3 December 1956.</p> <p>The Government Rent payable for the lot is HK\$1,836 per annum.</p>	<p>As at the date of valuation, the subject property was subject to two tenancies for a term of 2 years expiring on 28 February 2005 at a total monthly rental of \$71,490 exclusive of rates and management fee and with an option to renew for 1 year.</p> <p>The property was occupied as office purposes.</p>	HK\$33,900,000.00
A total of 2,400/88,800 undivided parts or shares of and in Inland Lot No. 7359.			

## Notes :

1. Re: Office No. 2601

The registered owner of the property is Tiger Star Investments Limited vide Assignment Memorial No. 8020566 dated 18 February 2000 at a consideration of HK\$15,228,000.00.

Re: Office No. 2602

The registered owner of the property is Wickham Properties Limited vide Assignment Memorial No. 8020568 dated 18 February 2000 at a consideration of HK\$14,800,000.00.

2. The following encumbrances registered against the subject property are noted:-

Re: Office No. 2601

Mortgage to Secure General Banking Facilities in favour of Hang Seng Bank Limited vide Memorial No. 8356184 dated 13 March 2001.

Re: Office No. 2602

Mortgage to Secure General Banking Facilities in favour of Hang Seng Bank Limited vide Memorial No. 8356186 dated 13 March 2001.

Re: Office No. 2601

The subject property is subject to a Tenancy Agreement from 17 February 2003 to 28 February 2005 in favour of Ketchum-Newsan Public Relations Limited registered vide Memorial No. 8908960 dated 18 March 2003.

Re: Office No. 2602

The subject property is subject to a Tenancy Agreement from 17 February 2003 to 28 February 2005 in favour of Ketchum-Newsan Public Relations Limited registered vide Memorial No. 8907699 dated 18 March 2003.

## RESPONSIBILITY STATEMENT

This circular includes particulars given in compliance with the GEM Rules for the purpose of giving information with regard to the Group. The Directors collectively and individually accept full responsibility for the accuracy of the information contained in this circular and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in this circular have been arrived at after due and careful consideration and there are no other facts not contained in this circular the omission of which would make any statement herein misleading.

## DIRECTORS' INTERESTS AND SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY

As at the Latest Practicable Date, 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 SFO were as follows:

## (a) Interests in the shares of the Company

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 ( <i>Note 1</i> )	Nil	Nil	179,086,000	179,086,000	65.72
Mr. Lee Ching Ming, Adrian ( <i>Note 2</i> )	100,500	50,000	Nil	150,500	0.06
Mr. Peter Stavros Patapios Christofis	670,500	Nil	Nil	670,500	0.25
Mr. Cheng Ping Kuen, Franco	204,000	Nil	Nil	204,000	0.07

## (b) Options to subscribe for shares of the Company

Name of Directors	Date of grant	Exercise price per share (HK\$)	Vesting period	Exercisable period	Number of underlying shares comprised in the options	Percentage to the issued share capital of the Company (%)
Ms Ho Suk Yi	17.5.2004	0.28	17.5.2004 – 16.5.2005	17.5.2005 – 2.7.2013	250,000	0.09

## Notes:

- Of 179,086,000 shares, 1,132,000 shares and 177,954,000 shares are beneficially owned by ER2 Holdings Limited and City Apex Limited respectively. As at the Latest Practicable Date, 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.

Saved as disclosed above, as at the Latest Practicable Date, to the knowledge of the Company, none of the Directors or chief executive of the Company and their respective associates 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) which had 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 are taken or deemed to have under such provisions of the SFO) or which are required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which are required, pursuant to rules 5.46 to 5.67 of the GEM Rules relating to securities transactions by Directors to be notified to the Company and the Stock Exchange.

