Listing by Introduction

RECRUIT HOLDINGS LIMITED
(continued in Bermuda with limited liability)

Sponsor: SOMERLEY LIMITED

IMPORTANT

If you are in any doubt about this document, you should obtain independent professional advice.

RECRUIT HOLDINGS LIMITED

才庫媒體集團有限公司*

(Continued in Bermuda with limited liability)

LISTING BY WAY OF INTRODUCTION OF THE ENTIRE ISSUED SHARE CAPITAL ON THE MAIN BOARD OF THE STOCK EXCHANGE OF HONG KONG LIMITED

Stock code on Main Board: 550

Stock code on GEM: 8073

Sponsor

SOMERLEY LIMITED

The Stock Exchange of Hong Kong Limited and Hong Kong Securities Clearing Company Limited take no responsibility for the contents of this document, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this document.

This document is published in connection with the listing by way of introduction of the entire issued share capital of Recruit Holdings Limited (the "Company") on the Main Board (the "Main Board") of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). This document contains particulars given in compliance with the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") and the Securities and Futures (Stock Market Listing) Rules of Hong Kong for the purpose of giving information with regard to the Company.

This document does not constitute an offer of, nor is it calculated to invite offers for, the shares or other securities of the Company, nor have any such shares or other securities been allotted with a view to any of them being offered for sale to members of the public. No new shares will be issued in connection with, or pursuant to, the publication of this document.

The shares of HK$0.20 each in the capital of the Company (the "Shares") were accepted as eligible securities by Hong Kong Securities Clearing Company Limited ("HKSCC") for deposit, clearance and settlement in the Central Clearing and Settlement System ("CCASS") with effect from 20th July, 2000, the date on which dealings in the Shares on the Growth Enterprise Market of the Stock Exchange commenced. Subject to the granting of the listing of, and permission to deal in, the Shares on the Main Board and the continual compliance with the stock admission requirements of HKSCC, the Shares will continue to be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS once dealings in the Shares on the Main Board commence.

All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

* *For identification only*

27th June, 2007

EXPECTED TIMETABLE

Despatch of this document, circular, notice of the SGM and related form of proxy to the Shareholders	Wednesday, 27th June, 2007
Latest time for lodgement of form of proxy for the SGM	10:00 a.m. on Wednesday, 11th July, 2007
SGM	10:00 a.m. on Friday, 13th July, 2007
Announcement of results of the SGM to be published in China Daily (in English), Hong Kong Commercial Daily (in Chinese) and on the GEM website at www.hkgem.com	Monday, 16th July, 2007
Last day of dealings in the Shares on GEM	4:00 p.m. Friday, 20th July, 2007
Withdrawal of listing of the Shares on GEM effective from	9:30 a.m. on Monday, 23rd July, 2007
Dealings in the Shares on the Main Board commence at	9:30 a.m. on Monday, 23rd July, 2007

Notes:

1. All times and dates refer to Hong Kong times and dates.

2. Shareholders will be informed by public announcement of any changes in the above expected timetable.

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You should rely only on the information contained in this document with regard to Recruit Holdings Limited. Recruit Holdings Limited has not authorised anyone to provide you with information that is different from what is contained in this document. Any information or representation not included in this document must not be relied on by you as having been authorised by Recruit Holdings Limited, Somerley Limited, any of their respective directors or any other person or party involved in the Introduction.

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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	103,995	227,103	298,333

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.

(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.

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

- 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

– 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

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	**2005**	**2006**
	HK$'000	*HK$'000*	*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 *(Note 1)*	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	33,986	37,268	58,280
Attributable to:			
Equity holders of the Company	33,986	37,094	55,102
Minority interests	–	174	3,178
Profit for the year	33,986	37,268	58,280
Dividends	–	10,969	26,106
Earnings per Share for profit attributable to the equity holders of the Company during the year *(Note 2)*			
Basic *(HK cents)*	14.54	13.57	20.07
Diluted *(HK cents)*	14.47	13.46	19.94

Notes:

1. 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.

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.

SUMMARY

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

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.

In this document, unless the context otherwise requires, the following terms and expressions shall have the following meanings:

"1010 Group"	1010 Group Limited, a non-wholly owned subsidiary of the Company
"1010job.com"	the Group's website with the domain name, www.1010job.com
"1010job精英招聘"	the Group's recruitment advertising publication distributed in Shanghai, the PRC
"1010 Printing"	1010 Printing International Limited, a wholly-owned subsidiary of 1010 Group
"1010 Printing (UK)"	1010 Printing (UK) Limited, a non wholly-owned subsidiary of the Company
"associate(s)"	has the meaning ascribed to it in the Listing Rules
"Australian dollars"	Australian dollars, the lawful currency of Australia
"Board"	the board of Directors
"Business Day"	any day (other than a Saturday or Sunday) on which banks in Hong Kong are generally open for business
"BVI"	the British Virgin Islands
"Bye-laws"	the bye-laws of the Company as amended from time to time
"CCASS"	the Central Clearing and Settlement System established and operated by HKSCC
"CEA"	China Eastern Airlines
"CFIC"	Chan Family Investment Corporation Limited, which had an interest of 8.76% in the issued share capital of the Company as at the Latest Practicable Date
"China" or "PRC"	the People's Republic of China but for the purpose of this document excluding Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
"China Daily"	the Hong Kong edition of China Daily, an English language newspaper published and circulated in Hong Kong

"Chinavantage"	Chinavantage Group Limited, a wholly-owned subsidiary of the Company
"City Apex"	City Apex Limited, a company incorporated with limited liability on 23rd August, 2002, was owned as to 77% by ER2 and as to 23% by Wellsmart Assets and was the controlling shareholder with 64.61% interest in the issued share capital of the Company as at the Latest Practicable Date
"Colchester Holdings"	Colchester Holdings Limited, which had an interest of 1% in the issued share capital of ER2 as at the Latest Practicable Date
"Companies Act"	the Companies Act 1981 of Bermuda (as amended)
"Companies Ordinance"	the Companies Ordinance (Chapter 32 of the Laws of Hong Kong)
"Company"	Recruit Holdings Limited, a company incorporated on 13th March, 2000 in the Cayman Islands with limited liability and redomiciled to Bermuda on 29th January, 2003
"connected person(s)"	has the meaning ascribed to it in the Listing Rules
"Contractual Arrangements"	a series of contractual agreements entered into between, among other parties, the PRC Entities and RMCSC, which enables the Group to control and enjoy the economic benefits of the PRC Entities, details of which are set out in the paragraph headed "Contractual Arrangements" in the "Business" section in this document
"controlling shareholder(s)"	has the meaning ascribed to it in the Listing Rules
"CSA"	China Southern Airlines
"Director(s)"	the director(s) of the Company
"Dr. Lo"	Dr. Lo Ka Shui
"Easking"	Easking Limited, a wholly-owned subsidiary of the Company

"ER2"	ER2 Holdings Limited, the ultimate holding company of the Company, which had an aggregate effective interest in 64.95% of the issued share capital of the Company as at the Latest Practicable Date
"FESCO"	Foreign Enterprise Service Company, a government bureau in the PRC responsible for domestic employment matters for foreign companies
"GBP"	sterling pounds, the lawful currency of the UK
"GEC"	The Great Eagle Company, Limited, which had an interest of 7.86% in the issued share capital of the Company as at the Latest Practicable Date
"GEM"	The Growth Enterprise Market of the Stock Exchange
"GEM Listing Rules"	The Rules Governing the Listing of Securities on GEM
"GEM Share Option Scheme"	the GEM share option scheme adopted by the Company on 3rd July, 2000, a summary of the principal terms of which is contained under "GEM Share Option Scheme" in Appendix V to this document
"Great Eagle"	Great Eagle Holdings Limited, the holding company of Wellsmart Assets and a company listed on the Main Board
"Group"	the Company and its subsidiaries
"GRS"	Global Resources Services Limited, which had an interest of 15.0% in the issued share capital of 1010 Group, the beneficial owner of which is the management of 1010 Printing
"HKSCC"	Hong Kong Securities Clearing Company Limited
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"Hong Kong dollars" or "HK$" and "HK cents"	Hong Kong dollars and cents, respectively, the lawful currency of Hong Kong

"Hong Kong Transit Publishing"	Hong Kong Transit Publishing Co., Limited (currently known as Recruit Advertising Limited), being the operating company of the recruitment advertising business of the Group in April 1992
"Independent Third Party" or "Independent Third Parties"	a person(s) or company(ies) which is/are not connected with the Directors, supervisors, chief executive, substantial shareholders of the Company or any of its subsidiaries or any of their respective associates
"Introduction"	the proposed listing of the entire issued share capital of the Company on the Main Board by way of introduction
"IRG"	International Resources Group Limited, a subsidiary of OPD Group and is owned as to approximately 1% by Mr. Lau as at the Latest Practicable Date
"Jobstreet"	Jobstreet Corporation Berhad, an Independent Third Party and a company listed on Mesdaq Market of Bursa Malaysia Securities Berhad, which had an interest of 20% in the issued share capital of RGL as at the Latest Practicable Date
"KCR"	the Kowloon Canton Railway
"Latest Practicable Date"	20th June, 2007, being the latest practicable date prior to printing of this document for ascertaining certain information contained herein
"Listing Committee"	the Listing Committee of the Stock Exchange
"Listing Date"	the date on which dealings in the Shares on the Main Board commence, expected to be on 23rd July, 2007
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"Main Board"	the stock market operated by the Stock Exchange prior to the establishment of GEM (excluding the options market) and which stock market continues to be operated by the Stock Exchange in parallel with GEM. For the avoidance of doubt, the Main Board excludes GEM
"Mr. Lau"	Mr. Lau Chuk Kin, an executive Director and Chairman of the Company

"Mr. Lee"	Mr. Lee Ching Ming, Adrian, a non-executive Director
"Mr. Wan"	Mr. Wan Siu Kau, a non-executive Director
"MTR"	the mass transit railway system in Hong Kong operated by MTR Corporation
"MTR Corporation"	MTR Corporation Limited, an Independent Third Party and the operator of MTR in Hong Kong
"Naturbest"	Naturbest Investments Limited, a wholly-owned subsidiary of the Company
"OPD Group"	OPD Group Plc, a company listed on the London Stock Exchange Plc
"Oriental Touch China"	Oriental Touch China Limited, a 45%-owned associate of the Group
"PPGI"	PPG Investments Limited, a 50%-owned associate of the Group
"PPGL"	Premier Printing Group Limited, a 50%-owned associate of PPGI
"PRC Entities"	Shanghai Decai, Shanghai Haifan and Shanghai Lieying
"Processing Agreement"	a processing agreement dated 7th March, 2005 entered into between 1010 Printing, 博羅縣園洲鎮下南實業發展公司 (Boluo County Yuanzhou Town Xianan Industrial Development Company*) and 博羅縣對外加工裝配服務公司 (Boluo County Foreign Subcontracting Service Company*) in relation to the processing arrangement for manufacturing of printed products, details of which are set out in the paragraph headed "Processing arrangements of the Production Facility" in the "Business" section in this document
"Processing Arrangement"	the processing arrangement conducted under the Processing Agreement

"Production Facility"	博羅縣園洲匯星印刷廠 (Boluo County Yuanzhou 1010 Printing Factory*), a production facility situated at Xianan Industrial Area, Nangang Road, Yuanzhou Town, Boluo County, Huizhou City, Guangdong Province, the PRC, owned by 博羅縣園洲鎮下南實業發展公司 (Boluo County Yuanzhou Town Xianan Industrial Development Company*) which is used for manufacturing of printed products for the Group pursuant to the Processing Agreement
"Proposed Share Option Scheme"	the proposed share option scheme to be conditionally adopted at the SGM, a summary of the principal terms of which is set out in the section headed "Proposed Share Option Scheme" in Appendix V to this document
"RCH"	Recruit (China) Holdings Limited, a non wholly-owned subsidiary of the Company
"RCL"	Recruit Company Limited, a wholly-owned subsidiary of the Company
"recruitonline.com"	the Group's website with the domain name, www.recruitonline.com
"Recruit (BVI)"	Recruit (BVI) Limited, a wholly-owned subsidiary of the Company
"RGL"	Recruit Group Limited, a non wholly-owned subsidiary of the Company
"RGL Group"	RGL and its subsidiaries
"RHRG"	Recruit Human Resources Group Limited, a non wholly-owned subsidiary of the Company
"RHRG Group"	RHRG and its subsidiaries
"RMB" or "Renminbi"	Renminbi yuan, the lawful currency of the PRC
"RMCSC"	才庫企業管理顧問（上海）有限公司 (Recruit Management Consulting (Shanghai) Company Limited*), a non wholly-owned subsidiary of the Company
"RMS"	Recruit Management Services Limited, a wholly-owned subsidiary of the Company

"ROA"	Recruit Online Advertising Limited (formerly known as The Recruit Publishing Company Limited), a non wholly-owned subsidiary of the Company
"SFO"	Securities and Futures Ordinance (Chapter 571) of the Laws of Hong Kong
"SGM"	a special general meeting of the Company to be held at 10:00 a.m. on Friday, 13th July, 2007 at 26th Floor, 625 King's Road, North Point, Hong Kong or any adjournment thereof
"Shanghai Decai"	上海德才人力資源有限公司(Shanghai Decai Human Resources Company Limited*), a company established in the PRC and a subsidiary of the Company under the Contractual Arrangements
"Shanghai Haifan"	上海海帆廣告有限公司(Shanghai Haifan Advertising Company Limited*), a company established in the PRC and a subsidiary of the Company under the Contractual Arrangements
"Shanghai Lieying"	上海獵英人才服務有限公司(Shanghai Lieying Human Resources Services Company Limited*), a company established in the PRC and a subsidiary of the Company under the Contractual Arrangements
"Share(s)"	share(s) of nominal value of HK$0.20 each in the share capital of the Company
"Shareholder(s)"	holder(s) of Share(s)
"Somerley" or "Sponsor"	Somerley Limited, the sponsor of the Introduction and a corporation licensed under the SFO to conduct Type 1 (dealing in securities), Type 4 (advising on securities), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities
"sq. ft."	square feet
"sq. m."	square metres
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"subsidiaries"	the meaning ascribed to it in the Listing Rules
"substantial shareholder(s)"	the meaning ascribed to it in the Listing Rules
"SWPL"	Samuel Wan & Partners Limited, a company owned as to 12.5% by Mr. Lau and 55.0% by Mr. Wan as at the Latest Practicable Date

"Track Record Period"	the period comprising the three financial years ended 31st December, 2006
"UK"	the United Kingdom
"US" or "United States"	the United States of America
"US$"	United States dollars, the lawful currency of the US
"VIP"	very important person
"Wellsmart Assets"	Wellsmart Assets Limited, which had an interest of 23% in the issued share capital of City Apex as at the Latest Practicable Date
"Zhong Lun"	Zhong Lun Law Firm, the legal advisers to the Company as to PRC laws
"%" or "per cent."	percent

Unless otherwise specified in this document, amounts denominated in RMB and US$ have been translated, for illustration only, into HK$ at the following exchange rates:

HK$1.00 = RMB1.00

HK$7.80 = US$1.00

The exchange rates above are for reference only. No representation is made that any amounts in RMB, US$ or HK$ could have been or could be converted at the above rate or at any other rates or at all.

The contents of the websites at www.recruitonline.com and www.1010job.com do not form part of this document.

* *The English translation of Chinese names is included for identification only and should not be regarded as their official English translation.*

GLOSSARY OF TECHNICAL TERMS

This glossary of technical terms explains certain terms relating to the business of the Group which have been used in this document. As such, these definitions may not correspond to standard industry definitions:

"domain name"	a name that identifies one or more Internet protocol addresses, i.e. an identifier for a computer or device on a transmission control protocol or Internet protocol network
"e-mail"	electronic messages, usually text, sent over the Internet between mail servers
"Internet"	a global network of connected computers comprising thousands of independent networks
"Internet Service Provider" or "ISP"	a person or a company providing access, usually for a fee, to the Internet. ISPs are typically able to provide permanent connections as well as dial-up connections. When the user dials the ISP, the user's modem connects with one of a number of modems on the ISP's premises, from where it is connected to an Internet backbone. The ISP is therefore the user's gateway onto the Internet. ISP's revenues are derived from customers (access charges, usage fees, and, in some markets, a share of local call charges) and increasingly from advertising and electronic-commerce commissions
"online"	a computer is "online" where it interacts directly and simultaneously with another computer or a network
"page views"	statistics used to measure website activity. One "page view" is a request to load a single page of an Internet site
"search engine"	a tool used to search the Internet for relevant items to view and allows the user to call up a list of relevant websites by entering certain key words on a subject
"website"	a group of files identified by their addresses on the World Wide Web capable of being downloaded by a browser over the Internet

In addition to other information in this document, you should carefully consider the risk factors described below.

RISKS RELATING TO THE BUSINESS OF THE GROUP

Reliance on revenue from advertising

For each of the three years ended 31st December, 2006, revenue derived from advertising accounted for approximately 100.0%, 70.7% and 64.6%, respectively, of the revenue generated by the Group. A significant decline in the advertising spending by major advertisers would have a material adverse effect on the results of operations of the Group.

The Group has not entered into any long-term agreement or commitment with its advertising customers and there is no assurance that these customers will continue to place advertisements in the Group's printed and/or online publications. Should there be any significant decrease in demands from these customers, revenue generated from the Group's advertising business will be adversely affected.

Reliance on key executives and personnel

The Group's performance depends on the expertise and experience of the executive Directors, namely, Mr. Lau Chuk Kin, Ms. Ho Suk Yi and Mr. Peh Tun Lu, Jefferson and its senior management. It also depends on the Group's ability to retain and motivate its officers and employees. Information regarding the Directors and senior management is set out in the section headed "Directors, senior management, audit committee and staff" in this document. Each executive Director and member of senior management has entered into an employment contract with the Group. However, the loss of services of key personnel or the inability to identify, hire, train and retain other qualified technical and managerial personnel in future may adversely affect the Group's sustained performance.

Reliance on major customers

For each of the three years ended 31st December, 2006, the five largest customers together accounted for approximately 24.5%, 40.3% and 46.3% of the Group's turnover respectively, whereas the single largest customer accounted for approximately 9.1%, 13.4% and 17.0% of the Group's turnover respectively. The Group has had business relationships with its five largest customers as at 31st December, 2006 for more than 2 years. The major customers generally do not have any long-term commitments with the Group. Should any of these major customers cease to use or reduce using the Group's services or products and the Group finds itself unable to secure substitute orders of comparable sizes, the turnover and profitability of the Group may be adversely affected.

Reliance on major suppliers

For each of the three years ended 31st December, 2006, the five largest suppliers together accounted for approximately 85.3%, 56.7% and 47.7% of the Group's purchase respectively, whereas the single largest supplier accounted for approximately 26.2%, 15.1% and 22.3% of the Group's purchases respectively. If any of these major suppliers cease to supply raw materials and/or services and the Group is unable to source suitable substitutes, the Group's services and/or production activities may be disrupted. The Group's operations and profitability may then be adversely affected.

The Group may face an increasing number of competitors

The number of companies in Hong Kong and the PRC developing jobs databases and seeking recruitment advertising income may increase in the future resulting in increasing price competition in recruitment advertising market which could in turn adversely affect the results of operations and financial condition of the Group. The Group also faces competition from print and online advertising media such as newspapers, magazines and recruitment advertising operators with online operations.

The Group's Internet business may be subject to capacity constraints

Any substantial increase in the traffic volume of the Group's Internet services will require the Group to expand and upgrade its existing computer systems. There is no assurance that the Group will be able to project accurately the rate and the timing of increases in traffic volume, if any, in the use of its Internet services and accordingly expand and upgrade its computer systems to accommodate such increases. Any failure or delay to expand or upgrade the Group's computer systems could adversely affect its Internet business, results of operations and financial condition.

