



**Recruit**

**3rd Quarterly Report 2005**

**第三季報**

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

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

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

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

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

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

## **FINANCIAL REVIEW**

Turnover for the nine months ended 30th September 2005 was approximately HK\$156 million, a 114% increase over the same period last year. The significant growth was mainly due to additional revenue amounting to approximately HK\$43 million and HK\$31 million generated from printing business and inflight magazine business respectively.

Net profit attributable to shareholders for the nine months ended 30th September 2005 was approximately HK\$26.2 million, a 29% increase over the same period last year. The increase was attributed mainly to a gain of HK\$5 million recognised from the sale of the Group's 5% interest in recruitment related business in the second quarter of the year.

The Group's turnover for the three months ended 30th September 2005 was HK\$70 million, a 143% increase over the same quarter last year. Net profit attributable to shareholders was approximately HK\$6.9 million, a 23% decline from HK\$9 million for the same quarter last year. The revenue increase was mainly due to the sales of HK\$25 million from printing business and HK\$12.7 million from inflight magazine business, whilst the decline in net profit was mainly due to the start-up cost for printing production facilities and the business development expenses for recruitment advertising business in Shanghai.

## **BUSINESS REVIEW**

### **Advertising business**

#### ***Recruitment Ads***

We continue to see signs of improvement in Hong Kong job market when the unemployment rate further fell to 5.5% in the third quarter of 2005, the lowest since 2001. Advertising revenue from the "Recruit" magazine grew by 17.5% as compared to the same quarter last year. Due to seasonal reason, the pace of job growth will remain moderate in the fourth quarter.

The Group actively deployed sales and marketing activities for its newly established China recruitment advertising business – Corner Office and its website 1010job.com. The increased marketing budget and initial business development costs of Corner Office had an adverse impact on the Group's profitability in the third quarter. In the remainder of the year, Corner Office will continue to focus on raising brand recognition and user traffic. It will have a negative impact on our recruitment ads division for the year. However, there has been encouraging signs as the numbers of page views and unique visitors of 1010job.com have shown significant improvement since September this year.

Notwithstanding the loss incurred by Corner Office, we expect that the entire recruitment advertising business will remain profitable for the year.

### ***Inflight magazine Ads***

The inflight magazine business reported revenue of approximately HK\$22 million in the third quarter, having grown by 143%. As reported in last quarter, the significant increase was mainly due to a new exclusive agency agreement signed with China Southern Airlines in June. This division has significantly outperformed other business units throughout the year. Furthermore, the fourth quarter is the peak season for inflight magazine advertising and October revenue has exceeded the original sales target. This business unit will be the engine of growth and profits for the Group in 2005.

### ***Statutory announcement***

Advertising revenue from statutory corporate announcement placement business declined by 6% as compared to the same quarter last year. Despite the drop in sales, we are confident that the business will continue to make a positive contribution to the Group in the fourth quarter of the year. However, in view of the possible changes in listing rules allowing main board listed companies to issue announcements electronically, the contribution from this business unit will be severely impacted in the coming year.

### **Printing business**

The production facilities at Yuanzhou, Boluo, in Guangdong Province, started operations in October this year. As a result of start-up costs, the printing business incurred a loss attributable to the Group of HK\$1.2 million in the third quarter and we anticipate that it will make a small trading loss for the year. However, we believe that this business unit with its competitive edge in the marketplace will provide a positive return to the Group in the near term.

## **PROSPECTS**

As at 30th September 2005, the Group had cash reserves of approximately HK\$39 million against total bank borrowings of HK\$19 million. This cash position has funded the Group's expansion into the China market.

Looking forward, the recruitment business in China will continue to be a drag on our earnings in the near future. However, we are confident that growth in other business units should be adequate to offset the loss from the China recruitment business. Management is taking active steps to explore other business prospects, both in Hong Kong and overseas.

### THIRD QUARTERLY RESULTS (UNAUDITED)

The Board of Directors (the “Board”) of the Company presents the unaudited results of the Company and its subsidiaries (collectively referred to as the “Group”) for the nine months ended 30th September 2005 together with the comparative unaudited figures for the corresponding period in 2004 as follows:

#### CONSOLIDATED INCOME STATEMENT

	Note	Three months ended		Nine months ended	
		30th September		30th September	
		2005	2004	2005	2004
		HK\$'000	HK\$'000	HK\$'000	HK\$'000
			(restated)		(restated)
Turnover	3	69,776	28,703	155,789	72,852
Direct operating costs		(44,153)	(13,952)	(92,315)	(33,266)
Gross profit		25,623	14,751	63,474	39,586
Other income		700	756	1,490	938
Selling and distribution costs		(10,315)	(3,582)	(23,709)	(10,770)
Administrative expenses		(9,015)	(3,108)	(19,145)	(9,248)
Other operating expenses		(171)	221	(540)	(117)
Profit from operations	4	6,822	9,038	21,570	20,389
Finance costs		(164)	-	(182)	-
Gain on dilution of interest in subsidiaries		-	-	5,000	-
Profit before taxation		6,658	9,038	26,388	20,389
Taxation	5	-	-	-	(28)
Net profit for the period		6,658	9,038	26,388	20,361
Attributable to:					
Equity holders of the parent		6,857	9,038	26,167	20,361
Minority interest		(199)	-	221	-
		6,658	9,038	26,388	20,361
Earnings per share					
- Basic	6	HK2.51 cents	HK3.32 cents	HK9.58 cents	HK9.20 cents
- Diluted	6	HK2.49 cents	HK3.31 cents	HK9.50 cents	HK9.17 cents

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 1. Basis of preparation

The unaudited quarterly financial statements have been prepared in accordance with new HKFRSs (which also include Statements of Standard Accounting Practice and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants (“the HKICPA”), and accounting principles generally accepted in Hong Kong. The principal accounting policies adopted in preparing these financial statements are consistent with those followed in the Group’s annual audited consolidated financial statements for the year ended 31st December 2004 except those mentioned in note 2 below.

### 2. Changes in accounting policies

In the current period, the Group has applied, for the first time, a number of new Hong Kong Financial Reporting Standards (“HKFRSs”), Hong Kong Accounting Standards (“HKASs”) and Interpretations (hereinafter collectively referred to as “new HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants that are effective for accounting periods beginning on or after 1st January 2005. The adoption of the new HKFRSs has resulted in changes to the Group’s accounting policies in the following areas that have an effect on how the results for the current or prior accounting periods are prepared and presented.

The adoption of HKFRS 2 *Share-based Payments* requires all share options granted to employees or other parties to be recognized in the financial statements. The fair value of the share options at grant date will be amortized over the relevant vesting periods to the income statement. HKFRS 2 has been applied retrospectively for share options granted to employees after 7th November 2002 and not vested at 1st January 2005. Following the adoption of this accounting policy, the amount of employee share-based expenses of approximately HK\$392,000 and approximately HK\$259,000 were charged to the income statements for the period ended 30th September 2005 and 30th September 2004 respectively. Employee share-based expense of approximately HK\$466,000 was recognised in the income statement for the year ended 31st December 2004 as prior year adjustment.

In accordance with the provisions of HKFRS 3 *Business Combination*, the carrying amount of negative goodwill that arose from a business combination for which the agreement date was before 1st January 2005 shall be derecognized by way of a corresponding adjustment to the opening balance of accumulated losses as at 1st January 2005. HKFRS 3 has been applied retrospectively. Accordingly, the carrying amount of negative goodwill of HK\$13,440,000 was credited to the accumulated losses at 1st January 2004 and 2005.

The reconciliations of equity and profit / loss for comparative periods reported under previous HKGAAP to those reported under new HKFRSs are set out in note 7 below.

### 3. Turnover

	Three months ended 30th September		Nine months ended 30th September	
	2005 HK\$'000	2004 HK\$'000	2005 HK\$'000	2004 HK\$'000
Advertising income	44,601	28,690	112,088	72,689
Printing income	24,961	-	43,479	-
Publication sales	10	13	13	13
Service income	204	-	209	150
	<u>69,776</u>	<u>28,703</u>	<u>155,789</u>	<u>72,852</u>

### 4. Profit from operations

Profit from operations has been arrived at after charging:

	Three months ended 30th September		Nine months ended 30th September	
	2005 HK\$'000	2004 HK\$'000 (restated)	2005 HK\$'000	2004 HK\$'000 (restated)
Depreciation	1,238	300	2,816	1,020
Staff costs	10,714	4,162	24,060	11,646
Operating leases rental in respect of				
Rented premises	644	303	1,831	909
Internet access line	21	21	63	70

### 5. Taxation

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

	Three months ended 30th September		Nine months ended 30th September	
	2005 HK\$'000	2004 HK\$'000	2005 HK\$'000	2004 HK\$'000
Hong Kong Profits Tax – under-provision in prior years	-	-	-	28

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

The potential deferred tax asset has not been recognized in the financial statements as the probability that future taxable profit will be available against which the temporary differences can be utilized in the foreseeable future is uncertain.

