

SUMMARY

This summary aims to give you an overview of the information contained in this document. As it is a summary, it does not contain all the information that may be important to you.

OVERVIEW

The Group is principally engaged in the media advertising business, including recruitment, inflight magazine and statutory announcement, and printing business. The table below illustrates the breakdown of the Group's turnover by business segments during the Track Record Period:

	For the year ended 31st December,		
	2004	2005	2006
	HK\$'000	HK\$'000	HK\$'000
Advertising income	103,995	160,570	192,622
Printing income	—	66,533	105,711
Total	<u>103,995</u>	<u>227,103</u>	<u>298,333</u>

Advertising

(i) Recruitment

The Group is a recruitment advertising operator in Hong Kong providing both print and online advertising to job seekers and recruitment advertisers.

In July 1992, the Group commenced distributing free publication dedicated to recruitment advertising in Hong Kong on a regular basis. The Group expanded its coverage to Shanghai by launching a recruitment advertising publication through a local publisher in 2005. Two recruitment advertising publications under the names "Recruit" and, through a local publisher, "1010job精英招聘" are distributed by the Group in Hong Kong and Shanghai respectively, targeting white-collar job seekers.

The Group also operates a website, recruitonline.com, an English-Chinese bilingual website providing a personalised solution to job seekers and recruitment advertisers located in Hong Kong. The Group has extended its presence to the PRC market through a website, 1010job.com, which presently offers recruitment and job information tailored for job seekers in the PRC market.

In respect of its business relating to recruitment advertising in Hong Kong, the Group continues to consolidate its leadership position as a print advertisement provider in the recruitment market. The Group will also continue to enhance its recruitonline.com website. On the other hand, in respect of its business relating to recruitment advertising in the PRC, the Group continues to strengthen its sales force in the recruitment advertisement business in Shanghai and to provide more proprietary products on its 1010job.com website for job seekers in Shanghai.

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(ii) Inflight magazine

The Group is the exclusive advertising market consultant and production services provider for the major inflight magazines and newspapers of two airlines, CEA and CSA. As their advertising market consultant and production services provider, the Group is primarily responsible for the production, marketing and promotion of the magazines and newspapers as well as facilitating the sale of advertising spaces.

The Group currently acts for five monthly and weekly inflight magazines and newspapers of the two airlines. These publications are mainly distributed on board the aircraft of the airlines and in major airports throughout the PRC.

The Group will continue to explore new business for more inflight magazine titles that will enhance its competitive strengths in the inflight magazine market.

(iii) Statutory announcement

The Group has been the exclusive sales agent for legal and public notices of China Daily since 2003. The legal and public notices mainly include announcements issued by companies listed on the Main Board and notices of application for registration and renewal of liquor licences. The Group provides the announcement advertising spaces in China Daily to the clients through its own sales network. In addition to sales of advertising space, the Group also coordinates with advertisers, other intermediaries and China Daily for publication of announcements and notices.

The Stock Exchange is phasing out the Main Board requirement for companies to publish announcements in newspapers. Accordingly, the Directors are of the view that the Group's business of statutory announcement will have limited development in the future. The operating profit margins of the statutory announcement business were approximately 29.9%, 34.8% and 29.4% for each of the three years ended 31st December, 2006, respectively. The operating profit of the statutory announcement represent 11.9%, 11.5% and 6.3% of that of the Group for each of the three years ended 31st December, 2006, respectively. As the profit contributions from the sales of advertising spaces in China Daily have been declining and becoming insignificant in terms of above percentages in the Track Record Period, the Directors believe that loss of the statutory announcement business will not have any significant adverse effect on the Group's future profitability.

Printing

The Group established its printing division in early 2005 to carry out high-quality printing including photograph books, cookbooks, art books, text books and children's books for overseas publishers.

The Group is utilising the Production Facility in Boluo County, Huizhou City, Guangdong Province, the PRC. Manufacturing of printed products, including the processes of blue print, pre-press, press, post press, hand work and quality assurance, are carried out in the Production Facility by way of the Processing Arrangement. Furthermore, certain parts of the production processes or some sales orders may be placed with sub-contractors during peak seasons. While the production procedures are performed in the PRC, the Group's printing division maintains its sales office in Hong Kong, where an experienced sales team is situated to serve overseas customers.

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The Group aims at achieving a steady growth in revenue by expanding client base in terms of geographic coverage. The Group will continue to work with global publishing houses by offering flexible and competitive services.

COMPETITIVE STRENGTHS

- Enabling print and online operation
- Comprehensive online recruitment functions
- Successful track record in brand building
- Market leadership in inflight magazine business in the PRC
- Short lead time in printing production

RISK FACTORS

There are certain risks involved in the Group's operations. These risks can be categorised into (i) risks relating to the business of the Group; (ii) risks relating to the Group's operations in the PRC; (iii) risks relating to the industry; (iv) political and economic risks; and (v) risks relating to the Shares. A detailed discussion of the risk factors are set forth in the section headed "Risk Factors" in this document. The following is a list of the risk factors:

Risks relating to the business of the Group

- Reliance on revenue from advertising
- Reliance on key executives and personnel
- Reliance on major customers
- Reliance on major suppliers
- The Group may face an increasing number of competitors
- The Group's Internet business may be subject to capacity constraints
- The Group may face potential liability for its website content
- The Group may not be able to register domain names for its business in the future
- Intellectual property is important to the Group's business, and any unauthorised use of the Group's intellectual property by third parties may adversely affect the Group's business

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- Public companies listed on Main Board of the Stock Exchange will only be required to publish their announcements on a website rather than in newspapers
- Reliance on paper supply
- Hong Kong taxation
- The results of operations may fluctuate due to seasonality
- Volatility of the Group's operating results
- Fluctuation of the Group's gross profit
- Non-recurring nature in certain other operating income items
- A sudden decrease in market demand for the Group's printed products may lead to obsolete inventories
- A provision of trade debtors or advances to associates may adversely affect the results of the Group