The Group may face potential liability for its website content

The Group faces potential liability for defamation, copyright, patent or trademark infringement and other claims based on the content accessible on or through recruitonline.com and 1010job.com. As such, the Group could be exposed to liability with respect to such content.

The Personal Data (Privacy) Ordinance (Chapter 486 of the Laws of Hong Kong) (the "Ordinance") requires any person (a "data user") who controls the collection, holding, processing or use of data to comply with the data protection principles prescribed by the Ordinance. These principles govern the manner of collection, use and security of personal data. The Group may be considered as a "data user" when it collects information on the subscribers to its services. As such, the Group is required to comply with the data protection principles prescribed under the Ordinance. The Ordinance also prohibits the use of personal data by the data user for direct marketing purposes unless certain requirements have been complied with.

The Group may not be able to register domain names for its business in the future

The Group has currently registered various domain names in English, which include recruitonline.com and 1010job.com. Particulars of these domain names are set forth in the section headed "Intellectual properties" in Appendix V to this document.

The Group may not be able to prevent third parties from acquiring or registering domain names which resemble the Group's domain names, brand names, trademarks or other proprietary rights. Websites with similar domain names offering similar content may diminish the efforts of the Group in establishing recruitonline.com and 1010job.com as websites providing career-related and self-improvement information. In such event, users may not be able to locate the Group's websites and this could have a material adverse impact on the business of the Group.

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

Copyrights, service marks, trademarks, trade secrets and other intellectual property are important to the Group's business, and any unauthorised use of such intellectual property by third parties may adversely affect the Group's business and reputation. The Group relies on the protection of intellectual property laws and contractual arrangements with its employees, clients, business partners and others to protect its intellectual property rights. Furthermore, the validity, enforceability and scope of protection of intellectual property in Internet-related industries in the PRC is uncertain and still evolving, and these laws may not protect intellectual property rights to the same extent as the laws of some other jurisdictions, such as the United States and Hong Kong. Moreover, litigation may be necessary in the future to enforce such intellectual property rights, which could result in substantial costs and diversion of the Group's resources, and have a material adverse effect on the Group's business, financial condition and results of operations.

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

As disclosed in the exposure conclusion on the "Abolition of Requirement for Main Board Issuers to Publish Paid Announcements in Newspapers and Related Matters" by the Stock Exchange on 7th July, 2006, the Directors note that the Stock Exchange will revise the current mechanisms for information dissemination by Main Board issuers, which will result in the abolition of the mandatory requirement for issuers to publish paid announcements in newspapers. Details of such changes in requirement are also set out in the news release "HKEx Sets Date for the Launch of Electronic and Abolition of Mandatory Paid Announcements" dated 23rd March, 2007. The initial phase of the abolition of publication of paid announcements in newspapers will begin on Monday, 25th June, 2007. During the six months initial phase Main Board listed issuers will no longer be required to publish paid announcements so long as the listed issuer publishes a notification whenever it publishes an announcement and publishes a full announcement on their own website and the Stock Exchange website. Notifications will no longer be required after 25th December, 2007. Twelve months after the implementation all Main Board and GEM issuers are required to have their own websites to publish announcements and other Listing Rules documents in addition to publication on the Stock Exchange and GEM websites. The consequent reduction in paid announcement is likely to adversely affect the Group's business, financial condition and results of operations.

Reliance on paper supply

Paper is the principal raw material for the Group's production. The market price and the available quantity of paper are determined by demand and supply, both of which fluctuate from time to time. Any shortage in supply of paper or increase in price may have an adverse impact on the business and the profitability of the Group.

Hong Kong taxation

Pursuant to Section 14 of the Hong Kong Inland Revenue Ordinance ("IRO"), a company carrying on business in Hong Kong is subject to Hong Kong Profits Tax in respect of profits arising in, or derived from, Hong Kong.

Departmental Interpretation and Practice Note No. 21 ("DIPN21") on locality of profits issued by the Hong Kong Inland Revenue Department ("IRD") in March 1998 sets out the Hong Kong IRD's views on, inter alia, the Hong Kong taxation of goods manufactured partly in Hong Kong and partly in the PRC.

According to DIPN 21, in the following circumstances the Hong Kong IRD is prepared to apportion the profits from the manufacture of goods on a 50:50 basis with 50% of the profits not being subject to Profits Tax in Hong Kong.

The Hong Kong manufacturing business enters into a processing agreement with a PRC entity. The PRC entity is responsible for processing the goods that are required to be exported to places outside the PRC. The PRC entity provides the factory premises, the land and labour. For this it charges a processing fee and exports the completed goods to the Hong Kong manufacturing business. The Hong Kong manufacturing business normally provides the raw materials. It may also provide technical know-how, management, production skills, design, skilled labour, training and supervision for PRC recruited labour and the manufacturing plant and machinery. The PRC entity takes no ownership to the raw materials and the processed goods throughout the course of processing, and all the processed goods are exported back to the Hong Kong business.

The Group has received advice that its mode of manufacturing operations under the Processing Agreement is within the scope of profits eligible for apportionment under DIPN21 described above.

During the Track Record Period, nil, nil and 16.3% of the Group's profits are generated by the sale of goods manufactured under the Processing Agreement for each of the three years ended 31st December, 2006 respectively.

In the event that (i) the IRD considers that the Group's mode of manufacturing operations under the Processing Agreement is not within the scope of profits eligible for apportionment under DIPN 21; or (ii) there are any changes in Hong Kong tax law or its interpretation, the IRD might treat the Group's profits generated from the sale of goods manufactured under the Processing Agreement as profits derived from Hong Kong. If it did so and the Group failed to prove otherwise, that may cause an adverse impact on the Group's profitability.

The results of operations may fluctuate due to seasonality

The Group's sales are subject to seasonality. The peak season for sales of the Group's inflight magazine business usually coincide with the three major "Golden Week" holidays in the PRC, including the Chinese New Year holiday in January or February, the Labour Day holiday in early May and the Chinese National Day holiday in early October. The peak season for the printing division is in the second half of the year as books are produced and shipped to overseas before the Christmas. In general, sales of the Group peak in the second half of a year. Sales can also fluctuate during the course of a financial year for a number of other reasons, including timing of the launching of new products advertising and promotional campaigns. In addition, the Group's results may be affected by unforeseen circumstances, such as production interruptions. Due to these fluctuations, comparisons of sales and operating results of the different periods within a single year, or between same period in different financial years, are not necessarily meaningful and should not be relied on as indicators of performance of the Group.

Volatility of the Group's operating results

The Group's future operating results may be subject to fluctuations due to a variety of factors. Downturns in economies in Hong Kong or the PRC may also have an adverse effect on the financial results of the Group.

There is no assurance that the Group will continue to make profits in the future. If the Group is unable to generate sufficient revenue to meet its operating expenditure, its operations will have to be funded by internal resources and/or external sources. In the event that the Group is unable to obtain adequate financing to fund its operations, the operations, performance and prospects of the Group will be adversely affected.

Fluctuation of the Group's gross profit

The gross profit margin for each of the three years ended 31st December, 2006 were 53.3%, 39.9% and 38.8% respectively. During the Track Record Period, the Group's gross profit margin was subject to fluctuations mainly due to the diversification of the Group's business in the printing industry. The Group's future gross profit margin may be subject to fluctuations as a result of, among other things, the market environment and the development of the Group's printing business.

Non-recurring nature in certain other operating income items

For each of the three years ended 31st December, 2006, other operating income amounted to HK$4.4 million, HK$11.6 million and HK$15.0 million, respectively, while a gain on disposal of investment properties of HK$12.1 million was recorded during the year ended 31st December, 2006. Other operating income includes certain items which are non-recurring in nature, such as gain from changes in fair value of investment properties and gain on partial disposal of investments in subsidiaries. Accordingly, the Group can not assure investors that such non-recurring items will continue to contribute to the Group's income in the future.

A sudden decrease in market demand for the Group's printed products may lead to obsolete inventories

The Group started to have inventories since 2005 when its printing business commenced operations in early 2005. The Group's inventories are all related to its printing business. The average inventory turnover days (being average inventory balance divided by cost of inventories and multiplied by number of days in the relevant year) were 68 days and 92 days for each of the two years ended 31st December, 2006, respectively. As the printing business of the Group is subject to change in market demand and trends, a sudden decrease in the market demand for the Group's printed products could cause the inventory to accumulate and may adversely affect the financial condition and results of operations of the Group.

A provision for trade debtors or advances to associates may adversely affect the results of the Group

The Group's turnover days of trade receivables (being average trade receivables divided by revenue and turnover and multiplied by number of days in the relevant year) were 44 days, 65 days and 78 days for each of the three years ended 31st December, 2006, respectively. For each of the three years ended 31st December, 2006, the Group recorded impairment of receivables of approximately HK$290,000, HK$698,000 and HK$2.1 million, representing approximately 0.3%, 0.3% and 0.7% of revenue and turnover of the respective years. In the event that a major debtor is not able to settle its balance, it may adversely affect the financial condition and results of operations of the Group.

The amount of advances to associates amounted to HK$5.4 million as at 31st December, 2005 and increased to HK$19.0 million as at 31st December, 2006. The amounts were mainly advanced to PPGI, which owned 50% interest in PPGL. PPGL has been the printing service provider to the Group's recruitment magazines in Hong Kong. Should there be any adverse changes to PPGI and/or PPGL, the recoverability of the amounts will be undermined. The Group may have to recognise further impairment losses and its financial results will be adversely affected.

RISKS RELATING TO THE GROUP'S OPERATION IN THE PRC

Government regulation of the advertising business in the PRC

The advertising industry in the PRC is governed by the Advertising Law which came into effect on 1st February, 1995. PRC advertisers, advertising operators and distributors that engage in advertising activities are required to comply with applicable procedures and provisions under the Advertising Law. If the Group's operations are ruled to be in breach of the Advertising Law, penalties may be imposed which include fines, confiscation of advertising fees, orders to cease dissemination of the relevant advertisement and orders to publish an advertisement with corrective information. These may have a material adverse effect on the Group's business, financial condition and results of operations.

Exclusive advertising market consultancy and production services agreements with two PRC airlines may not continue

The Group is the exclusive advertising market consultancy and production services provider for the major inflight magazines and newspaper of two airlines, CEA and CSA. The relevant agreements carry terms ranging from five and a half years to fifteen years. If either of these airlines ceases to engage the Group to be its exclusive advertising market consultant and production services provider and the Group is unable to find suitable replacements, the Group's turnover and profitability may be adversely affected.

Contractual Arrangements – The Group operates some of its businesses through companies in which it does not have any ownership stakes

The PRC government limits foreign investment in recruitment agency, advertising and Internet-related businesses. Accordingly, the Group operates its recruitment advertising, through print and the Internet, and recruitment agency businesses in the PRC through the PRC Entities in which it does not have any ownership stake, but nevertheless recognises as subsidiaries. These subsidiaries of the Group held under the Contractual Arrangements accounted for none of the Group's turnover, net profit and net assets, respectively for the year ended and as at 31st December, 2004, approximately 0.9%, nil and 4.0% of the Group's turnover, net profit and net assets, respectively for the year ended and as at 31st December, 2005 and approximately, 3.4%, nil and 2.7% of the Group's turnover, net profit and net assets, respectively for the year ended and as at 31st December, 2006. The Group controls the PRC Entities and operates their businesses through the Contractual Arrangements.

In the event that the relevant PRC regulatory authorities regard the Contractual Arrangements as a violation of the PRC laws and regulations in the future (see the paragraph headed "There are uncertainties regarding interpretation and enforcement of PRC laws and regulations" in this section), according to current PRC Administrative Penalty Law, the administrative punishment can be in the form of administration fines, confiscation of the illegal operation incomes, and revocation of the entities' business licences, which is the most serious punishment to an entity. It is rarely that, in a few extreme cases, relevant liable director or senior management of PRC entities may face criminal charges. Under the relevant laws and regulations of the PRC, the PRC Entities may incur the following fines and penalties:

(i) *PRC Advertising Law (1995)*

Maximum fine:

– 5 times of the relevant actual amount of advertising fee

Maximum penalty:

– Revoking business license in relation to advertisement business

– Under a few extreme cases, relevant liable advertising operators or publishers may face criminal charge

(ii) *Regulations on Administration of Human Resource Markets (2005)*

Maximum fine:

– Below RMB10,000 or 3 times of amount of revenue generated from illegal business activities; however, not exceeding RMB30,000

Maximum penalty:

– Requiring to cease all or a portion of business which are out of its business scope

(iii) *Internet Information Service Administrative Measure (2000)*

Maximum fine:

– Revenue generated from illegal activities: Confiscation of income and fine below 5 times of the amount of revenue

– No revenue generated or revenue below RMB50,000 from illegal activities: ranging from RMB100,000 to RMB1,000,000

Maximum penalty:

– Closure of the website

– Revoking Internet content provider licence

In the event that the business licences of the PRC Entities are revoked, the Group has to cease the operations of the PRC Entities in the PRC, and there may be a material adverse impact on the reputation, business and financial condition of the Group.

The Contractual Arrangements may not be as effective in providing control over the Group's operations as direct ownership of these businesses. If parties to the Contractual Arrangements fail to comply with, or refuse to renew, the Contractual Arrangements, the Group's business may be disrupted. Also, if the PRC Entities fail to perform or make payments as required under the Contractual Arrangements, the Group will have to rely on remedies under the PRC legal system to enforce the Contractual Arrangements. Any legal proceedings could be disruptive to the Group's business. There can be no assurance that the results of such legal proceedings would be satisfactory to the Group.

Reliance on the PRC Entities

The PRC government limits foreign investment in recruitment agency, advertising and Internet-related businesses in the PRC and therefore the Group relies on the PRC Entities to operate its recruitment advertising and recruitment agency businesses in the PRC. Should the Group fail to renew its agreements with any of the PRC entities, the

Group will have to identify other PRC Entities in order to continue its recruitment advertising and recruitment agency businesses in the PRC which may result in disruption to the Group's business. The turnover and profitability of the Group may also be adversely affected.

Discontinuation of the Processing Arrangement

The printing operation is carried out under the Processing Arrangement with a PRC Independent Third Party in the Production Facility in Boluo County, Huizhou City, Guangdong Province, the PRC for the period commenced from March 2005 to April 2014. A processing fee was paid by the Group for the operating cost, insurance, tax, handling fee and other expenses by the PRC contracting parties for the day-to-day operation of the Production Facility. The products manufactured or processed by the Production Facility generated approximately nil, 3.8% and 34.4% of the Group's turnover for each of the three years ended 31st December, 2006, respectively.

In the event that the PRC party terminates or fails to renew the Processing Agreement and the Group finds itself unable to identify other processing service providers and make similar arrangements, the business, turnover and profitability of the Group may be adversely affected. In addition, any change in the relevant PRC laws and regulations in respect of the Processing Agreement may impact on the operation mode of the Production Facility and may also affect the Group's performance.

Reliance on provision of production facility by the PRC party

The Production Facility used in the Group's printing operations is provided by the PRC party pursuant to the Processing Agreement.

No assurance can be given by the Group that the piece of land where the Production Facility is situated is free from title defects or that the PRC party has not violated any conditions regarding its land use rights. If for any reason, the PRC party is not able to continue to provide the Production Facility for the Group, the Group may need to seek alternative printing facilities which may result in interruption in its printing operation and if so the Group's printing business turnover and profitability may be adversely affected.

Reliance on a local publisher to publish 1010job精英招聘

The State Council of the PRC regulates that an entity is required to have a permit to carry on publishing activities in the PRC. The Group therefore relies on a local publisher, which has the required permit, to publish 1010job精英招聘 in Shanghai. Should the Group fail to renew the agreement with such local publisher, the Group will have to identify another publisher, which has the required permit, to continue publishing 1010job精英招聘 which may result in disruption in the Group's business. The turnover and profitability of the Group may also be affected.

The publishing industry in the PRC is regulated by 出版管理條例 (Publication Regulation) issued by 中華人民共和國新聞出版總署 (General Administration of Press and Publication of the PRC) which came into effect on 1st February, 2002. Publishing units (including newspaper publishers, magazine publishers, book publishers, audio-visual publishers and electronic publishers) engaging in publication activities in the PRC are required to comply with applicable rules under 出版管理條例 (Publication Regulation). If the local publisher through which the Group publishes 1010job精英招聘 is in breach of 出版管理條例 (Publication Regulation), penalties may be imposed which include fines, orders for temporary suspension of operations and suspension of publication permits. These may have a material adverse effect on the Group's business, financial condition and results of operations.

Non-registration of a lease agreement

As at the Latest Practicable Date, one underlying lease agreement of the office of the Group in Shanghai has not yet registered. It cannot be registered as the relevant document in relation to the legal title such property had not been provided by the relevant landlord. Zhong Lun advised that given such relevant documents remained outstanding, they were unable to ascertain whether the respective landlords had the legal right to lease the property to the Group. Such lease agreement may be adjudged by PRC courts to be invalid under the PRC laws. The PRC court may require the Group to cease occupying the relevant leased property in the event that the respective landlords are not the real owners of the leased property. In the event that the Group is ordered by the court to cease occupying the relevant property, the Group will have to make relocation arrangement accordingly and such relocation cost is estimated to be less than RMB5,000.

RISKS RELATING TO THE INDUSTRY

Competition in the recruitment advertising industry is intense

The Group faces competition from other advertising media operators in Hong Kong and the PRC such as free recruitment magazines and various websites established in Hong Kong and the PRC providing online recruitment advertising services. Competition in the recruitment advertising market is intense. Competitors of the Group may better position themselves to compete in this market, and this may erode the Group's market share, lead to reduction in its advertising revenues or affect the Group's ability to increase its market share in the Internet-based recruitment advertising industry as well as the print recruitment advertising industry.

The Group may experience reduced viewers' traffic, reduced income and damage to its reputation in the event of unexpected network interruptions

The Group's online recruitment advertising business is dependent upon a reliable Internet infrastructure that supports efficient data transmission and provides adequate security. Currently, the Group leases from ISPs in Hong Kong and Shanghai, which are Independent Third Parties, certain data transmission facilities for dissemination of the content of recruitonline.com and 1010job.com on the Internet. Any system failure may cause interruptions to the Group's services and may damage the Group's reputation. This could also have an adverse impact on the Group's financial and operating position.

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

The Group is in possession of certain confidential information provided by job seekers, such as education background, residential and e-mail addresses, working experience and other biographical data in the course of registration as members of recruitonline.com and 1010job.com. Inappropriate use of the Group's Internet services, such as attempts to gain unauthorised access to information or systems – commonly known as "cracking" or "hacking" – could jeopardise the security of confidential information stored in its computer systems. Alleviating problems caused by computer viruses or other inappropriate uses or security breaches may result in interruptions, delays or cessation in the Group's services. If the Group fails to resolve the security problem, there could be an adverse impact on the Group's reputation, business, turnover and operating profits.

POLITICAL AND ECONOMIC RISKS

There are political and economic risks associated with doing business in Hong Kong

Most of the facilities and operations of the Group are currently located in Hong Kong. Hong Kong is a special administrative region of the PRC with its own government and legislature. Under the Basic Law, Hong Kong is entitled to a high degree of autonomy from the PRC under the principle of "one country, two systems". Any changes which compromise the current level of autonomy of Hong Kong could have a material adverse effect on the Group's business, results of operations and financial condition.

There are political and economic risks associated with doing business in the PRC

The PRC economy has traditionally been a planned economy. Five-year State Plans are adopted by the PRC government in connection with the development of the economy. Although state-owned enterprises still account for a substantial portion of the PRC's industrial output, in general, the government is reducing the level of direct control which it exercises over the economy through State Plans and other measures, and there is an increasing degree of liberalisation in areas such as allocation of resources, production, pricing and management and a gradual shift in emphasis to a socialist market economy.