## 6. Earnings per share

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

	Three months ended 30th September		Nine months ended 30th September	
	2005 <i>HK\$'000</i>	2004 <i>HK\$'000</i> <i>(Restated)</i>	2005 <i>HK\$'000</i>	2004 <i>HK\$'000</i> <i>(Restated)</i>
Earnings for the purposes of basic and diluted earnings per share for the period	<b>6,857</b>	9,038	<b>26,167</b>	20,361
	<u>=====</u>	<u>=====</u>	<u>=====</u>	<u>=====</u>
	<b>Number of shares ('000)</b>			
Weighted average number of ordinary shares for the purposes of basic earnings per share	<b>273,638</b>	272,500	<b>273,178</b>	221,227
Effect of dilutive potential ordinary shares in respect of share options granted	<b>1,984</b>	421	<b>2,314</b>	918
	-----	-----	-----	-----
Weighted average number of ordinary shares for the purposes of diluted earnings per share	<b>275,622</b>	272,921	<b>275,492</b>	222,145
	<u>=====</u>	<u>=====</u>	<u>=====</u>	<u>=====</u>

The group's earnings for the purposes of calculating the earnings per share for the three months and nine months ended 30th September 2004 was adjusted for the effect of adopting the new accounting policies as set out in note 2 above.



## 7. Movement in reserves

	Share Premium HK\$'000	Employee Share-based Compensation Reserve HK\$'000	Exchange Reserve HK\$'000	Merger Reserve HK\$'000	Contributed Surplus HK\$'000	Goodwill Reserve HK\$'000	Retained Profit/ (Accumulated Losses) HK\$'000	Total HK\$'000
<b>2005</b>								
At 1st January								
As previously reported	53,970	-	5	(43,897)	45,000	13,440	(24,679)	43,839
Prior period adjustments arising from change in accounting policies:								
- share-based payments	-	466	-	-	-	-	(466)	-
- business combination	-	-	-	-	-	(13,440)	13,440	-
As restated	53,970	466	5	(43,897)	45,000	-	(11,705)	43,839
Shares issued at premium	100	-	-	-	-	-	-	100
Shares issue expenses	(15)	-	-	-	-	-	-	(15)
Recognition of share-based expenses for the period	-	392	-	-	-	-	-	392
Exchange difference on translation of financial statements of overseas subsidiaries	-	-	70	-	-	-	-	70
Profit for the period	-	-	-	-	-	-	26,167	26,167
At 30th September	54,055	858	75	(43,897)	45,000	-	14,462	70,553
<b>2004</b>								
At 1st January								
As previously reported	49,724	-	5	(43,897)	45,000	13,440	(59,047)	5,225
Prior period adjustments arising from change in accounting policies:								
- share-based payments	-	84	-	-	-	-	(84)	-
- business combination	-	-	-	-	-	(13,440)	13,440	-
As restated	49,724	84	5	(43,897)	-	-	(45,691)	5,225
Issue of rights shares	5,450	-	-	-	-	-	-	5,450
Share issuing expenses	(1,204)	-	-	-	-	-	-	(1,204)
Profit for the period	-	-	-	-	-	-	20,620	20,620
Prior period adjustments arising from change in accounting policy:								
- share-based payments	-	259	-	-	-	-	(259)	-
At 30th September	53,970	343	5	(43,897)	45,000	-	(25,330)	30,091

## DIVIDEND

The Directors do not recommend the payment of an interim dividend for the nine months ended 30th September 2005 (2004: Nil).

## DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS IN SECURITIES

As at 30th September 2005, the interests and short positions of the directors and chief executive of the Company in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) as recorded in the register required to be kept under Section 352 of the SFO or otherwise notified to the Company and the Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the required standard of dealing by the Directors under Rule 5.46 of the GEM Listing Rules, 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	179,314,000	179,314,000	65.44
Mr. Lee Ching Ming, Adrian ( <i>Note 2</i> )	100,500	50,000	Nil	150,500	0.05
Mr. Peter Stavros Patapios Christofis	670,500	Nil	Nil	670,500	0.24
Mr. Cheng Ping Kuen, Franco	204,000	Nil	Nil	204,000	0.07

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

Name of Directors	Number of share options				
	Outstanding at 1.1.2005	Granted during the period	Exercised during the period	Cancelled/lapsed during the period	Outstanding at 30.9.2005
Ms Ho Suk Yi ( <i>Note 3</i> )	500,000	-	-	-	500,000

#### Notes:

- Of 179,314,000 shares, 1,360,000 shares and 177,954,000 shares are beneficially owned by ER2 Holdings Limited and City Apex Limited respectively. As at 30th September 2005, Mr. Lau Chuk Kin beneficially owned 67% 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.

