



RECRUIT HOLDINGS LIMITED

才庫媒體集團有限公司*

(continued in Bermuda with limited liability)

(Stock code: 8073)

**RESULTS ANNOUNCEMENT
FOR THE YEAR ENDED 31ST DECEMBER 2004**

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

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

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

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

The Stock Exchange takes no responsibility for the contents of this announcement, 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 announcement.

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

AUDITED RESULTS

The board of directors (the “Board”) of Recruit Holdings Limited (the “Company”) announces the audited consolidated results of the Company and its subsidiaries (collectively referred to as the “Group”) for the year ended 31st December 2004, together with the comparative figures for the year ended 31st December 2003 as follows:

Consolidated Income Statement For the year ended 31st December 2004

	<u>NOTES</u>	<u>2004</u> HK\$'000	<u>2003</u> HK\$'000
Turnover	2	103,995	50,293
Direct operating costs		<u>(48,598)</u>	<u>(26,143)</u>
Gross profit		55,397	24,150
Other operating income		4,418	2,179
Selling and distribution costs		(14,067)	(11,700)
Administrative expenses		(11,062)	(10,664)
Other operating expenses		<u>(290)</u>	<u>(1,367)</u>
Profit from operations	4	34,396	2,598
Finance costs		<u>-</u>	<u>(115)</u>
Profit before taxation		34,396	2,483
Taxation	5	<u>(28)</u>	<u>-</u>
Net profit for the year		<u>34,368</u>	<u>2,483</u>
Earnings per share	6		
Basic (2003: restated)		<u>HK14.70 cents</u>	<u>HK1.78 cents</u>
Diluted (2003: restated)		<u>HK14.63 cents</u>	<u>HK1.77 cents</u>

1. Basis of preparation

The financial statements have been prepared in accordance with the accounting principles generally accepted in Hong Kong and in compliance with accounting standards issued by the Hong Kong Institute of Certified Public Accountants. They have been prepared under the historical cost as modified for the revaluation of investment property.

In the current year, the Group has early adopted Hong Kong Accounting Standard (“HKAS”) 40 Investment Property in advance of its effective date. HKAS 40 introduces both cost model and fair value model for the measurement of investment property. For fair value model, HKAS 40 requires fair value changes be recognised to the income statement in the period in which they arise. The Group has elected to apply the fair value model in measuring its investment property and recognizes the fair value changes to the income statement in the period in which they arise. The early adoption of HKAS 40 does not have impact to the result of previous years as the Group did not have any investment property in previous years.

2. Turnover

Turnover represents advertising income, service income and publication sales, and is analysed as follows:

	<u>2004</u> HK\$'000	<u>2003</u> HK\$'000
Advertising income	103,615	49,943
Service income	350	350
Publication sales	30	-
	<u>103,995</u>	<u>50,293</u>
	=====	=====

3. Segmental Information

Segment information is not presented as the Group is principally engaged in advertising and publishing business in Hong Kong and substantial identifiable assets of the Group are located in Hong Kong.

4. Profit from operations

	<u>2004</u> HK\$'000	<u>2003</u> HK\$'000
Profit from operations has been arrived at after charging (crediting):		
Auditors' remuneration	250	185
Depreciation	1,360	1,456
Staff costs	15,322	14,245
Loss (gain) on disposal and write off of property, plant and equipment	1	(5)
Minimum lease payments paid under operating lease in respect of:		
Rented premises	1,211	591
Internet access line	91	112
Gain on revaluation of investment property	(1,945)	-
Interest income	(222)	(96)
Gain on disposal of a jointly controlled entity	-	(200)
Operating lease rental income from:		
Subleasing of office premises	(90)	(219)
Investment property	(88)	-
	=====	=====

5. Taxation

Hong Kong Profits Tax is calculated at 17.5% (2003: 17.5%) of the estimated assessable profit. There are no known tax liabilities in other jurisdiction.

No tax was payable on the estimated assessable profit arising in Hong Kong for both years since the estimated assessable profits of the Company and its subsidiaries are wholly absorbed by tax losses brought forward. The charge for the year represents an underprovision in respect of prior year.