Since 1978, the PRC government has been reforming, and is expected to continue to reform, its economic and political systems. Many of the reforms are unprecedented or experimental and are expected to be refined and improved upon. Other political, economic and social factors may also lead to further readjustment of the reform measures. The Group's business prospects in the PRC could be adversely affected by changes in the PRC's State Plans or political, economic and social conditions or changes in policies by the PRC government, changes in laws and regulations (or the interpretation thereof), measures which may be introduced to control inflation, changes in the rate or method of taxation, imposition of additional restrictions on currency conversion, and reductions in tariff rates and other import restrictions.

The PRC economy has experienced significant growth in the last five years, but such growth has been unevenly spread, geographically and among various sectors of the economy. The PRC government has implemented from time to time various policies to control inflation and regulate economic expansion with a view to preventing overheating of the economy. Such measures or other actions by the PRC government could have a material adverse effect on the economic conditions in the PRC and therefore the business prospects of the Group.

There are uncertainties regarding interpretation and enforcement of PRC laws and regulations

The PRC legal system is based on a civil code. Under this system, prior court decisions may be cited as persuasive authority but do not have binding effect based on precedent. Since 1979, the PRC government has been developing a comprehensive system of commercial laws and considerable progress has been made in the promulgation of laws and regulations dealing with economic matters, such as corporate organisation and governance, foreign investment, commerce, taxation and trade. As some of these laws, regulations and legal requirements are relatively new and there is only limited publication of judicial interpretations, the interpretation and enforcement of these laws, regulations and legal requirements involve some uncertainties. These uncertainties could limit the legal protection available to the Group.

In particular, without prejudice to the validity and enforceability of each agreement under the Contractual Arrangements, the Company has been advised by Zhong Lun that there can be no assurance that these Contractual Arrangements will be deemed by the relevant government authorities to be in compliance with current PRC laws and regulations or that other government authorities will not in the future interpret existing laws, regulations or policies, or issue new laws, regulations or policies, with the result that all or some of these Contractual Arrangements would be deemed to be in violation of PRC law. Accordingly, the Group cannot assure investors that the relevant PRC regulatory authorities will not regard the Contractual Arrangements as in violation of the PRC laws and regulations in the future due to amendments to relevant laws and regulations or governmental policies/opinions.

Currency conversion and exchange control

At present, RMB is not freely convertible into other currencies. Pursuant to《外滙管理條例》(the "Foreign Exchange Control Regulations") and《結滙、售滙及付滙管理規定》(the "Regulation on the Foreign Exchange Settlement, Sale and Payments"), subject to the provision to the banks which are authorised to engage in foreign exchange business of all the required documents under the relevant PRC laws, foreign investment enterprises are permitted to remit their profits or dividends in foreign currencies overseas or repatriate such profits or dividends after converting the same from Renminbi to foreign currencies through banks which are authorised to engage in foreign exchange business. Foreign investment enterprises are permitted to convert Renminbi to foreign currencies for items in current account (including, for example, dividend payments to foreign investors). Control over conversion of Renminbi to foreign currencies for items in capital account (including, for example, direct investment, loan and investment in securities) is more stringent.

The Company has been advised that under PRC law, dividends and other distributions declared and payable in Renminbi in accordance with PRC laws and regulations on the applicable shareholders' equity interest in the PRC subsidiaries of the Group may under the current laws and regulations of PRC be paid in foreign currency and may be freely transferred out of the PRC, without the necessity of obtaining any governmental approval, provided that the remittance of such profits outside the PRC is in compliance with the relevant PRC laws and regulations on foreign exchange. At present such dividends will not be subject to withholding or other taxes under the laws and regulations of PRC and can be paid free and clear of any other tax, withholding or deduction in the PRC.

Although the Group is able to convert its Renminbi earnings into foreign currency at present, there is no assurance that the PRC government will not introduce more restrictive foreign exchange measures that could adversely affect the ability of members of the Group to convert their Renminbi earnings into foreign currencies for remittance to Hong Kong by way of dividend payments as well as return of capital upon the termination of investments in China.

RISKS RELATING TO THE SHARES

The rights of the Shareholders are subject to the laws of Bermuda

The Company's corporate affairs are governed by its memorandum of continuance and bye-laws and by the Companies Act. The laws of Bermuda relating to the protection of the interests of minority shareholders and to the fiduciary responsibilities of directors may differ from the laws of Hong Kong and the corresponding remedies available to such shareholders may differ accordingly. A summary of the laws of Bermuda relating to protection of minority shareholders is set out in Appendix IV to this document.

Past dividends should not be used as a reference for the Company's future dividend policy

During the Track Record Period, the Company declared and paid dividends of nil, HK$0.04 and HK$0.095 per Share for each of the three years ended 31st December, 2006, respectively. The Directors currently anticipate that the Company will retain certain portion of its distributable profit for future business expansion plan, future dividends will be subject to the discretion of the Directors and will depend upon the earnings, financial condition, tax treatment of dividends, capital and cash requirements and availability, business strategies and such other factors as the Directors may deem relevant. Hence, the dividends declared and paid by the Company for the two years ended 31st December, 2006 may not be indicative of the Company's future dividends.

The Shareholders' interests in the Company may be diluted in future

The Group may need to raise additional funds in the future to finance expansion of or new developments relating to its existing operations or new acquisitions. If additional funds are raised through the issuance of new equity or equity-linked securities of the Company other than on a pro rata basis to existing Shareholders, the ownership percentage of the Shareholders may decrease, Shareholders may experience subsequent dilution and/or such securities may have rights, preferences and privileges senior to those of the Shares.

Potential dilutive effect of the GEM Share Option Scheme and the Proposed Share Option Scheme

The Company has granted options over an aggregate of 2,332,000 Shares pursuant to the GEM Share Option Scheme to a total of 17 participants (including one executive Director and 16 employees of the Group) remained outstanding as at the Latest Practicable Date. Such options are all exercisable at exercise prices ranging from HK$0.24 per Share to HK$0.80 per Share. If the above options are exercised in full, the Shares to be issued would represent approximately 0.8% of the issued share capital of the Company as at the Latest Practicable Date.

If the outstanding options granted under the GEM Share Option Scheme as at 31st December, 2006 (including the options granted over an aggregate of 2,332,000 Shares above) are exercised in full, the audited diluted earnings per Share for the year ended 31st December, 2006 will be approximately HK$0.1984, the amount of which is not significantly different when compared with the audited basic earnings per Share for the year ended 31st December, 2006 of approximately HK$0.2007 without taking into account of the exercise of the options granted under the GEM Share Option Scheme. Full particulars of the options that have been granted pursuant to the GEM Share Option Scheme are set out under the section headed "GEM Share Option Scheme" in Appendix V to this document. In addition, the Company will propose at the SGM to approve the adoption of the Proposed Share Option Scheme subject to the Introduction, and, if approved, the Company will be able to issue options under the Proposed Share Option Scheme amounting up to a maximum of 10% of the issued share capital of the Company as at the date of passing of the relevant resolution approving the Proposed Share Option Scheme.

ISSUES TO CONSIDER IN RELATION TO STATEMENTS MADE IN THIS DOCUMENT

Forward-looking statements contained in this document may not be accurate

Included in this document are various forward-looking statements which can be identified by the use of forward looking terminology such as "may", "will", "expect", "anticipate", "estimate", "continue", "believe" and other similar words. The Group and its Directors have made forward-looking statements with respect to the following, among other things:

– the Group's strategies to achieve such objectives;

– the importance and expected growth of the advertising and printing industries; and

– the expected growth of spending in advertising in Hong Kong and the PRC.

Such forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of the Group, or industry results, to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. Such forward-looking statements are based on numerous assumptions regarding the Group's present and future business strategies and the environment in which the Group will operate in the future.

DIRECTORS' RESPONSIBILITY FOR THE CONTENTS OF THIS DOCUMENT

This document contains particulars given in compliance with the Listing Rules and the Securities and Futures (Stock Market Listing) Rules of Hong Kong for the purpose of giving information with regard to the Company.

The Directors collectively and individually accept full responsibility for the accuracy of the information contained in this document and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief, there are no other facts the omission of which would make any statement in this document misleading.

This document is published in connection with the Introduction. It may not be used for any other purpose and, in particular, no person is authorised to use or reproduce this document or any part thereof in connection with any offering, or invitation to in respect of Shares or other securities of the Company. Accordingly, there is no, and will not be any, offer of or solicitation, or an invitation by or on behalf of the Company and the Sponsor to subscribe for or purchase any of the Shares. Neither this document nor any other document or information (or any part thereof) delivered or supplied under or in relation to the Introduction may be used for the purpose of making, and the delivery, distribution and availability of this document or such other document or information (or any part thereof) does not constitute, any offer of or solicitation or an invitation by or on behalf of the Company and the Sponsor or any other person to subscribe for or purchase Shares.

NO CHANGE IN BUSINESS

No change in the business of the Group is contemplated following the Introduction.

APPLICATION FOR LISTING ON THE MAIN BOARD

The Company has applied to the Listing Committee for the listing of, and permission to deal in, on the Main Board (i) the Shares in issue; (ii) any Shares which may be issued upon the exercise of the outstanding options which were granted under the GEM Share Option Scheme; and (iii) any Shares which may be issued upon the exercise of any options which may be granted under the Proposed Share Option Scheme.

Except that the Shares are listed on GEM prior to the Introduction, no part of the Company's share or loan capital is listed or dealt in on any other stock exchange. At present, the Company is not seeking or proposing to seek listing or permission to deal in any of its securities on any other stock exchange.

WAIVERS FROM STRICT COMPLIANCE WITH RULES 10.07(1)(a) AND 10.08 OF THE LISTING RULES

The Company has applied to the Stock Exchange for, and the Stock Exchange has granted, a waiver from strict compliance with the restrictions on further issues of securities within six months from the Listing Date as required by Rule 10.08 of the Listing Rules and a consequential waiver from strict compliance with the restrictions under Rule 10.07(1)(a) of the Listing Rules in respect of the deemed disposal of Shares by the controlling shareholders of the Company upon the issue of securities by the Company within six months from the Listing Date, subject to the conditions below:

(i) any issue of shares during the first six months after the Listing Date must be either for cash to fund a specific acquisition or as part or full consideration for an acquisition;

(ii) any acquisition mentioned in (i) above must be of assets or businesses that will contribute to the growth of the operation of the Group; and

(iii) City Apex, ER2 and Mr. Lau will not cease to be the controlling shareholder of the Company as a result of the deemed disposal of Shares within six months of the Listing Date.

Save and except for any deemed disposal of Shares by the controlling shareholders of the Company upon the issue of securities by the Company, the controlling shareholders are subject to the restrictions on the disposal of securities under Rule 10.07(1)(a) of the Listing Rules.

WAIVER FROM STRICT COMPLIANCE WITH RULE 9.19(3) OF THE GEM LISTING RULE

The Company has applied to the Stock Exchange for, and the Stock Exchange has granted, a waiver from strict compliance with the minimum three-month notice of the proposed withdrawal of listing as required by Rule 9.19(3) of the GEM Listing Rules. At the SGM to be held on 13th July, 2007, a resolution will be proposed to reduce minimum three-month notice period for the proposed withdrawal. A notice of the proposed withdrawal from listing on GEM and the Introduction will be published for not less than five clear Business Days before the Listing Date. Details of the application for the waiver from strict compliance with Rule 9.19(3) of the GEM Listing Rule have been set out in the circular of the Company despatched to the Shareholders on 27th June, 2007.

DISCONTINUATION OF QUARTERLY REPORTING

Under the GEM Listing Rules, the Company is required to publish its quarterly results on the Internet website operated by the Stock Exchange. Upon the listing of the Shares on the Main Board, the Company will cease the practice of quarterly reporting based on the following reasons:

(i) publishing a quarterly report is not a requirement of the Listing Rules and it is not a practice for the vast majority of companies listed on the Main Board;

(ii) the Directors believe that the discontinuation of quarterly reporting will not affect transparency in the affairs of the Company as the Company will disclose price sensitive information in compliance with the relevant requirements under the Listing Rules; and

(iii) the discontinuation of quarterly reporting will save costs and free up the Company's human resources that otherwise could be deployed to other aspects of the operation of the Group's business.

Upon cessation of quarterly reporting, the Group will follow the relevant requirements of the Listing Rules which include, among other things, publish its interim results and annual results within three months and four months from the end of the relevant period or financial year-end respectively. The Directors are of the view that following the reporting requirements under the Listing Rules is sufficient for providing investors and the Shareholders the performance of the Group during the relevant period.

SHARES WILL CONTINUE TO BE ELIGIBLE FOR ADMISSION INTO CCASS

The Shares were accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from 20th July, 2000, the date on which dealings in the Shares on GEM commenced. Subject to the granting of the listing of, and permission to deal in, the Shares on the Main Board by the Stock Exchange and the continual compliance with the stock admission requirements of HKSCC, the Shares will continue to be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS once dealings in the Shares on the Main Board commence.

All necessary arrangements have been made with HKSCC for (i) the Shares in issue; (ii) any Shares which may be issued upon the exercise of the outstanding options which were granted pursuant to the GEM Share Option Scheme; and (iii) any Shares which may be issued upon the exercise of any options which maybe granted pursuant to the Proposed Share Option Scheme, to continue to be accepted as eligible securities of CCASS. All activities under CCASS are subject to the general rules of CCASS and CCASS operational procedures in effect from time to time.

STAMP DUTY

Dealings in Shares registered in the Hong Kong branch register of members kept by the Company are subject to Hong Kong stamp duty.

PROFESSIONAL TAX ADVICE RECOMMENDED

Shareholders are recommended to consult their professional advisers if they are in any doubt as to the taxation implications of holding and dealing in the Shares or exercising any rights attached thereof. None of the Company, the Sponsor, any of their respective directors, agents or advisers or any other person or party involved in the Introduction accepts responsibility for any tax effects on, or liabilities of, any person resulting from the holding of or dealing in the Shares or exercising any rights attached thereof.

CONDITIONS OF THE INTRODUCTION

The Introduction is subject to the fulfilment of the condition of the Listing Committee granting the listing of, and permission to deal in, on the Main Board (i) the Shares in issue; (ii) any Shares which may be issuable upon the exercise of the outstanding options which were granted pursuant to the GEM Share Option Scheme; and (iii) any Shares which may be issued upon the exercise of any options which may be granted pursuant to the Proposed Share Option Scheme.

The Shares are currently listed on GEM. Immediately prior to the Introduction, the listing of the Shares on GEM will be withdrawn in accordance with the GEM Listing Rules. The SGM will be convened to approve, among other things, the withdrawal of the listing of the Shares on GEM.

The Directors expect that dealings in the Shares on the Main Board will commence on 23rd July, 2007. Shares will continue to be traded in board lots of 6,000 Shares each.

DIRECTORS AND PARTIES INVOLVED IN THE INTRODUCTION

Name	Residential Address	Nationality
Executive Directors		
Mr. Lau Chuk Kin *(Chairman)*	1/F., Tai Long Wan Village DD 210 Lot 321, Shek Pik Lantau Island	British
Ms. Ho Suk Yi	Room 1304 Ka Wui House Ka Keung Court 3 Fu Mei Street Kowloon, Hong Kong	Chinese
Mr. Peh Tun Lu, Jefferson	Flat H, 4/F, Block 26 Laguna City Cha Kwo Ling Kowloon, Hong Kong	Australian
Non-executive Directors		
Mr. Lee Ching Ming, Adrian	Flat B, 2/F, Block 1 Lyttelton Garden 29 Lyttelton Road Hong Kong	Canadian
Mr. Wan Siu Kau	55 South Bay Road Flat 4A Ruby Court Tower II, South Bay Hong Kong	British
Mr. Peter Stavros Patapios Christofis	3A Irodis Attikou Archangelos 2332 Lakatameia Nicosia, Cyprus	British
Ms. Lam Mei Lan	Flat 2, 20/F Block A Tung Yuk Court Shau Kei Wan Hong Kong	Chinese

Name	Residential Address	Nationality
Independent non-executive Directors		
Mrs. Ling Lee Ching Man, Eleanor	B1, Guildford Court 5 Guildford Road Hong Kong	British
Mr. Cheng Ping Kuen, Franco	5B Wing On Tower Block 2, 9 Boyce Road Jardine's Lockout Hong Kong	Chinese
Mr. Tyen Kan Hee, Anthony	27B, Po Garden 9 Brewin Path Hong Kong	British

Sponsor	Somerley Limited 10th Floor The Hong Kong Club Building 3A Chater Road Central Hong Kong
Legal advisers to the Company	*As to Hong Kong law:* Richards Butler 20th Floor Alexandra House 16–20 Chater Road Hong Kong *As to PRC law:* Zhong Lun Law Firm 11/F Bank of China Tower 200 Yincheng Zhong Road Shanghai 201200 PRC *As to Bermuda law:* Conyers, Dill & Pearman Room 2901 One Exchange Square 8 Connaught Place Central Hong Kong
Auditors and reporting accountants	Grant Thornton Certified Public Accountants 13th Floor, Gloucester Tower The Landmark 15 Queen's Road, Central Hong Kong
Property valuers	CB Richard Ellis Limited 34/F Central Plaza 18 Harbour Road Wanchai Hong Kong

CORPORATE INFORMATION

Registered office	Clarendon House 2 Church Street Hamilton HM11 Bermuda
Head office and principal place of business in Hong Kong registered under Part XI of the Companies Ordinance	26th Floor 625 King's Road North Point Hong Kong
Company website	www.recruitonline.com
Company secretary	Ms. Ho Suk Yi *CPA, FCCA*
Authorised representatives	Mr. Lau Chuk Kin 1/F., Tai Long Wan Village DD210 Lot 321, Shek Pik Lantau Island Ms. Ho Suk Yi *CPA, FCCA* Room 1304 Ka Wui House Ka Keung Court 3 Fu Mei Street Kowloon, Hong Kong
Compliance officer	Mr. Lau Chuk Kin
Qualified accountant	Ms. Ho Suk Yi *CPA, FCCA*
Members of audit committee	Mrs. Ling Lee Ching Man, Eleanor Mr. Cheng Ping Kuen, Franco Mr. Tyen Kan Hee, Anthony *(Chairman)*
Principal bankers	Standard Chartered Bank (Hong Kong) Limited The Hongkong and Shanghai Banking Corporation Limited
Principal share register and transfer office	Butterfield Fund Services (Bermuda) Limited Rosebank Centre 11 Bermudiana Road Hamilton HM08 Bermuda

CORPORATE INFORMATION

Hong Kong branch share register and transfer office	Computershare Hong Kong Investor Services Limited Shops 1712 – 1716, 17th Floor Hopewell Centre 183 Queen's Road East Wanchai Hong Kong
Compliance adviser	Somerley Limited 10th Floor The Hong Kong Club Building 3A Chater Road Central Hong Kong

Certain information in this section is derived from various official government sources. The Company and the Sponsor have exercised reasonable care in duplicating such information from the sources specified herein. Such information has not been prepared or independently verified by the Directors, the Company and the Sponsor or their respective advisers. The Company and the Sponsor make no representation as to the accuracy or completeness of such information, which may not be consistent with information compiled from other sources.

The Group is principally engaged in the media advertising business, including recruitment, inflight magazine and statutory announcement, and printing business. Set out below are the information of certain industries that the Group is primarily involved in.

RECRUITMENT

In Hong Kong, employers and job seekers alike have been relying on printed advertisements and recruitment agencies to recruit suitable staff or to seek employment. In recent years, recruitment websites have gained much popularity. The Directors believe that factors such as increasing demand for skilled labour and high employee turnover rate lead to increase in the employers' spending on recruitment advertising.