3. Of 500,000 share options granted to Ms Ho Suk Yi, 250,000 and 250,000 share options were granted on 17th May 2004 and 9th December 2004 respectively. Details of the share options are set out below:

Date of grant	Number of share options granted	Exercise price per share (HK\$)	Vesting period	Exercisable period	Percentage to the issued share capital of the Company (%)
17.5.2004	250,000	0.28	17.5.2004 – 16.5.2005	17.5.2005 – 2.7.2013	0.09
9.12.2004	250,000	0.43	9.12.2004 – 8.12.2005	9.12.2005 – 2.7.2013	0.09

Saved as disclosed above, as at 30th September 2005, 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) as recorded in the register required to be maintained under section 352 of Part XV of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the required standard of dealings by directors as referred to in Rule 5.46 of the GEM Listing Rules.

## SUBSTANTIAL SHAREHOLDERS

As at 30th September 2005, 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 of the Company, being 5% or more in the issued share capital of the Company as recorded in the register required to be kept by the Company under Section 336 of the SFO:

Name	Number of shares	Percentage to the issued share capital of the Company %
Mr. Lau Chuk Kin ( <i>Note 1</i> )	179,314,000	65.44
ER2 Holdings Limited ( <i>Note 1</i> )	179,314,000	65.44
City Apex Limited ( <i>Note 1</i> )	177,954,000	64.94
Tai Wah Investment Company Limited ( <i>Note 2</i> )	22,000,000	8.03
Chan Family Investment Corporation Limited ( <i>Note 2</i> )	26,677,333	9.74
Great Eagle Holdings Limited ( <i>Note 3</i> )	22,076,000	8.06
Jolly Trend Limited ( <i>Note 3</i> )	22,076,000	8.06
The Great Eagle Company, Limited ( <i>Note 3</i> )	22,076,000	8.06
Dr. Lo Ka Shui ( <i>Note 4</i> )	22,226,000	8.11
JAIC-Somerley Corporate Development Fund Limited ( <i>Note 5</i> )	16,788,178	6.13
Japan Asia Investment Company Limited ( <i>Note 5</i> )	16,788,178	6.13
HSBC International Trustee Limited ( <i>Note 6</i> )	16,788,178	6.13

### Notes:

- Of the 179,314,000 shares, Mr. Lau Chuk Kin is deemed to be interested in the 1,360,000 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.

6. 16,788,178 shares relate to the same block of shares as described in note 5. HSBC International Trustee Limited, in which the corporations mentioned in note 5 are the beneficiaries, is interested and/or deemed to be interested in the said 16,788,178 shares.

## **FINANCIAL ASSISTANCE**

As previously reported, the Group had provided financial assistance to PPG Investments Limited (“PPGI”) of approximately HK\$16 million, which was proportional to the Group’s 20 per cent equity interest in PPGI. The financial assistance is unsecured, interest free and there is no fixed term of repayment. As at 30th September 2005, the Group’s advance to PPGI, net of allowance, was approximately HK\$5.3 million (2004: HK\$7 million). The Directors believe that no further allowance for the amount due from PPGI is required as PPGI is currently holding a 50% stake in a Hong Kong printing company which was at net current asset position throughout the period. The latest unaudited balance sheet of PPGI as at 30th September 2004 is as follows:

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

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

## **PURCHASE, SALE OR REDEMPTION OF SHARES**

During the nine months ended 30th September 2005, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company’s listed securities.

## COMPETING INTERESTS

Interests of the directors of the Company in competing businesses required to be disclosed pursuant to Rule 11.04 of the GEM Listing Rules are as follows:

<b>Name of director</b>	<b>Name of companies</b>	<b>Nature of competing business</b>	<b>Nature of interest</b>
Mr. Lau Chuk Kin	International Resources Group Limited	Executive search in the United Kingdom	As a director and shareholder
	Amrop Hever Hong Kong and Shanghai	Executive search in Hong Kong and the PRC	As a shareholder
Mr. Wan Siu Kau	Amrop Hever Hong Kong and Shanghai	Executive search in Hong Kong and the PRC	As a director and shareholder

Having considered (i) the nature, geographical market, scope and size of the above businesses; and (ii) the nature and extent of the above-named directors' respective interest in these businesses, the directors of the Company believe that there is unlikely to be any significant competitions caused to the businesses of the Group.

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

## AUDIT COMMITTEE

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

The audit committee had met with the management to review the Company's third quarterly report for the nine months ended 30th September 2005 and had the opinion that such report was complied with the applicable accounting standards and adequate disclosures had been made.

By Order of the Board  
Ho Suk Yi  
Executive Director

Hong Kong, 11th November 2005