Risks relating to the Group's operation in the PRC

- Government regulation of the advertising business in the PRC
- Exclusive advertising market consultancy and production services agreements with two PRC airlines may not continue
- Contractual Arrangements – The Group operates some of its businesses through companies in which it does not have ownership stakes
- Reliance on the PRC Entities
- Discontinuation of the Processing Arrangement
- Reliance on provision of production facility by the PRC party
- Reliance on a local publisher to publish 1010job精英招聘
- Non-registration of a lease agreement

Risks relating to the industry

- Competition in the recruitment advertising industry is intense

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- The Group may experience reduced viewer’s traffic, reduced income and damage to its reputation in the event of unexpected network interruptions
- Computer viruses or hackers may cause the Group’s system to incur delays or interruptions which could reduce demand for its services and damage its reputation

Political and economic risks

- There are political and economic risks associated with doing business in Hong Kong
- There are political and economic risks associated with doing business in the PRC
- There are uncertainties regarding the interpretation and enforcement of PRC laws and regulations
- Currency conversion and exchange control

Risks relating to the Shares

- The rights of the Shareholders are subject to the laws of Bermuda
- Past dividends should not be used as a reference for the Company’s future dividend policy
- The Shareholders’ interests in the Company may be diluted in future
- Potential dilutive effect of the GEM Share Option Scheme and the Proposed Share Option Scheme

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FINANCIAL INFORMATION

The following table is extracted from the accountants' report contained in Appendix I to this document which summarises the Group's income statements for the Track Record Period:

	Year ended 31st December,		
	2004 HK\$'000	2005 HK\$'000	2006 HK\$'000
Revenue and turnover	103,995	227,103	298,333
Direct operating costs	(48,598)	(136,496)	(182,526)
Gross profit	55,397	90,607	115,807
Other operating income (<i>Note 1</i>)	4,418	11,633	14,977
Gain on disposal of investment properties	–	–	12,114
Selling and distribution costs	(14,067)	(34,943)	(41,333)
Administrative expenses	(11,444)	(27,732)	(32,598)
Other operating expenses	(290)	(698)	(2,087)
Operating profit	34,014	38,867	66,880
Finance costs	–	(539)	(2,618)
Profit before income tax	34,014	38,328	64,262
Income tax expense	(28)	(1,060)	(5,982)
Profit for the year	<u>33,986</u>	<u>37,268</u>	<u>58,280</u>
Attributable to:			
Equity holders of the Company	33,986	37,094	55,102
Minority interests	–	174	3,178
Profit for the year	<u>33,986</u>	<u>37,268</u>	<u>58,280</u>
Dividends	<u>–</u>	<u>10,969</u>	<u>26,106</u>
Earnings per Share for profit attributable to the equity holders of the Company during the year (<i>Note 2</i>)			
Basic (<i>HK cents</i>)	<u>14.54</u>	<u>13.57</u>	<u>20.07</u>
Diluted (<i>HK cents</i>)	<u>14.47</u>	<u>13.46</u>	<u>19.94</u>

Notes:

- Other operating income comprised certain non-recurring items, including gain from changes in fair value of investment properties and gain on partial disposal of investments in subsidiaries.
- The calculation of the basic earnings per Share is based on the profit attributable to the equity holders of the Company divided by the weighted average number of ordinary Shares for the purpose of basic earnings per Share.

The calculation of the diluted earnings per Share is based on the profit attributable to the equity holders of the Company divided by the sum of weighted average number of ordinary Shares for the purpose of basic earnings per Share and effect of dilutive potential ordinary Shares in respect of share options granted.

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Set out below is the unaudited consolidated results of the Group for the three months ended 31st March, 2007 together with the comparative unaudited figures for the corresponding period in 2006, as extracted from the 2007 first quarterly report of the Company:

	(Unaudited)	
	Three months ended	
	31st March,	
	2007	2006
	<i>HK\$'000</i>	<i>HK\$'000</i>
Revenue and turnover	73,692	62,748
Direct operating costs	(48,185)	(35,789)
	<hr/>	<hr/>
Gross profit	25,507	26,959
Other operating income (<i>Note 1</i>)	13,298	1,324
Selling and distribution costs	(13,013)	(10,933)
Administrative expenses	(8,372)	(7,359)
Other operating expenses	(388)	–
	<hr/>	<hr/>
Operating profit	17,032	9,991
Finance costs	(255)	(369)
	<hr/>	<hr/>
Profit before income tax	16,777	9,622
Income tax expense	(1,162)	–
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Profit for the period	<u>15,615</u>	<u>9,622</u>
Attributable to:		
Equity holders of the Company	15,113	9,066
Minority interests	502	556
	<hr/>	<hr/>
Profit for the period	<u>15,615</u>	<u>9,622</u>
Earnings per Share for profit attributable to the equity holders of the Company during the period (<i>Note 2</i>)		
Basic (<i>HK cents</i>)	<u>5.50</u>	<u>3.31</u>
Diluted (<i>HK cents</i>)	<u>5.46</u>	<u>3.29</u>

Notes:

1. Other operating income comprised a gain on partial disposal and dilution of interest in a subsidiary, which is non-recurring in nature.
2. The calculation of the basic earnings per Share is based on the profit attributable to the equity holders of the Company divided by the weighted average number of ordinary Shares for the purpose of basic earnings per Share.

The calculation of the diluted earnings per Share is based on the profit attributable to the equity holders of the Company divided by the sum of weighted average number of ordinary Shares for the purpose of basic earnings per Share and effect of dilutive potential ordinary Shares in respect of share options granted.