In the PRC, foreign and domestic enterprises have been relying on local recruitment agencies and recruitment advertising publications to recruit staff. Enterprises in the PRC also rely on career fairs or on-campus recruitment services to recruit skilled labour. Apart from these services, recruitment website is also a popular medium for job seekers to identify job opportunities.

There are various factors that employers may consider in choosing the medium for their recruitment advertisements. These factors include:

– extent of coverage;

– response rate; and

– job seeker database.

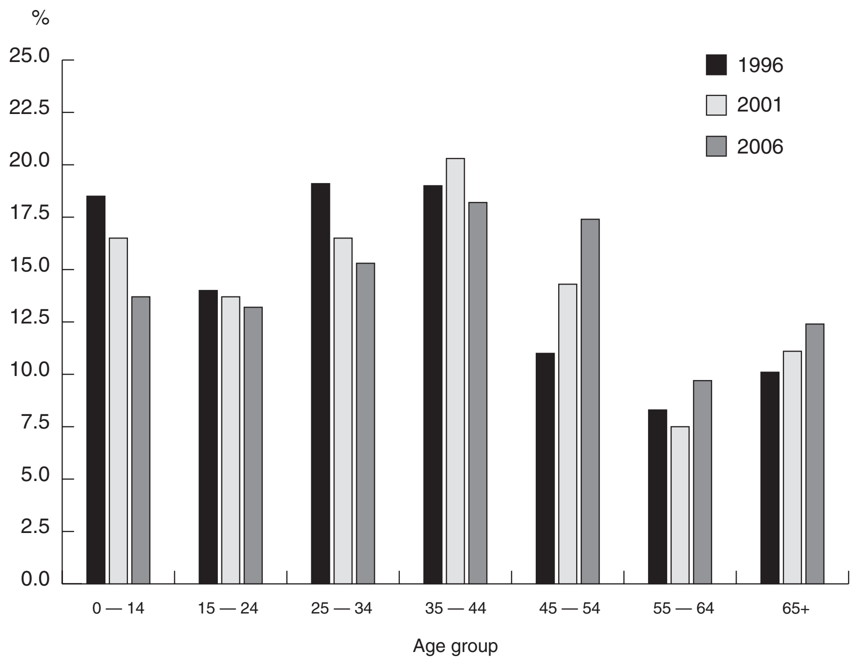
Employers prefer the most cost-effective way to place their recruitment advertisements. Currently, as the Directors are aware, it is popular for employers to advertise through printed media as it is considered an effective means to recruit staff. Printed media however have limited geographical coverage.

Despite the growing popularity of advertising through the Internet, the Directors believe that print media will remain popular for recruitment advertising. The recruitment advertisers are expected to continue to use the print media as well as the Internet for their recruitment advertising purpose. On this basis, advertising media operators such as the Group, that is capable of carrying advertising business through print media and the Internet are expected to have an advantage in recruitment advertising industry.

Hong Kong

The Directors believe that there is a correlation between the economic cycle, unemployment rates, the recruitment needs and the development of the recruitment advertising industry. Hong Kong economy experienced a growth in gross domestic product of 4.7% in 2004, 7.1% in 2005 and 6.6% in 2006. The unemployment rates were approximately 6.8% in 2004, 5.6% in 2005 and 4.8% in 2006.

Population by age group



Source: 2006 population by Census Office, Census and Statistics Department

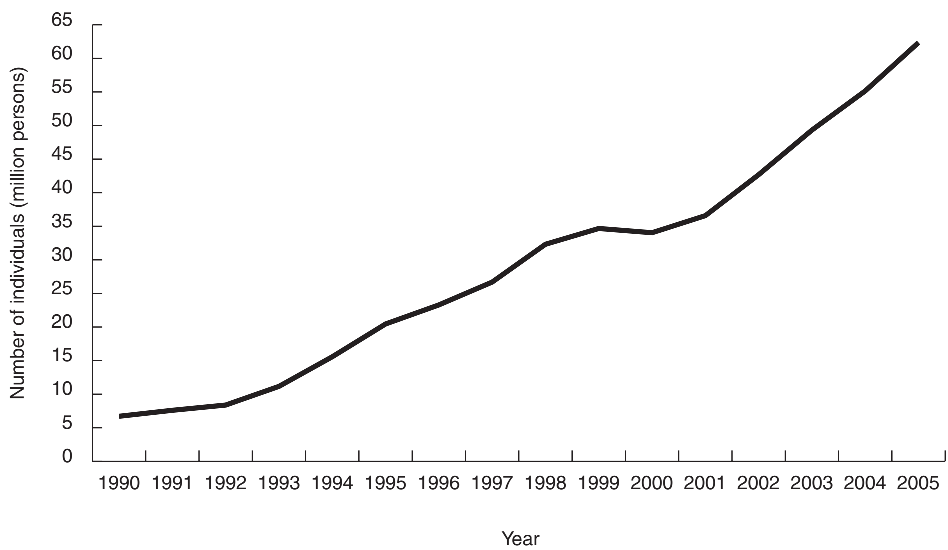
The above graph illustrates that, as of December 2006, approximately 64.1% of the population in Hong Kong were within the working age of between 15 and 54. On this basis, the Directors believe that the demand for career and recruitment related information will continue to increase and that the recruitment advertising industry in Hong Kong will continue to grow in the future.

Different advertising media are currently used for different types of job vacancies. Print advertising is commonly used for all types of job vacancies, while recruitment advertisers for white-collar job vacancies usually place their recruitment advertisements on selected English and Chinese newspapers or rely on the services provided by specialised recruitment agencies. It is also common for newspapers to publish recruitment advertisement sections on a particular day such as Friday or Saturday. Recruit magazine is one of the publications distributed free of charge and dedicated principally to the recruitment advertising business in Hong Kong.

The PRC

The PRC is experiencing growth in both gross domestic product and the domestic consumption. The amount of gross domestic product has grown by 9.5%, 9.9% and 10.7% in 2004, 2005 and for the first three quarters in 2006 respectively. Major domestic enterprises are continuously seeking skilled employees. In addition, the demand for local employees increases as more and more foreign companies set up offices in the PRC.

Number of employed persons in urban private enterprises and self-employed in the PRC

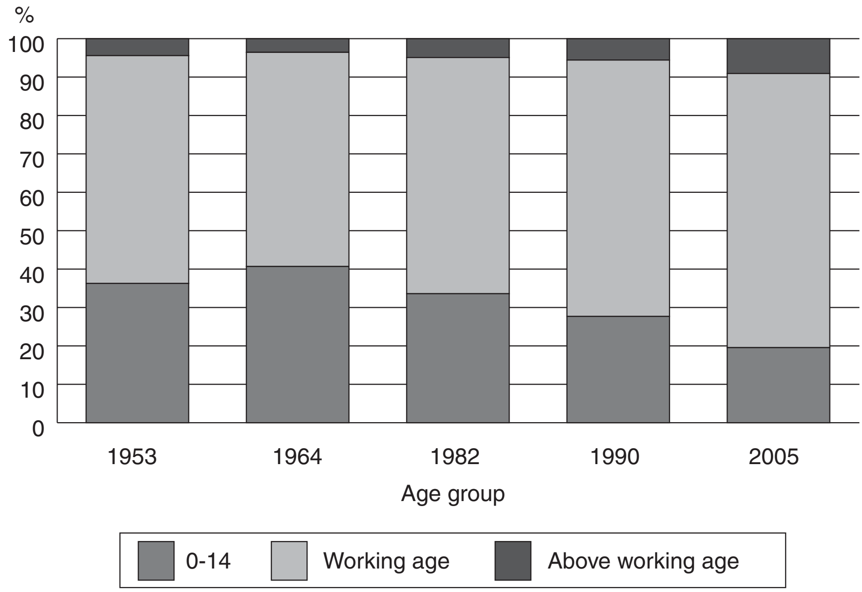


Source: China Statistical Yearbook 2006

According to the statistics published in the China Statistical Yearbook, the number of employed persons in urban private enterprises and self-employed persons grew from 6.7 million in 1990 to 62.4 million in 2005, representing a compound annual growth rate of approximately 16.0%. The Directors believe this has stimulated the growth of the recruitment advertising industry in the PRC.

The following graph illustrates the age distribution in the PRC over the last five decades:

Age distribution in the PRC



Source: China Statistical Yearbooks 1986-2006

In 2005, approximately 71.4% of the total population in the PRC were of working age whereas in 1990, approximately 66.7% of the population were within the same age group. This trend demonstrates that there was a demographical change in the population in the PRC. Coupled with the growth in the PRC gross domestic product, the increase in working population in the PRC is expected to stimulate the demand for job and career related information and is expected to accelerate the further development in recruitment advertising industry in the PRC.

Traditionally, foreign enterprises in the PRC recruit staff by placing recruitment advertisements in newspapers, or through referrals, campus recruiting and FESCO. FESCO was established to assist foreign enterprises in recruiting junior staff, but it has recently expanded the scope of its services to include the recruitment of staff or executive level, Generally foreign enterprises pay FESCO a monthly fee per employee recruited though FESCO, and FESCO is responsible for the local employees' benefits mandatory under state policies. Campus recruiting is common for those corporations which seek to recruit university graduates.

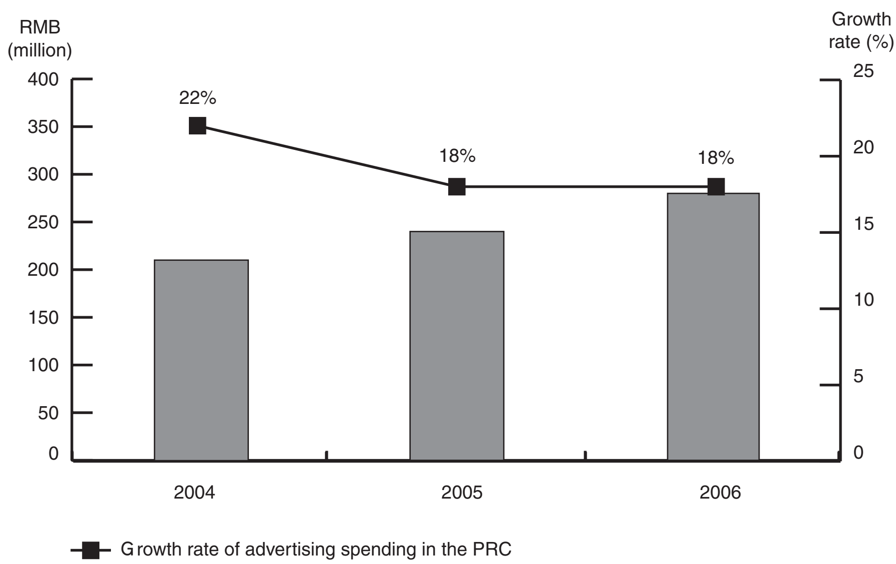
The recruitment advertising through print media is a fragmented market in the PRC. There are various newspapers in the PRC that have recruitment advertising sections.

MAGAZINE ADVERTISING INDUSTRY IN THE PRC

As of December 2005, the PRC had a population of approximately 1.3 billion and per capita gross domestic product of approximately RMB14,040. The advertising industry in the PRC can be categorised into different segments by the different media employed such as television, radio, newspaper, magazine and outdoor medium. Brand awareness has become increasingly important as the average Chinese household income increases.

Advertising spending in the PRC grew from approximately RMB170 billion in 2003 to RMB288 billion in 2006, representing a compound annual growth rate of approximately 19.2%. Set out in the chart below is the advertising spending in the PRC in the past three years:

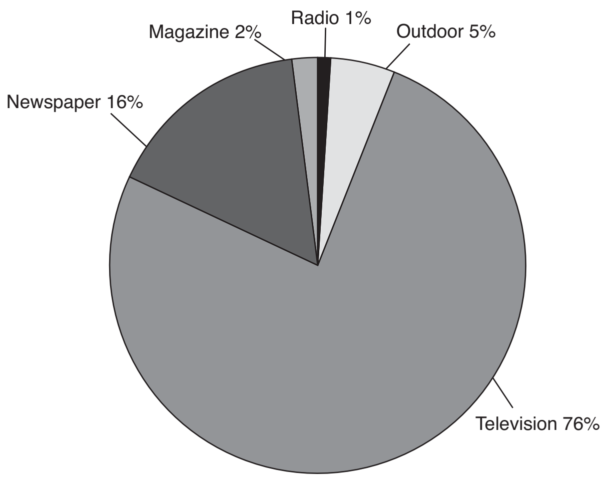
Advertising spending in the PRC



Source: CTR Media Intelligence

Television advertising represented approximately 76% of the total advertising spending for 2006. Magazine advertising only represented 2% of the entire advertising market, but it had recorded strong growths of 18% and 10% for 2005 and 2006 respectively. Set out in the chart below is the breakdown of the advertising spending by media in the PRC in 2006:

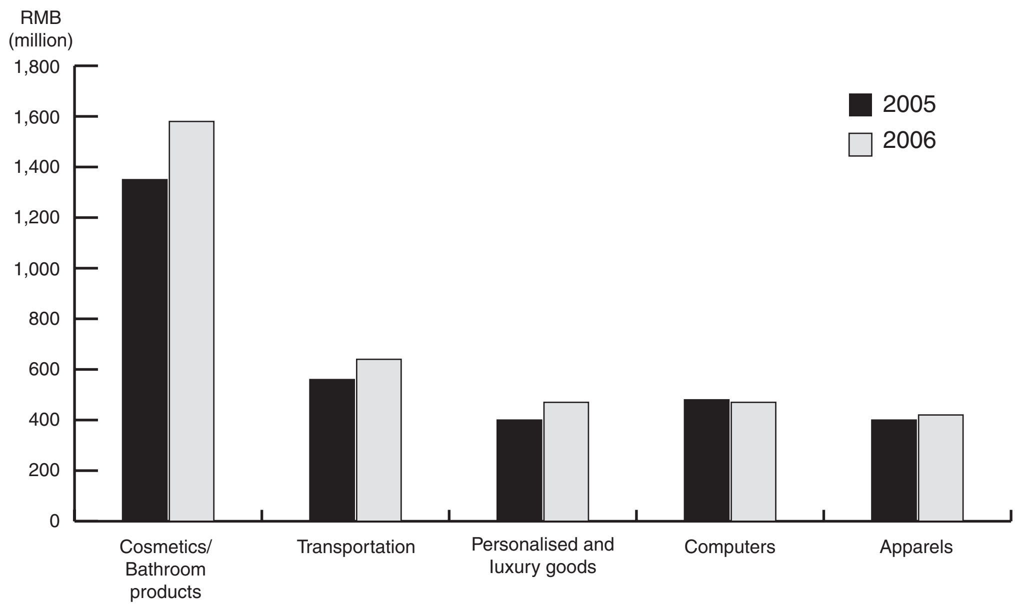
Breakdown of advertising spending by media in the PRC in 2006



Source: CTR Media Intelligence

In the PRC's magazine advertising market, the spending on advertising for personalised and luxury goods, including jewellery, watches and personal accessories, recorded a year-on-year growth of approximately 23% for 2006. The spending on advertising for cosmetics/bathroom products represent the largest share of the PRC's magazine advertising in 2006, followed by spendings on advertising for transportation, personalised and luxury goods, computers and apparels. Set out in the chart below is the breakdown of the advertising spending by the major advertisers in the PRC magazines market:

Breakdown of the advertising spending by the major advertisers in the PRC magazines market



Source: CTR Media Intelligence

Relevant advertising regulations in the PRC

The PRC Advertising Law was promulgated on 27th October, 1994, and is applied to all advertising activities conducted in the PRC by advertisement owners, advertising operators, and advertising issuers. The advertisement owners shall consign the duly licensed advertising operators and advertising issuers to conduct advertising business (i.e. to design, produce or issue the advertisement). The advertising operators shall conduct advertising operation registration before commencing advertising business. The content of the advertisement which requires approval shall be approved in compliance with relevant laws and regulations. Advertising operators and advertising issuers who are involved in fictitious advertisement, fail to obtain relevant approvals or ruled to be in breach of any clause of the PRC Advertising Law, will be subject to confiscation of the advertising income, fines up to five times of the advertising income, or be ordered to cease advertising business.

The Advertising Administration Regulation was promulgated on 26th October, 1987. According to the Advertising Administration Regulation, the governing authority for the advertising business is the State Administration of Industry and Commerce and its branches (the "SAIC"). The advertising operators shall apply for relevant business license or advertising operation permit for conducting relevant business. The content of an advertisement to be published, broadcast, installed or posted shall be kept within the advertiser's business scope or the scope permitted by the State, and must be true to facts, sound, clear and easy to understand and must not cheat users and consumers in any way. It generally stipulates that any violation of the Advertising Administration Regulation shall be confiscated the advertising fee, fined, ordered to cease advertising business, etc.

The Implemental Rules of the Advertising Administration Regulation (the "Implemental Rules") was promulgated on 9th January, 1988, and amended on 30th November, 2004. The Implemental Rules has provided some detailed explanation on the Advertising Administration Regulation, especially on the legal responsibilities part. According to the Implemental Rules, any violation of the Advertising Administration Regulation and its Implemental Rules, including but not limited to fictitious advertisement, unfair competition or failure to obtain relevant advertising license shall be confiscated the advertising fee, fined up to RMB30,000, ordered to cease advertising business, etc.

PRINTING

The statistics from Hong Kong Trade Development Council show that printing is the largest manufacturing industry in Hong Kong in terms of the number of establishments, with a total of 4,262 manufacturing establishments hiring 37,063 workers as of September 2005. Most of the enterprises engaging in the printing business in Hong Kong are small and medium-sized companies employing less than 10 workers. The industry has undergone a decline since the mid-1990's due to the relocation of manufacturing process to the PRC and the growth of the Internet and the consequent drop in newspaper and magazine sales.

	Manufacturing	**Import-export trade**
Number of establishments	4,262 (September 2005)	244 (December 2005)
Employees	37,063 (September 2005)	1,130 (December 2005)

Note: Industry statistics cover activities in Hong Kong only.

Source: Hong Kong Trade Development Council

Printers in Hong Kong produce a wide range of printed products, including books, booklets, brochures and leaflets, paper and paperboard labels, advertising materials, commercial catalogues, calendars, postcards and greeting cards. Some printers are specialised in the production of paper products which require specialed printing techniques, such as children's novelty books with pop-ups and additional objects, cheque books, passports, bills and statements, securities and prospectuses.

According to Hong Kong Trade Development Council, Hong Kong printers enjoy a reputation for quality, pricing and efficient service. As the Hong Kong printers are dedicated to fine quality and fast delivery, Hong Kong becomes a top printing and publication centre in the world, notwithstanding the increasing competition from mainland printers.

Performance of Hong Kong's exports of printed products

	2004		2005		2006	
	HK$ million	*Growth/ (Decline)*	*HK$ million*	*Growth/ (Decline)*	*HK$ million*	*Growth/ (Decline)*
Domestic exports	3,344	(10)%	3,087	(8)%	2,823	(9)%
Re-exports	10,395	34%	12,350	19%	14,669	19%
Total Exports	13,739	20%	15,437	12%	17,492	10%

Source: Hong Kong Trade Development Council

By geographical locations	2004		2005		2006	
	Share %	*Growth/ (Decline)*	*Share %*	*Growth/ (Decline)*	*Share %*	*Growth/ (Decline)*
US	38.0	22%	37.0	9%	36.0	10%
European Union	20.3	30%	22.0	22%	22.5	16%
PRC	12.9	12%	12.7	10%	12.9	16%
Association of Southeast Asian Nations	7.6	16%	7.8	15%	7.6	11%
Australia	4.0	26%	4.0	14%	4.0	13%
Japan	4.0	10%	3.1	(13)%	3.4	24%
Taiwan	1.8	(2)%	1.9	18%	1.3	(25)%

Source: Hong Kong Trade Development Council

By categories	2004		2005		2006	
	Share %	*Growth/ (Decline)*	*Share %*	*Growth/ (Decline)*	*Share %*	*Growth/ (Decline)*
Miscellaneous books, brochures etc.	47.8	22%	46.3	9%	48.1	18%
Paper and paperboard labels of all kinds	21.7	21%	21.8	13%	22.3	16%
Children's picture, drawing or colouring books	8.8	17%	9.3	20%	8.2	(2)%
Printed or illustrated postcards, printed cards	8.5	32%	8.4	11%	7.3	(1)%
Transfers	1.5	12%	1.8	34%	2.5	56%
Other printed matters	2.8	68%	3.0	24%	2.5	(7)%

Source: Hong Kong Trade Development Council

Sales Channels

An estimated 60–70% of the export business is attributable to orders received directly from overseas countries. Within this, about a quarter of them come from major international publishers in Hong Kong. Export orders are mainly handled by larger printers or dealers, who have established business relationships with overseas customers. In an effort to capture overseas business, large Hong Kong printing companies have established offices overseas.

