

R *Recruit*



3rd Quarterly Report

2006

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

For the nine months ended 30 September 2006, turnover rose by 41% to HK\$219.2 million. A major contributor to the expansion of the advertising business was the inflight magazine advertising which increased its revenue by 44%. The Group's newest advertising business, recruitment advertising in Shanghai, continued to increase its contribution to the Group's revenue in the third quarter. For the nine months ended 30 September 2006, the Group recorded net profit attributable to shareholders of HK\$42.2 million (2005: HK\$26 million).

The Group's turnover for the three months ended 30 September 2006 was HK\$81.4 million, an increase of 17% over the same period last year. In this quarter, the Group achieved a 218% increase in net profit attributable to shareholders, bringing net profit to HK\$21.8 million. The net profit consists of two elements, a one-off gain amounting to HK\$12 million from the sale of an investment property and recurring operating profit of HK\$9.8 million. As a result, there was a real growth in net profit of 42% from recurring business when compared to the HK\$6.9 million net profit achieved from recurring business in the same period last year.

BUSINESS REVIEW

Advertising Business

Recruitment Advertising – Hong Kong

The Group's Hong Kong Recruit Magazine is impacted by Hong Kong's general economic sentiment and this has remained stable since 2005. The recruitment advertising business reports a minor 2% increase in revenue, which corresponds to the small growth in the general economy. The display business is facing ever-growing competition whilst recruitment advertising sales will largely depend upon the general economic situation. However, the Group's cost control measures proved sufficiently effective to maintain the net profit for Recruit Magazine at a similar level as that of the same period last year. Hong Kong's unemployment rate is presently curbed below 5% and this is expected to improve further by the end of the year. However, certain industries, including import and export sector in which the Group is especially strong, are beginning to show minor signs of a slowdown in growth.

The revamped online presence of Recruit, www.recruitonline.com was launched in May 2006. The website is positioned as jobseeker focused, bearing a number of innovative online features designed to enhance the job seeking experience. The Group expects that its online medium will not only complement its print presence but also exploit new dimensions in online business.

Recruitment Advertising – Shanghai

1010job continues to grow in Shanghai in both revenue and the level of market recognition. The 1010job weekly publication is regarded as a "premier job information provider" in Shanghai. The GDP growth in China for the rest of 2006 and 2007 is still forecast at an optimistic double-digit figure which results in hiring needs being maintained at buoyant level. The Group plans to continue to allocate resources for product development and marketing activities to nurture the expansion of the business. In early October, a career portal under the name 1010job, embedded with a job search engine, career related information and company reviews

was launched nationwide. The new portal introduces a full range of new user-friendly features, which the Management expects will help to enhance the brand recognition throughout the country and create new business models in addition to recruitment advertising.

Inflight Magazine Advertising

The inflight magazine business remains a main contributor in both turnover and net operating profit in the advertising business sector. In the third quarter of 2006, turnover rose by 8% as compared to same period last year. The business, although challenged by other media, including TV, outdoor billboards and online, continues to demonstrate better-than-last-year performance which can be attributed to 1) the high economic growth rate in China; 2) the predominant position of “airline media” which is considered to be the most efficient in identifying a targeted audience; and 3) the China Southern Airline agency agreement which took effect in July 2005. The Group believes that revenue growth in the sector will remain strong following the forecasted double-digit growth for China’s economic growth for the remainder of 2006 and 2007. However, the trend of thinning profit margins will also continue due to severe competitions in the market.

Printing Business

The printing business completed its first full nine months of operations up to 30 September 2006. In the third quarter of 2006, turnover rose by 37% as compared to the same period last year. The growth was brought by the Group’s operating strengths in terms of capacity and expertise in the printing business. Future growth of the business is impacted by the global economy, which shows signs of a slowdown. The Group believes that the operation is well placed to maintain its current momentum for the rest of 2006 and the following year. The division will continue to focus on enlarging its client profile from a wider geographic coverage.

Investment Activities

The Group has continued its investment activities in the third quarter of 2006. The Hong Kong securities market where the Group is investing has been buoyant throughout the period and is expected to perform satisfactorily for the remainder of the year. The Group will continue its prudent approach in the selection and trading of listed stocks.

PROSPECTS

It is encouraging to note that the financial position of the Group, with particular reference to its improving cash flow situation, remains on an upward path. The Group will continue to maintain its leadership position in the inflight magazine business, which also provides the Group with a steady and significant cashflow and net profit. The online recruitment business in China will remain at the centre of the Group's focus of development for the remainder of 2006 and 2007. The Group also aims to strengthen its stronghold in the recruitment advertising market in Hong Kong through an expansion of its activities in both the print and online businesses.