The tax charge for the year can be reconciled to the profit per income statement as follows:

	<u>2004</u> HK\$'000	<u>2003</u> HK\$'000
Profit before taxation	34,396	2,483
	=====	=====
Hong Kong Profits Tax at a rate of 17.5% (2003: 17.5%)	6,019	435
Tax effect of income not taxable for tax purpose	(456)	(280)
Tax effect of expenses not deductible for tax purpose	63	739
Tax effect of deferred tax assets not recognised	77	314
Tax effect of utilisation of tax losses not previously recognised	(5,703)	(1,208)
Underprovision in respect of prior year	28	-
	=====	=====
Tax charge for the year	28	-
	=====	=====

6. Earnings per share

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

	<u>2004</u> HK\$'000	<u>2003</u> HK\$'000
Earnings for the purposes of basic and diluted earnings per share	34,368	2,483
	<u>Number of shares '000</u>	<u>Number of shares '000</u> <i>(Restated)</i>
Weighted average number of ordinary shares for the purposes of basic earnings per share	233,784	139,699
Effect of dilutive potential ordinary shares in respect of share options granted	1,142	242
Weighted average number of ordinary shares for the purposes of diluted earnings per share	234,926	139,941

The comparative figures of earnings per share for the year ended 31st December 2003 had been re-calculated to reflect a rights issue and a share consolidation occurred during the year.

7. Movements of reserves

	<u>Share premium</u> HK\$'000	<u>Exchange reserve</u> HK\$'000	<u>Merger reserve</u> HK\$'000	<u>Contributed surplus</u> HK\$'000	<u>Goodwill reserve</u> HK\$'000	<u>Accumulated losses</u> HK\$'000	<u>Total</u> HK\$'000
THE GROUP							
At 1st January 2003	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	-	-	-	45,000	-	-	45,000
Net profit for the year	-	-	-	-	-	2,483	2,483
At 31st December 2003	49,724	5	(43,897)	45,000	13,440	(59,047)	5,225
Issue of rights shares	5,450	-	-	-	-	-	5,450
Share issue expenses	(1,204)	-	-	-	-	-	(1,204)
Net profit for the year	-	-	-	-	-	34,368	34,368
At 31st December 2004	53,970	5	(43,897)	45,000	13,440	(24,679)	43,839

CHAIRMAN'S STATEMENT

Year 2004 was a rewarding year for the Group when earnings after tax increased by almost 13 fold to HK\$34.4 million (2003: HK\$2.5 million).

The Group's core business as represented by the Recruit magazine benefited from the recovery of Hong Kong's economy and the employment market. All aspects of the business including advertising pages, sales revenue and number of jobs advertised enjoyed solid growth.

The exclusive advertising sales contract with China Daily (HK edition) also performed well and captured over 15% of the market for corporate and statutory announcement advertisements placed by companies listed on the Hong Kong Stock Exchange.

We are confident that the momentum will continue in 2005.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

For the fourth quarter ended 31st December 2004, the Group's profit attributable to shareholders was HK\$13.7 million, an increase of approximately 9.5 times over that of HK\$1.3 million in the same period last year. The Group's turnover was HK\$31.1 million, an increase of approximately 1.4 times over that of HK\$13.1 million in the same quarter last year. The Group continued to register significant growth in the fourth quarter as a result of having achieved an advertising income of approximately HK\$15 million from the new inflight magazine advertising and a gain of HK\$1.9 million arising from the revaluation of the Group's investment property, which was acquired in October 2004.

For the year ended 31st December 2004, the Group's profit attributable to shareholders was HK\$34.4 million, an increase of approximately 12.8 times over that of HK\$2.5 million in last year. The Group recorded a turnover of HK\$104 million, an increase of approximately 1.1 times over that of HK\$50.3 million in last year. The significant sales growth was driven by the economic recovery and the new revenue generated from inflight magazine advertising this year.

BUSINESS REVIEW

Due to the rapid economic recovery, there was a surge in new jobs and recruitment advertising activities in 2004, especially in the retail, tourism, trade and financial sectors. Amidst the booming environment of the local employment market, the Group recorded a sales growth of 33% in the recruitment advertising revenue as compared to last year. To cater for the dynamic market needs, the Group has soft-launched its new recruitment website at the end of 2004. With the help of the new website and the active economic conditions, the recruitment advertising business will continue to perform well in the coming year.

In 2004, the advertising income from announcement division reported a sales growth of 110% as compared to last year. The economic rebound was the main driver for the growth of this division. In view of the possibility that the Hong Kong Stock Exchange may allow main board listed companies to publish summarized version of their announcements through newspaper advertisements, the Group would take a cautious view on the future growth of this business.

In the year under review, the Group diversified into the business of advertising sales in China. In April 2004, the Group was granted the exclusive right from China Eastern Airline to sell the advertising space for its inflight magazine. In October 2004, the Group became one of the advertising sales agents for China Southern Airline. We also represent Philippine Airlines as their sales agent for their inflight magazine "Mabuhay" in China. The division had a solid start with revenue of approximately HK\$32 million for the year which contributed significantly to the Group's earnings. Future prospects of this division are excellent.