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 segment 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	103,995	227,103	298,333

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.

Since 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.

The recruitment advertising business contributed approximately HK$58.2 million, HK$67.8 million and HK$73.3 million to the Group's turnover for each of the three years ended 31st December, 2006, respectively.

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.

(ii) Inflight magazine

The Group is the exclusive advertising market consultant and production services provider for the major inflight magazines and newspapers of two PRC 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's turnover from its inflight magazine business for each of the three years ended 31st December, 2006 were approximately HK$32.3 million, HK$80.0 million and HK$104.9 million, respectively.

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 Group's turnover from its statutory announcement business were approximately HK$13.5 million, HK$12.8 million and HK$14.4 million for each of three years ended 31st December, 2006, respectively, representing approximately 13.0%, 5.6% and 4.8% of the Group's turnover for the respective years.

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 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.

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

The Group has gained extensive knowledge of the recruitment advertising industry since the launch of its first recruitment advertising publication and recruitment website in 1992 and 1996 respectively. With more than a decade of operations in the recruitment advertising industry, the Group is able to develop its business based on its job seeker and recruitment advertiser databases and has gained thorough understanding of the characteristics of the recruitment advertising market. As at 31st December, 2006, there were 500,000 job seekers and 227,000 recruitment advertisers in the Group's databases.

Comprehensive online recruitment functions

The Group's recruitment websites allow job seekers to conduct basic searches and advanced searches with different search criteria to tailor for their needs. Job seekers will be alerted by e-mail messages when appropriate job openings are available based on the job seekers' search criteria under the "automated job alert function". The Group's websites also enable job seekers to make online applications by submitting resumes to the selected recruitment advertisers.

Successful track record in brand building

The Group has established strong market recognition among its target recruitment advertisers and job seekers. The 10-year exposure in the MTR network helped to fortify the brandname "Recruit" in Hong Kong. Recruit magazine was rated the most recognised recruitment advertising publication in Hong Kong in a survey performed by an independent marketing research house in May 2005.

Market leadership in inflight magazine business in the PRC

The Group is the exclusive advertising market consultancy and production services provider for CEA and CSA, two of the three leading PRC airlines. Compared to other domestic PRC carriers such as Shanghai Airlines, Xiamen Airlines and Hainan Airlines, the two airlines have higher passenger volumes and more extensive long-haul networks. In other words, based on the higher passenger volumes, the viewership of the inflight magazines and newspapers of CEA and CSA is expected to be higher than other domestic PRC carriers.

Short lead time in printing production

With seasoned management, the Group's printing division is capable of delivering customer's orders within a short lead time. For example, the Group has the capacity to finish orders of paperback books in two weeks time and hardcover books in three weeks time.

HISTORY AND DEVELOPMENT

The history of the Group dates back to April 1992 when Hong Kong Transit Publishing, being the operating company of the recruitment advertising business of the Group at that time, entered into an agreement with the operator of the MTR to distribute Recruit magazine at all MTR stations in Hong Kong.

The first issue of Recruit magazine was published in July 1992. Recruit magazine was distributed once every week at all MTR stations. In the same year, the Group started to provide various recruitment related services including the establishment of a database of recruitment advertisers for Recruit magazine and the provision of a free job-matching service with the objective to assist the matching of job seekers to posts advertised. In order to meet the demand from job seekers, commencing from January 1994, the Group has increased the publishing of Recruit magazine to twice a week. At the same time, the format of Recruit magazine was enhanced from a loose-leaf newspaper to a bound publication.

In November 1996, in anticipation of the increasing use of the Internet as a medium for recruitment advertising, the Group launched the online version of Recruit magazine, i.e. recruitonline.com, a website containing a database of all job vacancies printed in Recruit magazine. Recruitonline.com allows job seekers to conduct job searches on job vacancies based on their own criteria and preferences.

In early 1999, recognising the advancement of the Internet technology and the market trend towards using the Internet for recruitment advertising purpose, the Group began to develop an Internet solution for job seekers and recruitment advertisers. In February 2000, the Group launched the website www.PandaPlanet.com.

In March 2000, the Company was incorporated in the Cayman Islands as the holding company of the Group. The Shares were listed on GEM on 20th July, 2000.

Following the expiry of its distribution rights with the MTR Corporation in July 2002, the Group ceased to distribute Recruit magazine inside the MTR network and instead started to distribute Recruit magazine for free at newstands, major KCR stations, entrances of major MTR stations, ferry terminals as well as selected convenience stores throughout Hong Kong.

In October 2002, City Apex and parties acting in concert with it acquired an approximately 88.5% stake in the Company from JC Decaux Pearl & Dean Limited and Publicitas Asia Holdings Limited, the then Shareholders and through a mandatory unconditional cash offer. In connection with such acquisition, parties acting or deemed to be acting in concert with City Apex were GEC, ER2 and its shareholders, Dr. Lo, Salespost Limited, Mr. Lo Hong Sui, Vincent and his family members, Mr. Lee, CFIC and its subsidiary. The total consideration for the acquisition was approximately HK$10.8 million. The price was determined taking into consideration, among other things, the then operating environment and business prospects of the Company and the then global and local economic and business conditions in general. As a result of the acquisition and the cash offer, there were changes in the Directors, including the appointment of the existing Chairman and executive Director, Mr. Lau, to the Board. Details of City Apex are set out in the section headed "Relationship with controlling shareholders and the Directors" in this document. In early 2003, the Company changed its name from Panda-Recruit Limited to Recruit Holdings Limited and redomiciled from the Cayman Islands to Bermuda.

In January 2003, the Group was granted the exclusive right to sell legal and public notice advertising space for one Chinese newspaper, Ta Kung Pao (大公報), and one English newspaper, China Daily, in Hong Kong. Owing to keen competition in the Chinese language newspaper market, the arrangement with Ta Kung Pao was discontinued in 2003. The exclusive business operations with China Daily as its exclusive sales agent has been carried on up to date.

The Group was granted the exclusive right by CEA to act as its advertising market consultant and production services provider for an inflight magazine in February 2004. In October 2004, the Group was granted the non-exclusive right to act as advertising market consultant and production services provider for an inflight magazine for CSA. In July 2005, the Group secured a multi-year agreement with CSA, which appointed the Group to act as the exclusive advertising market consultant and production services provider for CSA's inflight magazines. Apart from CEA and CSA, the Group currently also represents Philippine Airlines as its sales agent to sell advertising space in Hong Kong for its inflight magazine "Mabuhay".

To capitalise on the growing demand for recruitment advertising service in the PRC, the Group set up Shanghai Haifan in Shanghai, the PRC in early 2005 through a series of contractual agreements, which enabled the Group to enjoy economic benefits of Shanghai Haifan. Shanghai Haifan launched its recruitment advertising services by publishing 1010job 精英招聘 through a local publisher in Shanghai, which was designed for PRC job seekers. It also commissioned an international advertising agency to re-package and build the brandname "1010job".

In January 2005, the Group entered into a series of contractual agreements with Shanghai Decai, which enabled the Group to enjoy economic benefits in Shanghai Decai. Shanghai Decai is a domestic company established in Shanghai, the PRC. Shanghai Decai is principally engaged in provision of recruitment services in the PRC.

The Group further diversified its activities into the printing business in 2005 when it set up 1010 Group. 1010 Group was set up in early 2005 and the equity interest in 1010 Group was then owned as to 79% by the Group, 3% by a director of 1010 Group, 3% by an employee of 1010 Printing and 15% by GRS. The Group's equity interest in 1010 Group decreased from 79% to 70% in September 2005 following the disposal of a 9% equity interest to two employees of 1010 Printing at the consideration of HK$900, which was based on the book value of the relevant equity interest. 1010 Printing provides high quality printing services to publishers in Australia, the UK, the US and other regions. The printing division has grown quickly to become one of the major revenue contributors of the Group. During the years 2005 and 2006, the Group acquired certain machineries for its printing production which enabled the Group to reinforce its computer-to-plate and automated press systems and improve the response to its clients' demands in terms of time and quality. In October 2006, the Group acquired an additional 3% equity interest in 1010 Group from a director of 1010 Group at the consideration of HK$300, which was based on the book value of the relevant equity interest, it thereby increased its equity interest in 1010 Group from 70% to 73%.

In April 2005, the Group established RHRG. Pursuant to an agreement dated 14th April, 2005, an Independent Third Party acquired a 5% interest in RHRG for a cash consideration of HK$6 million. The consideration was determined after arm's length negotiations between the parties by reference to the consolidated net asset value of RHRG, and the financial position and earnings prospects of the RHRG Group. The turnover of the RHRG Group was HK$45.4 million and HK$73.4 million for each of the two years ended 31st December, 2006 respectively. The investment provided additional capital for the Group's recruitment advertising business in the PRC. The Independent Third Party is a private investment holding company. At the date of acquisition of the interest in RHRG by the Independent Third Party, the RHRG Group was engaged in the provision of recruitment advertising services and publishing business in Hong Kong and the PRC.

In early 2006 the Group set up its financial investment arm focusing on listed stocks traded in Hong Kong to provide the Group with a more diversified portfolio of businesses and enhance the return on surplus cash.

In September 2006, the Group entered into a series of contractual agreements with Shanghai Lieying, which enabled the Group to enjoy economic benefits in Shanghai Lieying. Shanghai Lieying is a domestic company established in Shanghai, the PRC. Shanghai Lieying has been relatively inactive compared to Shanghai Haifan and Shanghai Decai since its establishment in September 2006.

In October 2006, Shanghai Decai launched a career Internet portal providing a range of career and job related information and company reviews with the brand name of 1010job精英招聘.

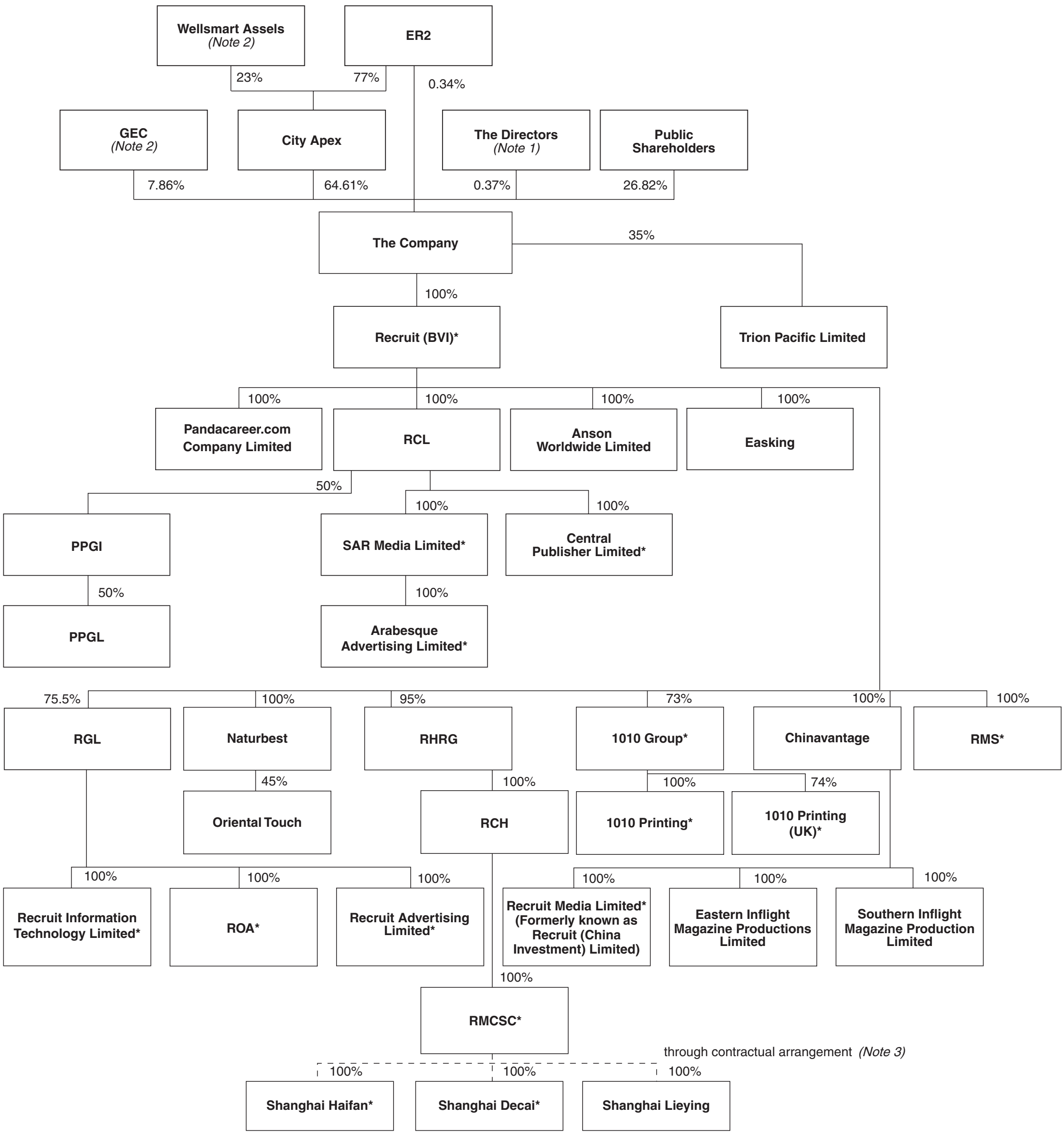
In December 2006, the Company increased its equity interest in PPGI from 20% to 50% by acquiring of further 30% from two Independent Third Party vendors. The Group also assumed the benefits associated with a shareholders' loan of approximately HK$16.6 million in PPGI. The consideration for the acquisition was HK$18.0 million in cash, which was determined after arm's length negotiations between the parties by reference to the debt owed by PPGI to the vendors and the financial position of PPGL. The sole asset of PPGI is a 50% interest in PPGL, a contract printing company that provides printing services to various publications, including Recruit magazine. With the Group's expertise and business connections in the printing industry, the Directors are of the view that additional investment in PPGI can provide steady income to the Group, enhance the return on surplus funds of the Group, and provide synergies for further business development of the Group.

In January 2007 the Group launched a sector-focused job website, www.merchandiserjobs.com.hk to provide an Internet portal for jobseekers in the merchandising sector. The Group plans to launch other sector focus websites in the future.

In February 2007, Jobstreet, which is principally engaged in the advertising media business and is listed on the Mesdaq Market of Bursa Malaysia Securities Berhad, acquired 20% equity interest in RGL, a non-wholly owned subsidiary of the Group. The Group was as a result able to gain access to Jobstreet's recruitment technology and business model. The consideration for the acquisition by Jobstreet was HK$15.0 million in cash, which was determined after arm's length negotiations between the parties by reference to the net asset value of the RGL Group, the financial position and earning prospects of the RGL Group, Jobstreet's status as a significant player in the online recruitment advertising business in the Asia Pacific region and the chance to leverage Jobstreet's existing technology by the Group. The acquisition by Jobstreet was completed on 15th February, 2007.

GROUP STRUCTURE

The following chart illustrates the shareholding structures of the Group as at the Latest Practicable Date (all percentages shown are approximate figures):



* *Principal operating subsidiaries*

Notes:

1. Mr. Lee and his associates hold 150,500 Shares, which represent 0.05% interests in the Company. Of the 150,500 Shares, 50,000 Shares are beneficially owned by the wife of Mr. Lee, who is deemed to be interested in the said Shares under Part XV of the SFO. Mr. Peter Stavros Patapios Christofis holds 670,500 Shares which represent a 0.24% interest in the Company. Mr. Cheng Ping Kuen, Franco holds 204,000 Shares which represent a 0.07% interest in the Company. The discrepancy of 0.01% interest is due to the rounding down of the calculations.

2. Both Wellsmart Assets and GEC are subsidiaries of Great Eagle.

3. The Group has entered into a series of contractual agreements with the PRC Entities and their respective shareholders which enables the Group to enjoy the economic benefits of the PRC Entities. Further details of the contractual agreements are set out in the paragraph headed "Contractual Arrangements" below.

The following table summarises the principal activity, the date and place of incorporation or establishment of each of the companies comprising the Group and the associated companies of the Group:

Name of company	Principal business activities	Date of incorporation or establishment	Place of incorporation or establishment
Recruit Holdings Limited	Investment holding and provision of corporate management service	13th March, 2000	Cayman Islands (continued in Bermuda) *(Note 1)*
Subsidiaries:			
1010 Group Limited	Investment holding	10th January, 2005	Hong Kong
1010 Printing (UK) Limited	Printing agency	2nd January, 2007	United Kingdom
1010 Printing International Limited 滙星印刷國際有限公司	Printing	10th January, 2005	Hong Kong
Anson Worldwide Limited	Inactive	8th November, 2002	BVI
Central Publisher Limited 卓越出版社有限公司	Publishing and investment trading	26th September, 1997	Hong Kong
Chinavantage Group Limited 先傳媒集團有限公司	Investment holding	5th July, 2006	BVI
Easking Limited 宜勁有限公司	Investment holding	15th September, 2004	Hong Kong
Eastern Inflight Magazine Productions Limited 中國香港航機雜誌製作有限公司	Investment holding	12th February, 2004	BVI
Naturbest Investments Limited	Investment holding	15th August, 2006	BVI

Name of company	Principal business activities	Date of incorporation or establishment	Place of incorporation or establishment
Pandacareer.com Company Limited 才庫媒體集團有限公司	Inactive	14th February, 2001	Hong Kong
Recruit Advertising Limited 才庫廣告有限公司	Provision of advertising services	23rd April, 1991	Hong Kong
Recruit (BVI) Limited	Investment holding	15th March, 2000	BVI
Recruit (China) Holdings Limited 才庫(中國)控股有限公司	Investment holding	3rd November, 2004	BVI
Recruit Company Limited 才庫媒體有限公司	Investment holding	18th January, 1994	Hong Kong
Recruit Group Limited	Investment holding	8th January, 2007	BVI
Recruit Human Resources Group Limited 才庫招聘資源有限公司	Investment holding	7th April, 2005	BVI
Recruit Information Technology Limited 才庫資訊科技有限公司	Provision of website development and information technology services	7th November, 2003	Hong Kong
Recruit Management Services Limited 才庫管理有限公司	Provision of corporate management service	13th April, 2006	Hong Kong
Recruit Media Limited	Provision of advertising services	26th July, 2004	Hong Kong
Recruit Online Advertising Limited 才庫網絡廣告有限公司	Publishing and provision of advertising services	30th April, 1999	Hong Kong
SAR Media Limited 文化特區出版有限公司	Provision of advertising services	4th June, 1997	Hong Kong
Southern Inflight Magazine Production Limited 東南航機雜誌製作有限公司	Investment holding	19th April, 2005	Anguilla
廣州海螢廣告有限公司 (Arabesque Advertising Limited) *(Note 2)*	Provision of advertising services	1st February, 2005	PRC

Name of company	Principal business activities	Date of incorporation or establishment	Place of incorporation or establishment
才庫企業管理顧問(上海)有限公司 (Recruit Management Consulting (Shanghai) Company Limited) *(Note 2)*	Investment holding and provision of corporate management service	5th January, 2005	PRC
上海德才人力資源有限公司 (Shanghai Decai Human Resources Company Limited) *(Notes 2, 3)*	Provision of staff selection services	14th July, 2003	PRC
上海海帆廣告有限公司 (Shanghai Haifan Advertising Company Limited) *(Notes 2, 3)*	Provision of advertising services	23rd November, 2004	PRC
上海獵英人才服務有限公司 (Shanghai Lieying Human Resources Consulting Services Company Limited) *(Notes 2, 3)*	Provision of recruitment agency services and related services	27th September, 2006	PRC
Associates:			
Oriental Touch China Limited	Stock photo sales	22nd November, 2005	BVI
PPG Investments Limited	Investment holding	9th March, 2000	BVI
Trion Pacific Limited 三慧顧問有限公司	Inactive	23rd May, 2003	Hong Kong

Notes:

1. Recruit Holdings Limited was incorporated in the Cayman Islands on 13th March, 2000 and re-domiciled to Bermuda on 29th January, 2003.