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 30 September 2006 together with the comparative unaudited figures for the corresponding period in 2005 as follows:

CONSOLIDATED INCOME STATEMENT

	<i>Note</i>	Three months ended		Nine months ended	
		30 September		30 September	
		2006	2005	2006	2005
		<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Revenue and turnover	2	81,389	69,776	219,243	155,789
Direct operating costs		(50,195)	(44,153)	(131,314)	(92,315)
Gross profit		31,194	25,623	87,929	63,474
Other operating income		1,726	700	4,560	6,490
Gain on sale of investment property		12,114	-	12,114	-
Selling and distribution costs		(9,672)	(10,315)	(30,364)	(23,709)
Administrative expenses		(10,760)	(9,015)	(24,772)	(19,145)
Other operating expenses		(169)	(171)	(179)	(540)
Profit from operations	3	24,433	6,822	49,288	26,570
Finance costs		(647)	(164)	(1,716)	(182)
Profit before income tax		23,786	6,658	47,572	26,388
Taxation	4	-	-	(2,430)	-
Profit for the period		23,786	6,658	45,142	26,388
Attributable to:					
Equity holders of the Company		21,837	6,857	42,176	26,167
Minority interests		1,949	(199)	2,966	221
		23,786	6,658	45,142	26,388
Earnings per share for profit attributable to equity holders of the Company during the period					
- Basic	5	HK7.96 cents	HK2.51 cents	HK15.37 cents	HK9.58 cents
- Diluted	5	HK7.89 cents	HK2.49 cents	HK15.27 cents	HK9.50 cents

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. Basis of preparation

The unaudited quarterly financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRS”) 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 31 December 2005.

2. Turnover

	Three months ended		Nine months ended	
	30 September		30 September	
	2006	2005	2006	2005
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Advertising income	46,786	44,601	138,666	112,088
Printing income	34,224	24,961	79,364	43,479
Publication sales and other service income	379	214	1,213	222
	<u>81,389</u>	<u>69,776</u>	<u>219,243</u>	<u>155,789</u>

3. Profit from operations

Profit from operations has been arrived at after charging:

	Three months ended		Nine months ended	
	30 September		30 September	
	2006	2005	2006	2005
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Depreciation	3,325	1,238	8,781	2,816
Employee compensation and benefits expense	13,770	10,714	32,235	24,060
Operating leases rental in respect of				
Rented premises	1,480	644	4,180	1,831
Internet access line	21	21	63	63

4. Taxation

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

	Three months ended 30 September		Nine months ended 30 September	
	2006	2005	2006	2005
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
The charge comprises:				
Profits tax for the period				
- Hong Kong	-	-	1,430	-
Deferred taxation	-	-	1,000	-
	<u>-</u>	<u>-</u>	<u>2,430</u>	<u>-</u>
	<u><u>-</u></u>	<u><u>-</u></u>	<u><u>2,430</u></u>	<u><u>-</u></u>

Hong Kong profits tax is calculated at the rate of 17.5% (2005: 17.5%) of the estimated assessable profits derived from Hong Kong for the period.

The Group did not have any significant unprovided deferred taxation for the period.

5. Earnings per share

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

	Three months ended 30 September		Nine months ended 30 September	
	2006	2005	2006	2005
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Earnings for the purposes of basic and diluted earnings per share for the period	<u>21,837</u>	<u>6,857</u>	<u>42,176</u>	<u>26,167</u>
	<u><u>21,837</u></u>	<u><u>6,857</u></u>	<u><u>42,176</u></u>	<u><u>26,167</u></u>
	Number of shares ('000)			
Weighted average number of ordinary shares for the purposes of basic earnings per share	274,499	273,638	274,422	273,178
Effect of dilutive potential ordinary shares in respect of share options granted	2,183	1,984	1,769	2,314
	<u>276,682</u>	<u>275,622</u>	<u>276,191</u>	<u>275,492</u>
Weighted average number of ordinary shares for the purposes of diluted earnings per share	<u><u>276,682</u></u>	<u><u>275,622</u></u>	<u><u>276,191</u></u>	<u><u>275,492</u></u>