### SUBSTANTIAL SHAREHOLDER

As at the Latest Practicable Date, so far as is known to any Director or chief executive of the Company, other than a Director or chief executive of the Company, the following persons had interests or short positions in the Shares or underlying Shares 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 10% 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 member of the Group:

Name	Number of shares	Percentage to the issued share capital of the Company %
Mr. Lau Chuk Kin ( <i>Note 1</i> )	179,086,000	65.72
ER2 Holdings Limited ( <i>Note 1</i> )	179,086,000	65.72
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:

- Of the 179,086,000 shares, Mr. Lau Chuk Kin is deemed to be interested in the 1,132,000 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.
- 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.
- 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.
- 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.
- Japan Asia Investment Company Limited is deemed to be interested in the 16,788,178 shares owned by JAIC-Somerley Corporate Development Fund Limited.
- 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.

Saved as disclosed above, as at the Latest Practicable Date, so far as is known to any Director or chief executive of the Company, other than a Director or chief executive of the Company, no persons had interests or short position in the Shares or underlying Shares which would fall to be disclosed to the Company under the provisions of Division 2 and 3 of Part XV of the SFO, or who was, directly or indirectly, interested in 10% 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 member of the Group or any options in respect of such capital.

#### **DIRECTORS' INTEREST IN SERVICE CONTRACTS**

None of the Directors has entered or is proposing to enter into a service contract with any member of the Group (excluding contracts expiring or terminable by the employer within one year without payment of compensation other than statutory compensation).

#### **DIRECTORS' INTEREST IN COMPETING BUSINESS**

None of the Directors or any of their respective associates has any business or interest that competes or may compete with the business of the Group.

#### **OTHER INTERESTS OF DIRECTORS**

At as the Latest Practicable Date:

- (a) none of the Directors had any direct or indirect interest in any assets which have been, since the date to which the latest published audited accounts of the Group were made up, acquired or disposed of by, or leased to any member of the Group, or are proposed to be acquired or disposed of by, or leased to, any member of the Group; and
- (b) none of the Directors was materially interested in any contract or arrangement entered into by any member of the Group which contract or arrangement is subsisting as at the date of this circular and which is significant in relation to the business of the Group.

#### **LITIGATION**

So far as the Directors are aware, as at the Latest Practicable Date, neither the Company nor any subsidiaries was engaged in any litigation or arbitration of material importance and no litigation or arbitration of material importance and no litigation or claim of material importance was pending or threatened against the Company or any of its subsidiaries.

#### **EXPERT AND CONSENT**

The following are the qualifications of the experts who has given opinion or advice which are contained in this circular:

<b>Name</b>	<b>Qualification</b>
Deloitte Touche Tohmatsu	Certified public accountants
Dudley Surveyors Limited	Chartered property surveyors

Each of Deloitte Touche Tohmatsu and Dudley Surveyors Limited is not beneficially interested in the Share capital of any member of the Group nor has any right, whether legally enforceable or not, to subscribe for or to nominate persons to subscribe for securities in any member of the Group, or any interest, either direct or indirect,

in any assets which have been, since the date to which the latest published audited accounts of the Group were made up, acquired or disposed by, or leased to or are proposed to be acquired or disposed of by, or leased to, any member of the Group.

Each of Deloitte Touche Tohmatsu and Dudley Surveyors Limited has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its letter, report and references to its name in the form and context in which they respectively appear.

### **MATERIAL CONTRACTS**

The following contracts (other than contracts entered into in the ordinary course of business) had been entered into by the Company or its subsidiaries within two years immediately preceding the date of this circular which are or maybe material:

- (i) the underwriting agreement dated 27 February 2004 entered into between the Company and Kim Eng Securities (Hong Kong) Limited, the underwriter in relation to the rights issue on the basis of one rights share for every share held in the share capital of the Company at a subscription price of HK\$0.012 per rights share on 27 April 2004, which was announced on 27 February 2004;
- (ii) the Provisional Sale and Purchase Agreement; and
- (iii) the Formal Agreement.