2. The English translation of Chinese names is included for identification only and should not be regarded as their official English translation.

3. The Group has entered into a series of contractual agreements with the PRC Entities and their respective shareholders which enables the Group to enjoy the economic benefits of the PRC Entities. Further details of the contractual agreements are set out in the paragraph headed "Contractual Arrangements" below.

Contractual Arrangements

Taking consideration that the PRC government limits the foreign investment in recruitment agency, advertising and Internet-related businesses, the Group operates its recruitment and advertising businesses, both print and online, in the PRC through close cooperation with the PRC Entities. In order to recognise and receive the benefit from operation of the PRC Entities steadily, the Group entered into a series of contractual agreements with these entities, in which it does not have any ownership stake. The respective equity owners have not been granted by the Group any commission or other benefit for owning the stake in these entities.

Pursuant to the Contractual Arrangements, all directors, supervisors, the general manager and other senior managers of the PRC Entities must be nominated by the Group and the Group controls all material business operations of the PRC Entities. In view of the above, the Group has the (i) power to nominate or remove all the board members of the board of directors; and (ii) the power to cast all votes at meetings of the board of directors. Therefore, the Directors consider that the PRC Entities should be treated as subsidiaries of the Company and their results and assets and liabilities should be consolidated into the financial statements of the Group. The consolidated financial statements of the Group were prepared on this basis. The Contractual Arrangements provide, among other things that, all directors, supervisors, the general manager and other senior managers of the PRC Entities would be nominated by the Group and all their material business operations would be supervised by the Group.

In addition, the Group has already planned taking the advantage of the Closer Economic Partnership Arrangement, which allows Hong Kong companies to participate in advertising business in the PRC, to set up its own company to operate the advertising business in Shanghai in approximately one year.

The PRC Entities accounted for none of the Group's turnover, net profit and net assets, respectively for the year ended and as at 31st December, 2004, approximately 0.9%, nil and 4.0% of the Group's turnover, profit and net assets, respectively for the year ended and as at 31st December, 2005 and approximately 3.4%, nil and 2.7% of the Group's turnover, net profit and net assets, respectively for the year ended and as at 31st December, 2006. As the existing scale of resources of these entities under the Contractual Arrangements can accommodate the size of business operations for the foreseeable future, the Group had no present plan to employ a significant number of additional staff or allocate additional resources from Hong Kong.

After two years in the business, the number of staff for the PRC recruitment advertising and agency businesses has reached around 100. The Group has invested in aggregate approximately RMB20 million. The Directors believe that the size of the operation in the PRC should be adequate to cope with the organic growth of its PRC recruitmemt advertising business in the next two to three years.

Further details of the PRC Entities and the Contractual Arrangements are set out below:

Shanghai Decai

As at the Latest Practicable Date, the registered capital and investment amount of Shanghai Decai were RMB1,000,000, which were funded by the Group and have been duly paid up. The shareholders of Shanghai Decai are Liu Yazhen and Chen Yingjie, who were respectively an Independent Third Party and an employee of the Group, holding respectively 98% and 2% of the equity interests in Shanghai Decai. The directors of Shanghai Decai were Shao Yang, Amy and Lam Lai Chu, both of whom were employees of the Group. The principal activities of Shanghai Decai included information consulting, recruitment agency and training services.

Under the Contractual Arrangements, RMCSC provides business consulting, technical support and supervision to Shanghai Decai's human resource consulting services. RMCSC also provides management and operation advices and solutions as a part of their enterprise development consulting services to Shanghai Decai.

Shanghai Haifan

As at the Latest Practicable Date, the registered capital and investment amount of Shanghai Haifan were RMB1,000,000 and approximately RMB10,000,000 respectively, which were funded by the Group and have been duly paid up. The shareholders of Shanghai Haifan are Liu Yazhen and Chen Yingjie, who were respectively an Independent Third Party and an employee of the Group, holding respectively 60% and 40% of the equity interests in Shanghai Haifan. The directors of Shanghai Haifan were Shao Yang, Amy and Lam Lai Chu, both were employees of the Group. The principal activities of Shanghai Haifan included design, production, agency, distribution services for various advertisements, sales and marketing, exhibition and convention planning and business consulting services.

Under the Contractual Arrangements, RMCSC provides business consulting, technical support and supervision services to support Shanghai Haifan's advertising business. RMCSC also provides management and operation advices and solutions for the advertising business carried out by Shanghai Haifan as part of their enterprise development consulting services to Shanghai Haifan.

Shanghai Lieying

As at the Latest Practicable Date, the registered capital and investment amount of Shanghai Lieying were RMB1,000,000, which were funded by the Group and have been duly paid up. The shareholders of Shanghai Lieying are Wu Jun and Su Leigang, both of whom were employees of the Group, holding respectively 95% and 5% of the equity interests in Shanghai Lieying. The directors of Shanghai Lieying were Shao Yang, Amy and Lam Lai Chu, both of whom were employees of the Group. The principal activities of Shanghai Lieying included provision of recruitment agency services and related services.

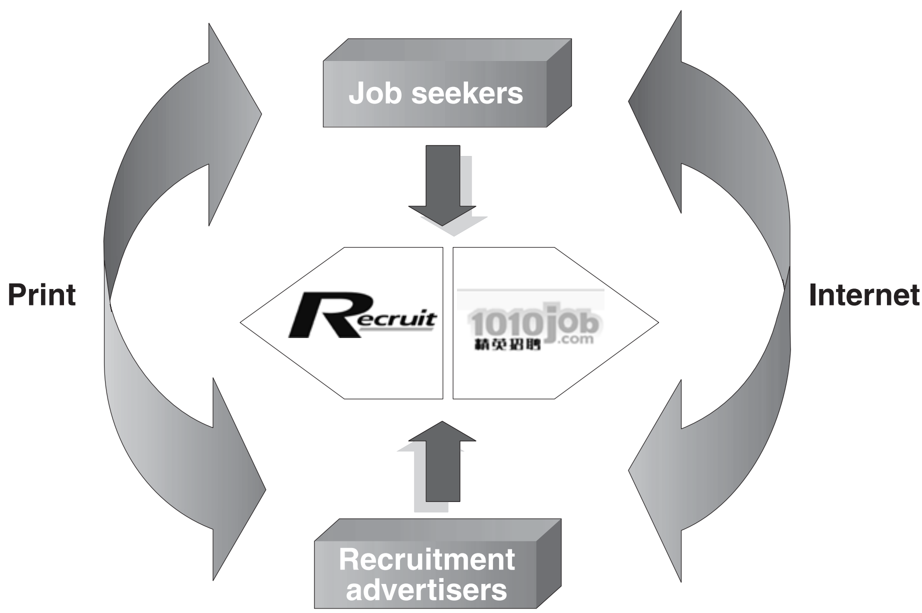
Under the Contractual Arrangements, RMCSC provides business consulting, technical support and supervision to Shanghai Lieying's recruitment agency services. RMCSC also provides management and operation advices and solutions as a part of their enterprise development consulting services to Shanghai Lieying.

ADVERTISING

Recruitment

The Group currently operates its recruitment business with the primary objective of linking job seekers and recruitment advertisers through a combined medium of print and the Internet. The following provides an illustration of the Group's business model:

Job seekers and recruitment advertisers feed on each other



(i) *Publications – Recruit magazine and 1010job精英招聘*

The Group publishes Recruit magazine in Hong Kong and 1010job精英招聘, through a local publisher, in Shanghai. Recruit magazine and 1010job精英招聘 provide readers with:

(a) a comprehensive print-based source on recruitment opportunities and career enhancement services; and

(b) information on career and personal development.

Recruit magazine and 1010job精英招聘 provide the latest career information to job seekers and recruitment advertisers through the print medium, in particular, to complement the Group's Internet operations for job seekers who choose not to rely solely on or have no access to the Group's websites.

Recruit magazine is a bilingual (English and traditional Chinese) recruitment advertising publication targeting white-collar job seekers in Hong Kong. The first issue of Recruit magazine was published on 3rd July, 1992. During the Track Record Period, the Group published a total of 304 issues of Recruit magazine. Recruit magazine is published twice a week, on Tuesdays and Fridays. Recruit magazine is a free publication distributed at over 500 locations including approximately 60 entrances of the MTR stations, 400 outlets of a convenience store chain, 25 selected newstands, eight universities and other tertiary institutions in Hong Kong.

Similar to Recruit magazine, 1010job精英招聘 is a recruitment advertising publication published in simplified Chinese characters aiming at white-collar job seekers in the PRC, particularly in Shanghai. The targeted recruitment advertisers include multi-national corporations, state-owned enterprises and listed companies. The first issue of 1010job精英招聘 (formerly in the name of "Corner Office精英之選") was published on 4th March, 2005. The Group distributed a total of 91 issues of 1010job精英招聘 during the Track Record Period. 1010job精英招聘 is distributed for free or sold at a nominal amount once every week on Friday at over 5,000 distribution points including major metro railway stations, bus stations and office buildings in central business districts in Shanghai. During the Track Record Period, the Group's recruitment advertising business in Shanghai suffered a trading loss.

(ii) Websites – recruitonline.com and 1010job.com

The Internet provides an important medium for the recruitment advertising industry by facilitating a wide dissemination of recruitment advertisements without geographical limitation faced by printed medium. The Internet enables interactive and personalised processing of recruitment information and allows recruitment advertisers to manage their recruiting process more effectively. The Group's recruitment website recruitonline.com provides a medium for exchange of information between job seekers and recruitment advertisers and offers job statistics, career-related features and other interactive self-enhancement information, which attract job seekers and recruitment advertisers to visit the websites.

Recruitonline.com is a bilingual website providing comprehensive career and recruitment related services in Hong Kong. Currently, recruitonline.com allows visitors to view content in English and traditional Chinese characters. The Group's career information website in the PRC, 1010job.com (formerly known as www.corneroffice.cn), was launched in March 2005. It offers career and job information tailored for job seekers in the PRC market. 1010job.com is utilised by the Group as a channel to enhance the brand recognition of 1010job精英招聘.

The Group's recruitment websites offer a range of interactive and personalised functions to job seekers, including online search and application, advanced job search functions to short-list available job vacancies by reference to search category, automated job matching capability, job alert to job seekers based on their specifications and preferences, simultaneous multiple job applications and job recommendation to job seekers based on their searching history. In addition, they also provide information on personal and professional growth to job seekers such as selected articles about corporate culture, self-enhancement and learning courses and success stories of selected professionals, hyperlinks to various educational programs and courses available at local and overseas institutions, information and current job openings of selected corporations.

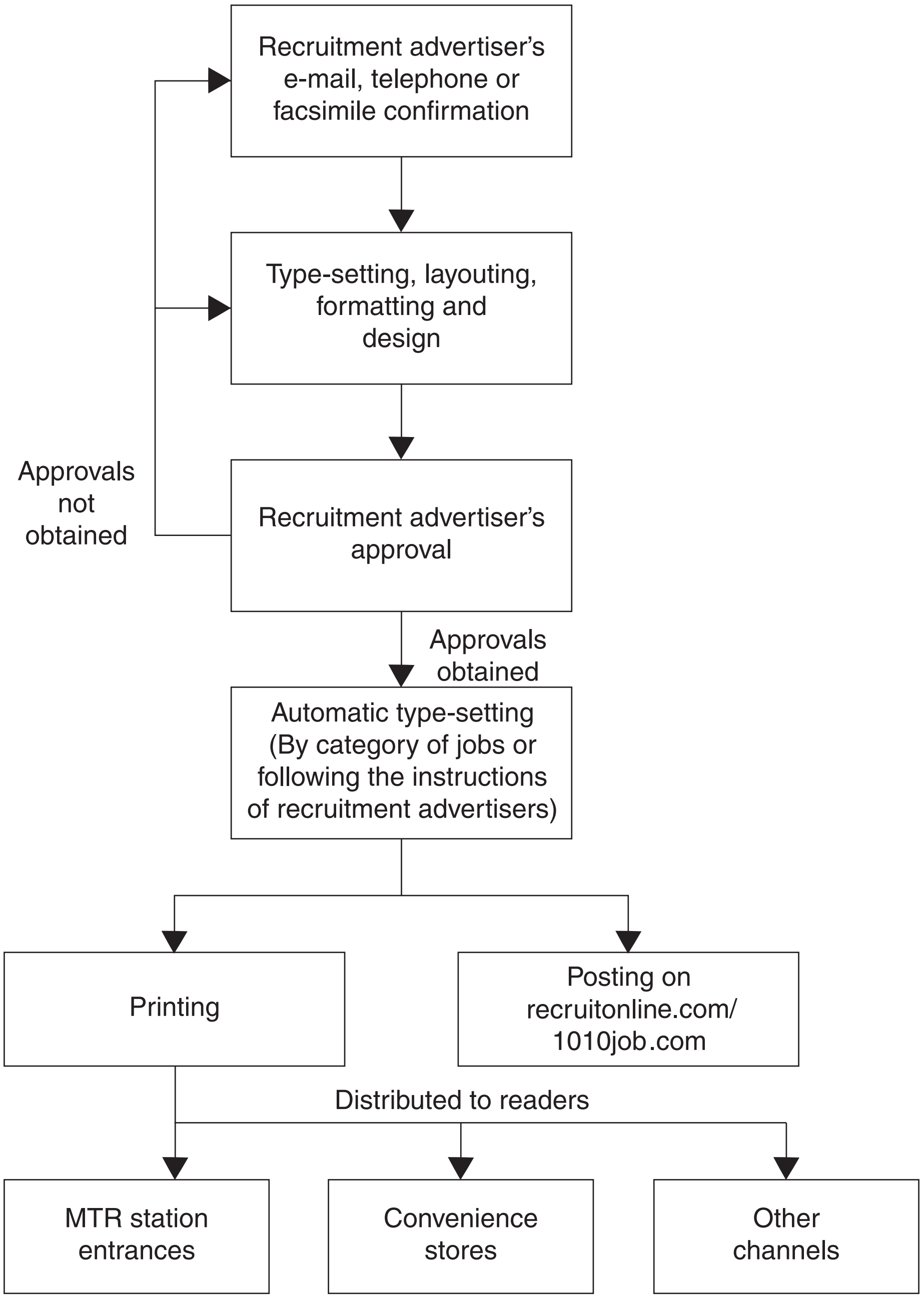
For the year ended 31st December, 2006, the average monthly number of visitors to recruitonline.com and 1010job.com were approximately 466,000 and 776,000, respectively and average monthly page views were approximately 9,000,000 and 6,000,000, respectively.

(iii) Operation process

The Group has an array of advertising packages for customers placing advertisements in Recruit magazine and/or on recruitonline.com. Advertisements placed at Recruit magazine will be posted on recruitonline.com at no extra cost. Alternatively, recruitment advertisers may choose to place advertisements on recruitonline.com only. 1010job精英招聘 also offers print packages to customers. The pricing of the advertising packages is determined with reference to, among other things, the number of advertisements, size of the advertisements and number of issues to be placed and competitors' offers.

Recruitment advertisers may place their advertising orders via e-mail, telephone or facsimile to the Group's sales teams in Hong Kong and Shanghai. After confirming the information, layout and design of recruitment advertisement and obtaining the recruitment advertiser's approval, the Group's production team will carry out type-setting of the advertisement. The Group amends the recruitment contents in accordance with advertisers' comments before finalising the advertisements. No recruitment advertisement would be posted if the approval of recruitment advertiser has not been obtained and the sales order would be cancelled. Finalised recruitment advertisement will be printed and distributed to readers and posted on recruitonline.com or 1010job.com simultaneously.

Set out below is a diagram illustrating the sales process and distribution channels of Recruit magazine and 1010job精英招聘:



(iv) Regulatory matters in Hong Kong and the PRC

Hong Kong

The Group is not required to obtain any specific licences or permits to carry out recruitment agency, advertising or Internet-related businesses in Hong Kong. The Group has obtained all requisite business registrations/licences for its operation in Hong Kong.

PRC

The PRC government limits foreign investment in recruitment agency, advertising and Internet-related businesses in the PRC and therefore the Group relies on the PRC Entities to operate its recruitment advertising and recruitment agency businesses in the PRC.

An entity is required to have a permit issued by the State Council to carry out publishing activities in the PRC. The Group therefore relies on a local publisher, which has the required permit, to publish 1010job精英招聘 in Shanghai. Save as disclosed above, the Group has obtained all requisite business registrations/licences for its operation in the PRC.

Inflight magazine

The Group has become the exclusive advertising market consultant and production services provider for two inflight magazines of CEA in February 2004 and October 2006 respectively and for two inflight magazines and one inflight newspaper of CSA in July 2005. The five agency agreements with the two PRC airlines have terms ranging from five and a half to 15 years.

(i) Publications

The Group currently acts as advertising market consultant and production services provider for two monthly inflight magazines, "東方航空Eastern Air Connections" and "東方風情View", for CEA, two monthly inflight magazines, "南方航空Gateway" and "空中之家Nihao", and a weekly inflight newspaper, "南方航空報•精英生活 CSN Elite", for CSA, and a monthly infight magazine, "Mabuhay", for the Philippines Airlines. Set out below is a brief description of these inflight publications:

東方航空 Eastern Air Connections

"東方航空Eastern Air Connections" is the flagship inflight magazine for CEA, which was first issued in 1988. It is published monthly with an estimated number of readers of 2.9 million for each month in 2006. The magazine is distributed on board all CEA's flights. The magazine comprises articles with topics such as news and information about CEA, people's profiles, events and stories in Shanghai, highlights of famous tourist attractions, lifestyle and leisure.

東方風情 View (formerly known as "香巴拉Shangri-la")

"東方風情View" is CEA's monthly lifestyle inflight magazine. It is published monthly commencing in October 2006. The estimated number of readers is about 1.6 million for each month in 2006. The magazine is distributed on board all CEA's international and domestic flights departing from Shanghai Hongqiao and Pudong Airports, as well as at major airports in the PRC. The magazine covers a variety of topics including latest news on CEA, timepieces, cars, fashion, interior design, hotel, travel and other up-market consumer products.

南方航空 Gateway

"南方航空Gateway" is the flagship inflight magazine for CSA which was first issued in 1985. It is published monthly with an estimated 4.1 million readers for each month in 2006. The magazine is distributed on board all CSA flights. It is also available at lounges, VIP rooms, restaurants and hotels in selected airports in the PRC. The magazine provides readers with leisure and travel information, covering stories from CSA, feature guides and traveling tips, reports and interviews, lifestyle and art as well as updates on trendy items.