LIQUIDITY AND FINANCIAL RESOURCES

The Group maintained a strong liquidity position. As at 31st December 2004, the Group had cash deposits of HK\$36.2 million (2003: HK\$21.9 million) and had net current assets of HK\$48.9 million (2003: HK\$22.6 million). The Group was debt-free throughout the year.

Upon the completion of a rights issue exercise in April 2004, the Company raised a net proceed of approximately HK\$32 million which was used for the payment of approximately HK\$34.7 million in connection with the acquisition of the investment property in October 2004. The acquisition would provide an effective hedge against the Group's exposure toward volatility in the Hong Kong office rental market. Recent market condition has risen and the market value of the Group's investment property rose to approximately HK\$36.6 million with reference to the market valuation as at 31st December 2004 made by an independent surveyor.

EXPOSURE TO FLUCTUATIONS IN EXCHANGE RATES

The Group's transactions were mainly denominated in HK dollars, US dollars and Renminbi. As the exchange of HK dollars against US dollars and Renminbi were relatively stable during the year, the Group's exposure to currency exchange risk was minimal.

EMPLOYEES AND EMOLUMENT POLICY

As at 31st December 2004, the Group had around 60 employees (2003: 60). The pay scale of the Group's employees is maintained at a competitive level and employees are rewarded on a performance-related basis within the general framework of the Group's salary and bonus system. Other employees benefits include provident fund, insurance and medical cover. Options to subscribe for an aggregate of 4,125,000 shares of the Company had been granted to certain employees pursuant to the Company's share option scheme. These options are exercisable at any time during a period commencing 1 year after the date of grant and ending 3 years after the end of the 10 years period of the scheme. The Board from time to time determines the remuneration of directors by reference to their duties and responsibilities.

PROSPECTS

With the opening of Hong Kong Disneyland in September 2005 and further relaxation of rules relating to the entry of mainland travelers into HKSAR, the local tourism and retail industry will continue to perform well. This will give a significant boost to the demand of staff in these two sectors. The demand for merchandising staff, a sector in which the Group leads in the number of jobs advertised, will continue its strong momentum due to the competitiveness of the export led industries in the Pearl River. Given the tremendous market in China and the Group's foothold in the local recruitment advertising industry, the Group will maintain its momentum in Hong Kong and at the same time cautiously expand its market in China, including launching of a recruitment advertisement publication / website in Shanghai in the first quarter of 2005 and the formation of a printing operation servicing overseas book publishers.

The domestic Chinese airline industry enjoyed rapid expansion in 2004 and experts forecast further growth in 2005. This will benefit our magazine advertising sales division.

Overall, the Group is optimistic of the prospects in 2005. Management will continue to explore business opportunities both organically and opportunistically in core business in which the Group enjoys competitive edges.

DIVIDEND

The Board does not recommend the payment of a dividend for the year. In the opinion of the directors, the Group will need to generate sufficient earnings to eliminate its accumulated losses before a reserve can be established out of which dividends can be paid. As at 31st December 2004, the Group had accumulated losses of HK\$25 million representing losses in a number of its operating subsidiaries.

PURCHASE, SALE OR REDEMPTION OF SHARES

During the year ended 31st December 2004, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

BOARD PRACTICES AND PROCEDURES

During the year ended 31st December 2004, the Company was in compliance with Board Practices and Procedures as set out in Rules 5.34 to 5.45 of the GEM Listing Rules.

AUDIT COMMITTEE

The audit committee has three members comprising the three independent non-executive directors, namely, Mrs. Ling Ching Man, Eleanor, Mr. Cheng Ping Kuen, Franco and Mr. Tyen Kan Hee, Anthony with terms of reference in compliance with the GEM Listing Rules. The audit committee has reviewed the audited financial results of the Group for the year ended 31st December 2004.

On behalf of the Board
Lau Chuk Kin
Chairman

Hong Kong, 4th February 2005

As at the date of this announcement, the Board comprises Lau Chuk Kin and Ho Suk Yi as executive Directors, Wan Siu Kau, Lee Ching Ming, Adrian, Peter Stavros Patapios Christofis and Lam Mei Lan as non-executive Directors and Ling Ching Man, Eleanor, Cheng Ping Kuen, Franco and Tyen Kan Hee, Anthony as independent non-executive Directors.

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

This announcement will remain on the GEM website at <http://www.hkgem.com> on the "Latest Company Announcement" page for at least seven days from the date of its posting.

** For identification purpose only*