### **MISCELLANEOUS**

- (i) The registered office of the Company is at Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda.
- (ii) The head office and principal place of business of the Company in Hong Kong is at 26<sup>th</sup> Floor, 625 King's Road, North Point, Hong Kong.
- (iii) The qualified accountant and company secretary of the Company is Ms Ho Suk Yi. She is a qualified accountant and a member of both Hong Kong Institute of Certified Public Accountants and the Association of Chartered Certified Accountants.
- (iv) The compliance officer of the Company is Mr. Lau Chuk Kin. He is the executive director and chairman of the Company.
- (v) The Company has established an audit committee in April 2000 in accordance with the GEM Listing Rules. The primary duties of the audit committee are to (a) review the Company's annual reports, financial statements, interim reports, quarterly reports and to provide advice and comments thereon to the Company's board of directors and (b) review and supervise the financial reporting and internal control procedures of the Group. The audit committee comprises three independent non-executive directors, namely Mrs. Ling Ching Man, Eleanor, Mr. Cheng Ping Kuen and Mr. Tyen Kan Hee, Anthony, further details of whom are set out below:

Mrs. Ling Ching Man, Eleanor, SBS, OBE, JP, aged 56, is an Advisor to the Board of Directors of Jardine Pacific Limited and a member of the Hong Kong Hospital Authority; the Chairman of the Queen Elizabeth Hospital; the Chairman of the Hospital Authority Provident Fund Scheme; an Executive Committee member of the Employer's Federation of Hong Kong and the Vice Patron of the

Community Chest.

Mr. Cheng Ping Kuen, Franco, aged 51, has over 23 years of experience in securities and private banking. Mr. Cheng holds a Master of Business Administration Degree from the Chinese University of Hong Kong and is the Vice President of Rothschild Bank AG Asia Pacific.

Mr. Tyen Kan Hee, Anthony, aged 48, holds a Doctoral degree in Philosophy and a Master degree in Business Administration, both from the Chinese University of Hong Kong. He is an associate member of the Hong Kong Institute of Certified Public Accountants, a fellow member of both the Association of Chartered Certified Accountants and the Institute of Chartered Secretaries and Administrators, and a member of the Chinese Institute of Certified Public Accountants. He is currently a practising certified public accountant in Hong Kong and has over 27 years of experience in auditing, accounting, management and company secretary. Mr. Tyen is also currently an independent non-executive director of Value Convergence Holdings Limited, a company listed on the GEM.

- (vi) The Hong Kong branch share registrars and transfer office of the Company in Hong Kong is Computershare Hong Kong Investor Services Limited at 46th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong.
- (vii) The English text of this circular shall prevail over the Chinese text in the case of any inconsistency.

#### **DOCUMENTS AVAILABLE FOR INSPECTION**

Copies of the following documents will be available for inspection during normal business hours (Saturdays and public holidays excepted) at the Company's principal place of business in Hong Kong, 26th Floor, 625 King's Road, North Point, Hong Kong from the date of this circular up to and including 2 December 2004:

- (i) the memorandum of association and bye-laws of the Company;
- (ii) the annual reports of the Company for the two years ended 31 December 2002 and 2003;
- (iii) the interim reports of the Company for the six months ended 30 June 2003 and 2004;
- (iv) the report on unaudited pro forma assets and liabilities statement prepared by Deloitte Touche Tohmatsu set out on pages 32 to 33 in Appendix I of this circular;
- (v) the property valuation report and certificate set out in Appendix II of the circular;
- (vi) the material contracts referred to in the paragraph headed "Material Contracts" in this Appendix;
- (vii) the circulars of the Company in relation to the rights issue and share consolidation issued pursuant to the requirements set out in Chapter 19 and 20 of GEM Rules which have been issued since 31 December 2003, the date of the latest published audited accounts of the Group; and
- (viii) the written consent referred to in the paragraph headed "Expert and consent" to the Appendix.