空中之家 Nihao

"空中之家Nihao" is CSA's monthly luxury lifestyle inflight magazine. It is published monthly with an estimated 4.1 million readers for each month in 2006. The magazine is distributed on board all CSA's international flights and all first and business classes together with selected economy class in domestic flights. It is also available at airport lounges and VIP rooms in selected airports in the PRC. The magazine covers a wide variety of topics including luxury lifestyle, travel, fashion, brand story, celebrities, other luxury consumer goods and the latest information technology products.

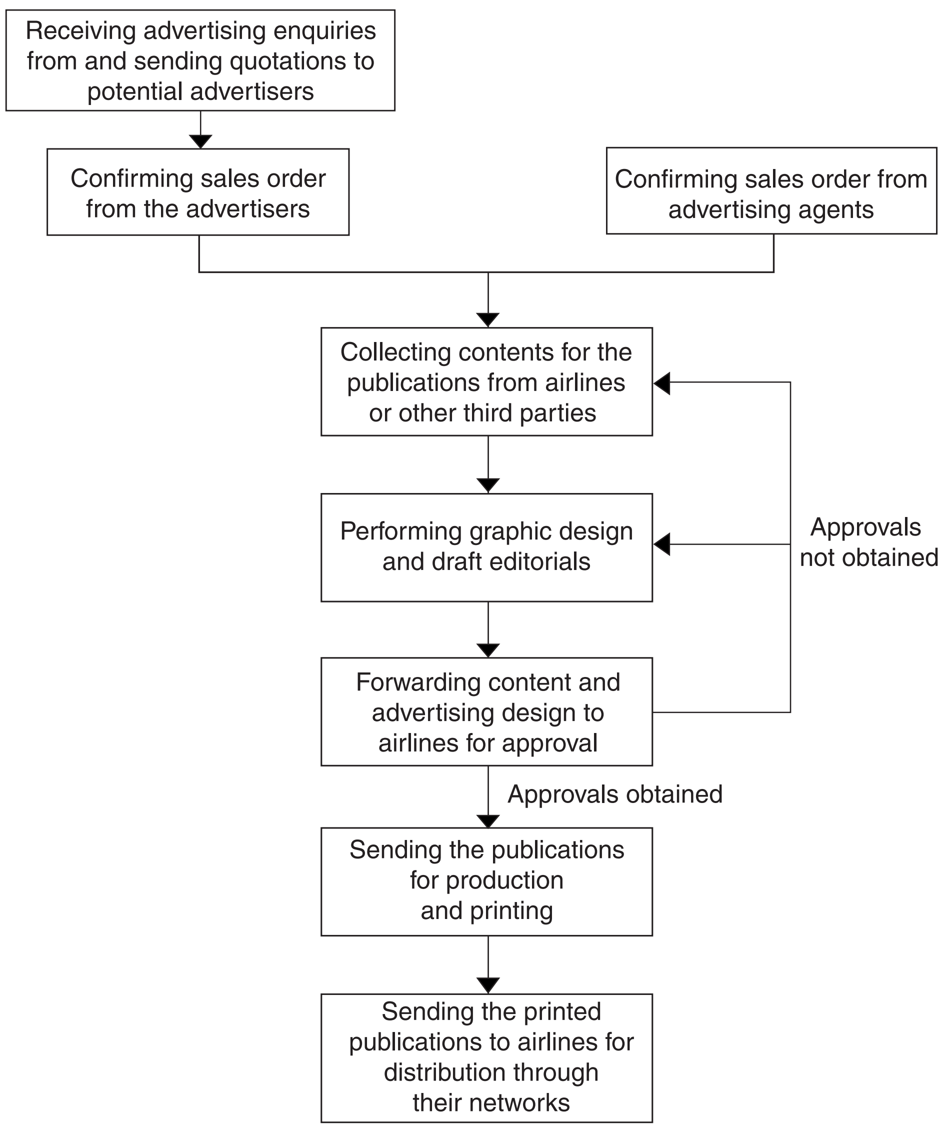
南方航空報•精英生活 CSN Elite

"南方航空報•精英生活 CSN Elite" is a weekly newspaper of CSA with a variety of contents including news and commentary, business, leisure, film and television, culture, sports, lifestyle and travel, as well as the latest information on CSA's services. It is published on every Monday, with an estimated 1,000,000 readers for each issue. Copies of the newspaper are distributed on board all CSA's flights and in lounges, VIP rooms, restaurants and hotels in selected airports in the PRC.

CEA and CSA are two leading airlines in the PRC. According to the annual report of CEA for the year ended 31st December, 2006, CEA currently has approximately 205 aircraft with approximately 423 routes, including approximately 105 international routes. The total number of flights per week was approximately 5,650 and annual passenger volume was approximately 35 million in 2006. According to the annual report of CSA for the year ended 31st December, 2006, CSA has approximately 309 aircrafts and 616 routes including approximately 90 international routes. It had an annual passenger volume of approximately 49 million and approximately 4,654 flight per week in 2006.

(ii) Operating process

The Group is primarily responsible for advertising market consultancy, marketing, promotion as well as production of the publications for the two PRC airlines. The Group coordinates the production of the publications by compiling the editorials and contents, graphic designing, pagination and supervision of printing and distribution. The advertisements are forwarded to the airlines for approval and would be amended in accordance with the airlines' comments. No advertisement would be posted if the approval of the airlines has not been obtained and the sales order would be cancelled. Sale of advertising spaces in these publications is conducted through the Group's own advertising sales network and other independent advertising agents located in major cities in the PRC. Set out below is a flow chart which summarises the inflight magazines and newspapers advertising sales and production:



The advertisers of the inflight magazines are from various industries, including automobile, real estate, computers, telecommunication products, electronic and electrical home appliances and luxury consumer goods.

The pricing for advertising in the respective inflight magazine and newspaper is mainly based on the prevailing market rates of other inflight magazines and advertising medium as well as the estimated number of readers. The advertising rates for each of the publications are jointly reviewed by the Group and the respective airline annually with reference to the aforesaid factors. Subject to the approval from the respective airline, the adjusted rates will be effective from January in every year.

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 announcement advertising space in China Daily to its clients through its own sales network. In addition to sales of advertising spaces, the Group also coordinates with advertisers, other intermediaries such as financial printers in the case of publishing a listed company announcement and China Daily to arrange for the publication of announcements and notices.

During each of the two years ended 31st December, 2005, the Group signed annual agreements with China Daily for sale of legal and public notice advertising spaces. The Group was required to pay a fixed annual fee to China Daily for utilising exclusively a certain number of pages of advertising spaces in the newspaper for each calendar year. Any utilisation of pages in excess was charged at variable rates. In 2006, the Group continued to be China Daily's exclusive sales agent. However, the Group was no longer required to pay a fixed annual fee to China Daily and was only charged for the actual number of pages of advertising spaces sold.

In April 2000, the Stock Exchange first proposed to abolish the Main Board requirement for companies to publish announcements in newspapers (the "Electronic Disclosure Project"). Details of the Electronic Disclosure Project have been set out in the news release "HKEx Sets Date for the Launch of Electronic Disclosure and Abolition of Mandatory Paid Announcements" dated 23rd March, 2007. Under the first phase of the Electronic Disclosure project ("Phase 1"), starting 25th June, 2007, for the duration of six months, a paid announcement will no longer be required as long as the Main Board listed issuer publishes the full announcement on its own website and the Stock Exchange website. During Phase 1, a Main Board listed issuer will be required to publish a notification in the newspapers whenever it publishes an announcement. Notifications will no longer be required after 25th December, 2007. Twelve months after commencement of Phase 1, all Main Board and GEM issuers are required to have their own website to publish announcements and other Listing Rules documents in addition to publication on the Stock Exchange or GEM websites. Accordingly, the Directors are of the view that the Group's business of statutory announcement will have limited development in the future.

For each of the three years ended 31st December, 2006, the turnover of statutory announcement were approximately HK$13.5 million, HK$12.8 million and HK$14.4 million, respectively, representing approximately 13.0%, 5.6% and 4.8% of the Group's turnover for the respective years.

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.

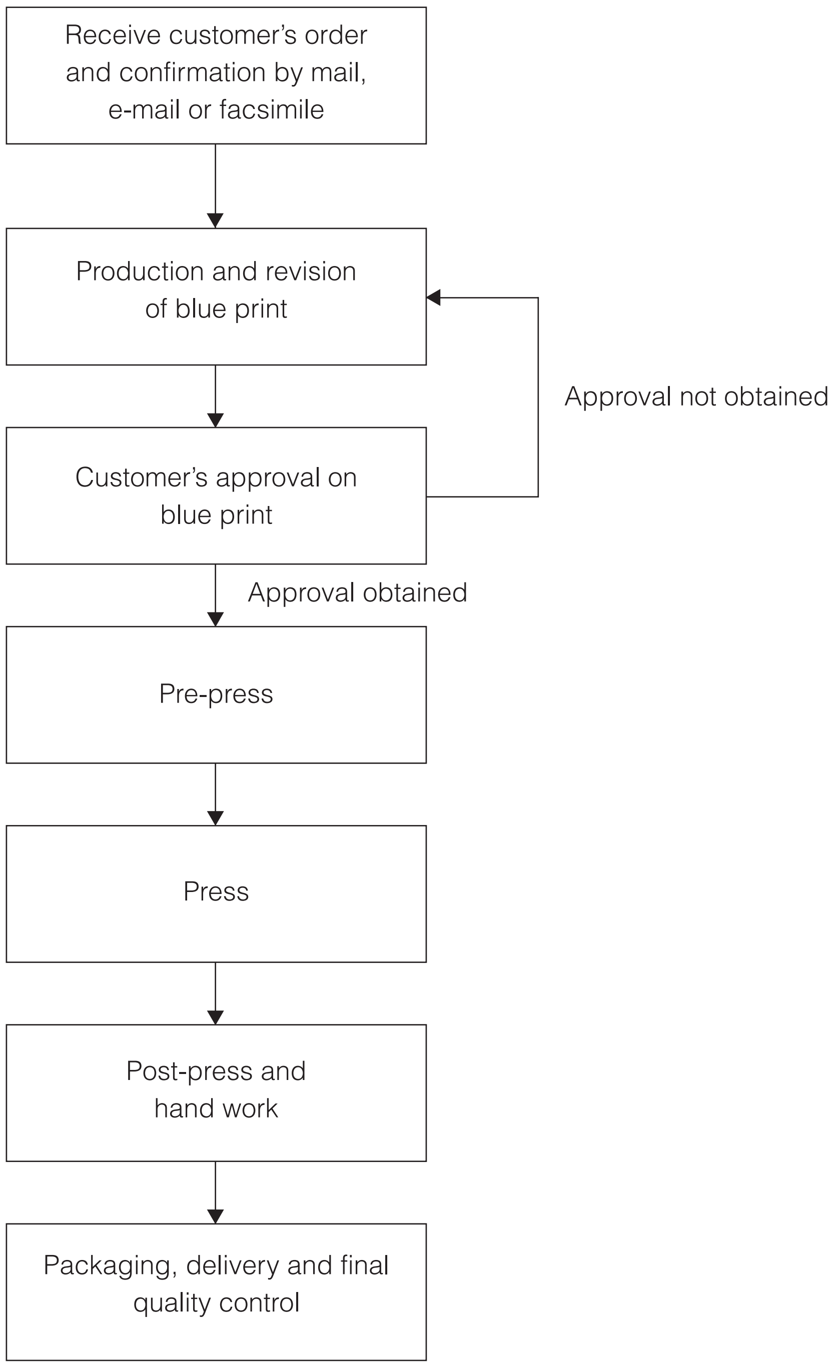
PRINTING

The Group established its printing division in early 2005 to carry out high-quality printing for photograph books, cookbooks, art books, text books, children's books and other printed products. The major customers are publishers in Australia, the United Kingdom and the United States. For the year ended 31st December, 2005, 112 titles and 3.6 million copies of books were printed by the Group. For the year ended 31st December, 2006, 808 titles and 17.3 million copies of books were printed by the Group. The turnover attributable to the printing division amounted to approximately HK$66.5 million and HK$105.7 million for each of the two years ended 31st December, 2006, respectively.

The Group currently conducts the manufacturing of its printed products by way of processing arrangement in the Production Facility. The Group's printing division maintains its sales office in Hong Kong, where an experienced sales team is situated to serve overseas customers.

(i) Operation process

The main outputs of the printing division of the Group are books and other printed products. The following flow chart is a general overview of the major steps involved in the production process:



(a) Blue print

Upon the receipt of customer's sales orders, detailed specifications of the products, including content files, film, colour proof and layout, a blue print together with the colour proof of the product will be created for customer's review, comment and approval.

(b) Pre-press

Prior to the commencement of presswork, a series of pre-press operations including colour separation, film imposition and plate-making have to be undertaken. At the colour separation stage, a set of four film positives or negatives in each of the primary colours of cyan, magenta, yellow and black are prepared. Film imposition is a stage during which the film positives or negatives are prepared, placed and registered in the appropriate order. After the process of film imposition, the image of each of the four film positives or negatives will then be transferred onto an aluminium printing plate before offset printing. The above pre-press operations can be carried out in computers and the digital images will be transferred to digital plates for offset printing.

(c) Press

A set of aluminium printing plates are mounted onto a cylindrical drum on the printing machine. In the printing process, ink is applied on the plate and transferred onto the paper that passes through the printing unit. Each printing unit prints one colour. When a sheet of paper passes through multiple printing units, different colours are printed on the paper. Most of the Group's sheet-fed printing machines are equipped with advanced computer devices and multiple printing units ranging from two-colour to five-colour capacity. Two-colour printing machines are used for printing jobs with one or two colours such as manuals whereas four-colour printing machines are used for more complicated printing jobs such as posters and illustrated books. Five-colour printing machines are capable of printing one special colour such as metallic or fluorescent colour in addition to the four primary colours in one production run. The web-offset machines are used for high-speed and high-volume production and paper used by these machines is in reel form.

(d) Post-press

The post-press operations include paper folding, die-cutting, gold stamping, laminating, signature gathering, stitching, gluing, sewing, binding and trimming. For books, printed sheets of text are machine-folded to form a set of pages or a "signature". These signatures are placed in numerical order to be machine-sewn or glued to form a book block, which is then machine-trimmed to a specified size. The finished goods are inspected and compared with the blue print to ensure the required qualities and standards are attained.

(e) Hand work

Decorative items or premiums are sometimes required to be inserted together with the book sets by manual procedures including drilling, case-making, wire-O binding, box and bag gluing and assembling.

(f) Quality assurance

Quality assurance is performed to examine the product's quality against the acceptance quality level standard at every stage of the production process. Incoming raw materials, such as paper and ink, are periodically tested against customers' technical specifications. Colour is matched against the customer's approved blue print. Finished goods undergo a number of tests, such as visual inspection and other applicable tests, before packaging and delivery to ensure the exact specifications of the customers are met.

(g) Packaging, delivery and final quality control

All packaged finished goods are inspected again to confirm the acceptance before they are despatched to customers. The actual inspection standard varies subject to respective customer's requirements.

(ii) Production Facility

Details of the Production Facility as at the Latest Practicable Date are set out below:

Year of commencement	2005
Location	Xianan Industrial Area, Yuanzhou Town, Boluo County, Huizhou City, Guangdong Province, the PRC
Nature	Operated by a PRC Independent Third Party through the Processing Arrangement
Usage	Manufacture of printed products
Floor area	28,885 sq. m.
Number of workers	approximately 640

As at the Latest Practicable Date, the Production Facility has 14 sets of pre-press machines including colour proofer, printer, imposition proofer, plate exposure machine, plate processor, film processor, film process unit and control station. The Production Facility also has six sets of colour printing machines, five sets of folding machines, four sets of guillotines, one set of gathering machine, eight sets of binding machines for sewing, trimming, saddle stitching, case making and production line, one laminator and one set of endpaper tipping machine.

Currently, the Production Facility possesses the capacity of binding hardcover books and paperback books of approximately 1.0 million copies and approximately 1.2 million copies per month, respectively, and saddle stitching of approximately 4.2 million copies per month. In general, completion time of printing a paperback job is around two weeks while one more week is required for a hardcover job. For the year ended 31st December, 2006, the average utilisation rate of the plant and machinery for production was approximately 70% for the Production Facility. The calculation of the average utilisation rates is based on the actual production volume of the Group's products and the designed production capacity during the year. The designed production capacity of the Production Facility is calculated based on the number of printing machines in the Production Facility, the rate of impression for each printing machine, the operating period of each printing machine in each working day and the number of working day in each year.

When the Production Facility is at full capacity, particularly in peak seasons, the Group may sub-contract certain parts of the production processes or some sales orders to sub-contractors. The Company negotiated the terms and conditions of each of the sub-contracting orders with independent sub-contractors on a job-by-job basis with reference to the prevailing market terms and conditions. None of the sub-contractors have been engaged by the Group has or had any business or family relationship with any directors, senior management or shareholders of the Company or its subsidiaries, or their respective associates.

For each of the three years ended 31st December, 2006, the sub-contracting fees amounted to approximately nil, HK$23.5 million and HK$8.7 million, respectively, representing approximately nil, 17.2% and 4.8% of the direct operating costs of the Group for the respective years.

(iii) Processing Arrangements

In March 2005, 1010 Printing entered into the Processing Agreement with 博羅縣園洲鎮下南實業發展公司 (Boluo County Yuanzhou Town Xianan Industrial Development Company, the "PRC Party") for an operating period commenced from March 2005 and ending in April 2014. The PRC Party is the owner of the Production Facility and an Independent Third Party, and 博羅縣對外加工裝配服務公司 (Boluo County Foreign Subcontracting Service Company) is the business agent of the PRC Party and an Independent Third Party. The PRC Party carries out the manufacturing of printed products for 1010 Printing in the Production Facility. A summary of the principal terms of the Processing Agreement is set out below:

Primary responsibilities

(a) the foreign party shall:

(1) provide all machinery and equipment with aggregate value of not less than HK$107 million for the manufacturing of products at the Production Facility;

(2) employ and provide technical personnel to the Production Facility for the installation of machinery and equipment in the Production Facility and technical training to the workers. Salaries and all other related expenses incurred by these technical personnel are to be borne by the foreign party;

(3) provide all necessary materials: raw materials, ancillary materials and packaging materials and fuel for the production processes;

(4) be responsible for the legality of the trademarks used on the products;

(5) pay processing arrangement fee to the business agent of the PRC Party; and

(b) The PRC Party shall provide the manufacturing plant, ancillary facilities and labour forces for manufacturing of products for the foreign party; and

(c) the agent shall, upon the establishment of the factory premises and until the expiry of the Processing Agreement, (a) import raw materials; (b) export finished goods; and (c) collect the processing fee.

Delivery of raw materials and finished products

The foreign party shall deliver, on a monthly basis, the raw materials, ancillary materials and packaging materials required to the Production Facility two days before production and in accordance with the schedules, time, quantities and specifications as agreed between the foreign party and the PRC Party.

The foreign party is responsible to provide all necessary materials for the production process and the PRC Party is responsible for the manufacturing of products for the foreign party. After completion of the production process, all finished products will be delivered to the foreign party. Under the Processing Agreement, the PRC Party does not have any ownership in the finished products manufactured at the Production Facility.

Transportation costs

The foreign party shall bear transportation costs between the Production Facility and Hong Kong.

Insurance

The foreign party shall be responsible for the insurance of the respective properties of each party to the Processing Agreement.

Processing fees

The foreign party shall pay a processing fee for the operating cost, insurance, tax, handling fee and etc. incurred by the PRC contracting parties for the day to day operation of the Production Facility. The amount of the processing fee is determined by the agreed prices on each production contract and with reference to wages for each employed worker.