6. Movement in reserves

	Share Premium <i>HK\$ '000</i>	Employee Compensation Reserve <i>HK\$ '000</i>	Exchange Reserve <i>HK\$ '000</i>	Merger Reserve <i>HK\$ '000</i>	Contributed Surplus <i>HK\$ '000</i>	Goodwill Reserve <i>HK\$ '000</i>	Capital Contribution <i>HK\$ '000</i>	Proposed Final Dividend <i>HK\$ '000</i>	Retained Profit <i>HK\$ '000</i>	Total <i>HK\$ '000</i>
2006										
At 1 January	54,065	951	65	(43,897)	34,031	-	521	10,969	25,473	82,178
Shares issued at premium	35	-	-	-	-	-	-	-	-	35
Share issue expenses	(3)	-	-	-	-	-	-	-	-	(3)
Equity-settled share based payment expenses	-	332	-	-	-	-	-	-	-	332
Currency translation	-	-	(21)	-	-	-	-	-	-	(21)
Distribution of final dividend	-	-	-	-	(8)	-	-	(10,969)	-	(10,977)
Distribution of interim dividend	-	-	-	-	(5,488)	-	-	-	-	(5,488)
Profit for the period	-	-	-	-	-	-	-	-	42,176	42,176
At 30 September	<u>54,097</u>	<u>1,283</u>	<u>44</u>	<u>(43,897)</u>	<u>28,535</u>	<u>-</u>	<u>521</u>	<u>-</u>	<u>67,649</u>	<u>108,232</u>
	Share Premium <i>HK\$ '000</i>	Employee Compensation Reserve <i>HK\$ '000</i>	Exchange Reserve <i>HK\$ '000</i>	Merger Reserve <i>HK\$ '000</i>	Contributed Surplus <i>HK\$ '000</i>	Goodwill Reserve <i>HK\$ '000</i>	Capital Contribution <i>HK\$ '000</i>	Proposed Final Dividend <i>HK\$ '000</i>	Retained Profit/ (Accumulated Losses) <i>HK\$ '000</i>	Total <i>HK\$ '000</i>
2005										
At 1 January, as previously reported	53,970	-	5	(43,897)	45,000	13,440	-	-	(24,679)	43,839
Effect on changes in accounting policies:										
- Initial adoption of HKFRS2	-	382	-	-	-	-	-	-	(382)	-
- Initial adoption of HKFRS3	-	-	-	-	-	(13,440)	-	-	13,440	-
At 1 January, as restated	<u>53,970</u>	<u>382</u>	<u>5</u>	<u>(43,897)</u>	<u>45,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(11,621)</u>	<u>43,839</u>
Shares issued at premium	100	-	-	-	-	-	-	-	-	100
Share issue expenses	(15)	-	-	-	-	-	-	-	-	(15)
Equity-settled share based payment expenses	-	392	-	-	-	-	-	-	-	392
Currency translation	-	-	70	-	-	-	-	-	-	70
Profit for the period	-	-	-	-	-	-	-	-	26,167	26,167
At 30 September	<u>54,055</u>	<u>774</u>	<u>75</u>	<u>(43,897)</u>	<u>45,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>14,546</u>	<u>70,553</u>

DIVIDEND

The Directors do not recommend the payment of an interim dividend for the nine months ended 30 September 2006 (2005: Nil).

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS IN SECURITIES

As at 30 September 2006, 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) Long Position 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	179,392,000	179,392,000	65.28
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 1.1.2006	Granted during the period	Exercised during the period	Cancelled/lapsed during the period	Outstanding at 30.9.2006
Ms Ho Suk Yi (<i>Note 3</i>)	500,000	-	-	-	500,000

Notes:

1. Of 179,392,000 shares, 1,438,000 shares and 177,954,000 shares are beneficially owned by ER2 Holdings Limited and City Apex Limited respectively. As at 30 September 2006, 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.

2. 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 17 May 2004 and 9 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 30 September 2006, to the knowledge of the Company, none of the directors or chief executive of the Company had or was deemed to have any interests or short positions in the shares, underlying shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be maintained under section 352 of Part XV of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the required standard of dealings by directors as referred to in Rule 5.46 of the GEM Listing Rules.

SUBSTANTIAL SHAREHOLDERS

As at 30 September 2006, 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 of shareholder	Number of shares	Percentage to the issued share capital of the Company %
Mr. Lau Chuk Kin (<i>Note 1</i>)	179,392,000	65.28
ER2 Holdings Limited (<i>Note 1</i>)	179,392,000	65.28
City Apex Limited (<i>Note 1</i>)	177,954,000	64.76
Tai Wah Investment Company Limited (<i>Note 2</i>)	22,000,000	8.01
Chan Family Investment Corporation Limited (<i>Note 2</i>)	26,677,333	9.71
Great Eagle Holdings Limited (<i>Note 3</i>)	22,076,000	8.03
Jolly Trend Limited (<i>Note 3</i>)	22,076,000	8.03
The Great Eagle Company, Limited (<i>Note 3</i>)	22,076,000	8.03
Dr. Lo Ka Shui (<i>Note 4</i>)	22,226,000	8.09
JAIC-Somerley Corporate Development Fund Limited (<i>Note 5</i>)	16,788,178	6.11
Japan Asia Investment Company Limited (<i>Note 5</i>)	16,788,178	6.11

Notes:

- Of the 179,392,000 shares, Mr. Lau Chuk Kin is deemed to be interested in the 1,438,000 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.

FINANCIAL ASSISTANCE

As reported in previous annual report of the Company, the Group provided financial assistance to PPG Investments Limited of approximately HK\$16 million, which was proportional to the Group's 20 per cent equity interest in PPG Investments Limited ("PPGI"). The financial assistance is unsecured, interest free and there is no fixed term of repayment.

As at 30 September 2006, the Group's advance to PPGI, net of allowance, was approximately HK\$2 million (31/12/2005: HK\$5 million). The Directors believe that no further allowance for the amount due from PPGI is required.

PURCHASE, SALE OR REDEMPTION OF SHARES

During the nine months ended 30 September 2006, 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:

Name of director	Name of companies	Nature of competing business	Nature of interest
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 30 September 2006 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, 14 November 2006