Termination

The contracting parties shall decide through negotiation to extend or terminate the Processing Agreement three months before its expiry date.

Quality Control

Under the Processing Agreement, the Group is responsible for providing management expertise and controlling the quality of the finished products by provision of manufacturing machinery, raw materials and technical support to the Production Facility. As at the Latest Practicable Date, the Group had full time management staff to supervise the production process and a team of more than 30 staff to conduct quality control services at the Production Facility. It also has established quality control standards and procedures for the team to adhere to. The Production Facility has received ISO certifications, including ISO 9001:2000 and ISO 14001:2004 for its quality management system and environmental management system. As at the date of the Latest Practicable Date, the Directors were not aware of any material claim (actual or pending) against the Group by the PRC Party in relation to the Processing Arrangement.

PRC legal opinion

Zhong Lun confirmed that the Production Facility's executions and performance under the Processing Agreement has obtained all licences and permits, and will not result in a violation at any rules and regulations applicable in the PRC for its operation.

SALES

Turnover

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	103,995	227,103	298,333

The advertising income continuously grew in the Track Record Period, which is mainly attributable to the increase in revenue from the inflight magazine business since the Group commenced co-operations with CEA and CSA in 2004. The introduction of printing services in 2005 also contributed considerable revenues to the Group for the two years ended 31st December, 2006. Further details of the turnover of the Group are set out in the paragraph headed "Management's discussion and analysis" in the "Financial information" section in this document.

Sales to the Group's five largest customers accounted for approximately 24.5%, 40.3% and 46.3% respectively of the Group's turnover for each of the three years ended 31st December, 2006. The sales of the Group's single largest customer accounted for approximately 9.1%, 13.4% and 17.0%, respectively of the Group's turnover for each of the three years ended 31st December, 2006. None of the Directors or the Shareholders which to the knowledge of the Directors owns more than 5% of the Company's share capital and any of their respective associates had interests in any of the Group's five largest customers during the Track Record Period.

Hong Kong, the PRC and Australia are the Group's major markets. The table below sets out the breakdown of the Group's turnover by reference to the location of customers during the Track Record Period:

	For the year ended 31st December,		
	2004	**2005**	**2006**
	HK$'000	*HK$'000*	*HK$'000*
Hong Kong	74,111	83,790	87,657
The PRC	29,884	77,246	111,052
Australia	–	52,494	72,843
The US	–	6,485	2,938
The UK	–	5,064	21,930
New Zealand	–	2,024	1,598
Others	–	–	315
Total	103,995	227,103	298,333

The increase in turnover from the PRC was mainly due to the Group's expansion into inflight magazine business in 2004. There was also considerable revenue contribution from overseas as the Group commenced printing operations in 2005. Further details of the geographical breakdown of the Group's turnover are set out in the paragraph headed "Management's discussion and analysis" under the "Financial information" section in this document.

The Group's turnover are subject to seasonal fluctuations. The peak seasons for recruitment advertising usually fall at the beginning of each year and autumn. The peak season for the Group's inflight magazine business usually coincide with the three major "Golden Week" holidays in the PRC, including the Chinese New Year holiday in January or February, the Labour Day holiday in early May and Chinese National Day holiday in early October. In addition to the above, advertising sales in the second half of each year are usually higher as compared to first half as advertisers step up their advertising campaign in autumn for goods such as wine and winter apparels, which are the major categories of products advertised in the Group's inflight publications. As for statutory announcement, the peak seasons are generally in March and April and in August and September every year when Hong Kong listed companies, majority of which have year end date on 31st December, publish their annual results or interim results announcements by the end of the aforesaid periods. The peak season of the printing division is in the second half of the year as books are produced and shipped to overseas before Christmas.

Credit policy and payment terms

The Group's accounting and finance department reviews the credit terms of each existing and prospective customer. The settlement and credit terms granted to customers are determined with reference to, among other things, (i) length of business relationship; (ii) payment history; and (iii) financial strength and creditability of the customer. Customers of the advertising business are generally offered credit periods between 7 and 150 days, while those of the printing business are generally offered credit periods of 30 to 120 days according to the customers' creditability.

For each of the three years ended 31st December, 2006, the average trade receivables turnover days were approximately 44 days, 65 days and 78 days, respectively. Based on past collection history, the Directors consider that the Group's credit risk is minimal.

Bad debt policy

The Group implements a stringent credit control policy on outstanding trade receivables. The Group examines trade receivable aging reports on a monthly basis to assess recoverability of trade receivables and follow up with the customers to demand settlement for those long outstanding balances. Specific provision is made when an outstanding balance is overdue and the recoverability of the long outstanding balance is in doubt. On the above basis, the Directors consider the existing policy on making provision for bad and doubtful debts is appropriate and the amount of provision is adequate.

The Group's trade receivables as at 31st December, 2004, 2005 and 2006 were approximately HK$17.8 million, HK$63.5 million and HK$63.3 million, respectively. The increase in trade receivables as at 31st December, 2005 as compared to that as at 31st December, 2004 was mainly due to the expansion of the Group's business into printing. The customers of the printing business were offered longer credit terms ranging from 30 to 120 days according to the industry practice and their creditability. Impairment of receivables made for each of the three years ended 31st December, 2006 were HK$290,000, HK$698,000 and HK$2.1 million, respectively. During the Track Record Period, the Group did not experience any significant amount of bad and doubtful debts.

As at the Latest Practicable Date, approximately 99.6% of the trade receivables as at 31st December, 2006 were settled.

MARKETING

The Group's marketing strategies are to develop and promote its own brands in recruitment advertising business and to build unique images with superior customer services and operating efficiency. For inflight magazine business, the Group has the strategy to co-develop the airlines' brands given the Group is their exclusive advertising market consultant and production services provider. The Group has dedicated marketing teams in its Hong Kong and Shanghai offices to handle most of the marketing, advertising and promotion activities. The Group also engages external advertising companies to assist in conducting promotional events. For each of the three years ended 31st December, 2006, the amount of marketing and promotion expenditures incurred by the Group were approximately HK$0.8 million, HK$5.9 million and HK$4.5 million, respectively, representing 0.7%, 2.6% and 1.5% of the Group's turnover for the respective years.

The Group's major marketing and promotional activities are described below.

Advertising

(i) Recruitment exhibitions and seminars

The Group regularly participates in local career exhibitions, shows and fairs. The Group has also co-organised training and marketing seminars with professional organisations and institutions covering a variety of topics such as recruitment skills, corporate strategy, education and training, personal enhancement, laws and regulations and industry development. At these venues, the Group's publications are distributed to job seekers.

Through participating in exhibitions and organising seminars, the Group enhances its corporate image, promotes its services, gathers market information and keeps abreast of the latest market trends.

(ii) Membership programme

The Group launches various promotional programmes from time to time to acquire new members for Recruit and 1010job. For instance, roadshows are set up in commercial areas and in universities where the Group distributes promotion leaflets and souvenirs to job seekers to encourage their use of the Group's services.

(iii) Advertising

To reinforce customers' awareness of the Group's brandnames and services, advertisements are frequently placed in newspapers, the Internet, major PRC Internet search engines, magazines, liquid crystal displays inside major commercial buildings and panels of public transportation vehicles, that share smiliar reader profile with the Group. The Group's print advertisements can be found in publications distributed in Hong Kong and the PRC. The Group also places advertisements in outdoor or other focus media channels.

(iv) Information board

The Group's PRC website, 1010job.com, provides information on various recruitment related topics such as salary level, corporate information and interview skills.

(v) Market research

Market research had been conducted by the Group and an independent marketing research firm on recruitment advertising markets in Hong Kong. The marketing research indicated that the Group is recognised as one of the leaders in recruitment advertising services in the area. The results of the marketing research were published in the Group's publications and websites to promote the Group's services.

(vi) Promotional calls to potential advertisers

The Group constantly monitors recruitment advertisers who have advertised in other competing media. After identifying potential advertisers, the customer service staff of the Group contacts them to explore sales opportunities.

(vii) Social events

The Group partners with the PRC airlines for which it is a marketing consultant and production services provider to sponsor a variety of social events including movie premieres and dinner parties for promoting the Group's services and maintaining exposure and awareness of the airlines' brands.

(viii) Regular meetings with customers

Frequent and close communications are maintained with airlines and other advertising agents with a view to enhancing business relationships. The Group pays regular visits to discuss development plans, market outlook and to explore further business opportunities with them.

Printing

(i) Book fairs

The Group regularly attends local and overseas books fairs. Through attending these fairs, the Group gathers market information and observes market developments. At these venues, the Group also meets prospective customers to explore new business opportunities.

(ii) Regular meeting with customers

The Group visits overseas customers frequently to maintain close contact with them, keep abreast of market trends and develop future business plans. Customers' opinions are collected for improvements on the Group's operations, designs and services.

COMPETITION

Advertising

(i) Recruitment

The recruitment advertising industry is competitive with moderate barriers of entry. The principal barriers of entry in this industry include market recognition, funding and understanding of and experience in the industry. The Directors believe that the Group is a major force in the Hong Kong market and one of the players in the Shanghai market. The Group's major competitors are other recruitment advertising media with print publications and/or online services as well as the newspapers which are distributed for free. The competitors directly compete with the Group in Hong Kong and Shanghai. In Hong Kong, the competitors' publications are either major newspapers or newspaper distributed for free in MTR stations. These competitor's publications may also be specialised in certain industry sectors. Based on a research carried out by an independent market research firm, the revenue of Hong Kong recruitment advertising market was approximately HK$1.5 billion in 2006 and the Group was ranked third in market. The competitors in the PRC enjoyed first mover advantage as the Group's recruitment advertising business in the PRC only commenced in 2005.

The differentiation among the recruitment advertising operators lies in their ability to develop brand awareness, deploy Internet application in job seeking and improve search capability, customer service as well as to provide competitive pricing.

The Directors consider that the Group's success in the recruitment advertising business is attributable to its established job seeker and recruitment advertiser databases. Based on a market research carried out by an independent market research house in May 2005, Recruit magazine was voted the most popular recruitment advertising publication in Hong Kong.

In respect of the PRC market, the Group has launched a series of marketing activities in Shanghai for the purpose of promoting 1010job精英招聘. The Directors consider that brand awareness of the 1010job精英招聘 in Shanghai is essential for the Group's plan to further expand throughout the PRC. Based on a research carried out by an independent market research firm, the PRC recruitment advertising market was estimated to be approximately RMB5 billion in 2006. The Directors consider that the Group has yet to increase its market share in the PRC recruitment advertising market.

(ii) Inflight magazine

The inflight magazine industry is characterised by having a small number of service providers given the characteristics of Chinese civil aviation industry. In this industry, market participants primarily compete on the recognition and distribution strength of the airlines, funding, pricing and product design and quality.

Based on a research carried out by CTR Media Intelligence, an independent market research firm, on the PRC advertising market, the magazine advertising market in the PRC was estimated to be over RMB5 billion in 2006. Comparing to the Group's revenue for its inflight magazine operations of approximately HK$104.8 million for the year ended 31st December, 2006, the Directors consider that the Group has yet to establish a significant market position in the PRC magazine advertising market.

Nevertheless, the Directors consider that the Group is a major player specifically within the inflight magazine market as it acts for two of the three leading airlines in the PRC. The competition in the industry principally comes from the third major PRC domestic airline headquartered in Beijing. The Group may continue to grow in this segment as the Group is enjoying the advantage of the anticipated expansion of the PRC carriers following the growth in the PRC economy.

(iii) Statutory announcement

During the Track Record Period, China Daily had been one of the only three English print newspapers circulated in Hong Kong participating in the English statutory announcement market. The competitors are two other local major English newspapers.

All Main Board listed companies in Hong Kong are required to publish announcement and financial results in print media (one Chinese newspaper and one English newspaper) throughout the Track Record Period. As of 31st December, 2006, there were 975 Main Board listed companies on the Stock Exchange. Out of the aforesaid 975 companies, 116 of them were the Group's clients, which represented approximately 11.8% of the total number of Main Board listed companies in Hong Kong.

With the certainty that listed companies will no longer be required to publish announcements in newspapers, the Directors anticipate that the competition in the market will intensify, which may adversely affect the performance of the Group in this segment.

Printing

The printing industry is a highly competitive and fragmented market characterised by having a large number of service providers and a variety of product categories. As a start-up printer, the Group has an insignificant market share and it has to compete for orders from overseas publishers with many other book printers located in Hong Kong, Guangdong Province in the PRC and the Southeast Asia. Comparing to approximately 18,000 printers in Guangdong Province with an output of over RMB100 billion in 2006, the Group's printing business has insignificant market share and market position. The Group considers that various factors including operating efficiency, sales network, pricing and quality of products as well as customer services may affect the performance of those engaged in printing businesses.

The Directors consider that the Group has a short lead time between receiving orders and delivering products, competent and seasoned management team and competitive cost structure enabled by its production base in the PRC. Compared to other printers in the market, the Group's product differentiation is minimal. As a result, the Group has focused on its abilities in providing quality customer services.

PURCHASING, INVENTORY CONTROL AND SUPPLIERS

Purchasing and inventory control

The Group's inventories are principally raw materials, including paper and ink, for its printing division. Purchases are mainly made in Hong Kong.

The Group purchases paper from independent paper suppliers in the market. The Group maintains a list of suppliers and constantly reviews the quality, market reputation, pricing, delivery time and after sales services they offer. Before placing orders, the Group will obtain at least two quotations from different paper suppliers to ensure the purchase price is in line with the market price.

There was no material fluctuation in the prices of the Group's major paper material during the Track Record Period. The monthly average price of the Group's major paper material was approximately US$860 per tonne and US$859 per tonne for each of the two years ended 31st December, 2006, respectively. The paper costs accounted for approximately 38.7% and 44.3% of the direct operating costs of the Group's printing business and approximately 15.4% and 18.8% of the direct operating costs of the Group for each of the two years ended 31 December 2006, respectively.

The majority of the Group's raw materials are purchased only when orders are received from customers. For materials that are commonly used, the Group maintains a certain level of inventory so that urgent orders from customers can be flexibly handled. Furthermore, the Group communicates purchase plan of raw materials with its major suppliers in order to secure timely and sufficient supply and to enjoy purchase discount.

During the Track Record Period, the price of the Group's major paper material did not change materially and the Group did not experience any significant impact on its profitability due to paper price fluctuations. To mitigate the possible impacts on the profitability of the Group's printing business due to paper price fluctuations, the Group's printing division will consider the paper costs before determining the sales price and confirming the sales order with customers. As a result, the profit margin of sales order can be maintained despite fluctuations of paper price, if any.

The Group has set up a sound and reliable internal control policy in monitoring the Group's inventories to ensure they are properly and accurately recorded. A computerised perpetual inventory control system has been implemented to maintain a detailed record of stock quantities and movements. The Group performs full physical stock-take on a quarterly basis. All damaged, defective or obsolete items identified during stock-take are written-off.

The Group has adopted a prudent accounting policy on inventory throughout the Track Record Period. Specific provision is made for slow-moving or obsolete stocks. Due to the prudent purchasing policy, there has been no slow moving stock or obsolesces of inventory resulted or provided during the Track Record Period. The Group did not have any inventory until it started its printing business in 2005. For each of the two years ended 31st December, 2006, the Group's average inventory turnover days were 68 days and 92 days, respectively.

Suppliers

Purchases from the Group's five largest suppliers for each of the three years ended 31st December, 2006 accounted for approximately 85.3%, 56.7% and 47.7% of the Group's purchase respectively, while purchases from the Group's single largest supplier accounted for approximately 26.2%, 15.1% and 22.3% respectively of the Group's purchase for the same year. PPGL, being one of the top five suppliers during the Track Record Period and an associated company of the Group, is owned as to 50% by PPGI. PPGI is owned as to approximately 16.67% and approximately 2.78% respectively by GEC and CFIC, both of which are individually interested, either directly or indirectly, in 5% or more of the issued share capital of the Company as at the Latest Practicable Date. Save as disclosed above, none of the Directors, the Shareholders (which to the knowledge of the Directors owns more than 5% of the Company's share capital) and any of their respective associates who is interested in 5% or more of the issued share capital of the Company has any interest in any of the Group's top five suppliers during the Track Record Period.

Save for the net balance payable to CSA which is to be settled on an annual basis in around March or April each year according to the terms of the relevant agreement between CSA and the Group, the Group's purchases are mostly settled by way of cheques and telegraphic transfers with a credit term of up to 90 days from the date of suppliers' monthly statement. The average trade payables turnover days for each of the three years ended 31st December, 2006 were approximately 5 days, 44 days and 54 days, respectively.

In order to ensure good quality and timely arrival of the Group's purchases, the Group is selective in choosing suppliers. The Group maintains a list of suppliers and constantly reviews the quality, market reputation, pricing, delivery time and after sales services they offer. The Group also assesses suppliers with reference to their market reputation through enquiries and market credit reports. Before placing purchase order, the Group will test the quality of the goods through trial orders or samples provided by suppliers. Apart from the above, there are ongoing assessments on existing suppliers, and suppliers not meeting the Group's requirements are disqualified and removed from the suppliers' list.

Given most materials used in manufacture of the Group's products are not leading edge items, the Group considers majority of its purchases can be sourced from a number of alternative suppliers at prices comparable to those being offered by the Group's existing suppliers. The Group has not encountered any significant disruption to its production which was caused by shortage of supply from the Group's existing major suppliers during the Track Record Period. Based on past experience with its major suppliers, the Directors do not envisage any significant difficulties in sourcing any raw materials from the Group's existing suppliers or finding alternative suppliers if necessary in the future.

INTELLECTUAL PROPERTIES

The Group has registered or applied for registration of the trademarks and domain names in Hong Kong and the PRC. Further details of the Group's intellectual property rights are set out in the paragraph headed "Intellectual properties" in the "Statutory and general information" section in Appendix V to this document. The Group applied for registration of three trademarks to the State Trade Mark Registry of Administration of Industry and Commerce in the PRC in 2005 but registration had not been granted to the Group at the Latest Practicable Date. The Group was informed that it would take at least 30 months for registration of the relevant trademarks. The Group was also informed that, in general, although the trademarks are not yet registered, the Group could still take legal action to protect its rights.

No material infringement claims were made by or against the Group in relation to intellectual property during the Track Record Period.

INFORMATION TECHNOLOGY

The technology strategy for the Group is to build a system that can provide a reliable service to its users at all times and enable management of the website traffic, job seeker and recruitment advertiser databases as well as other internal management information systems. The Group's computer system comprises independent servers and database systems equipped with firewalls and routers. The Group uses market-leading software and hardware components to set up its computer system to maintain and operate the Group's websites and management information systems. In order to ensure that the computer system is fully functional, the Group has engaged leading hardware manufacturers to provide the hardware support and 24-hour network maintenance services. Both in-house information technology specialist and outsourced software development house developed and provided maintenance service to the computer software and interface used in the Group's websites. The Group has not encountered any material network interruptions caused by system failures.

The Group is not aware of any non-compliance of Personal Data (Privacy) Ordinance or any leakage of confidential information and personal data provided by the job seekers to the Group as a result of computer viruses or hackers. The Group has taken the following precautions and measures to protect its data security:

– firewall protection;

– upload attachments are stored in internal server;

– user's passwords are saved and encrypted with hash function; and

– distributed servers are used for handling service and data requests separately.

Up to the Latest Practicable Date, the Group has not experienced any material disruption to the operations of the Group's websites.

The Directors are not aware of any liability claims against the Group in relations to the website content accessible on or through recruitonline.com and 1010job.com.

OTHER PROPERTIES

Apart from the Production Facility, the Group also owns and rents a number of office premises in Hong Kong and the PRC. The Group's head office is located at 26th Floor, 625 King's Road, North Point, Hong Kong, which houses the marketing, production planning, management information system, accounting and finance as well as administration departments. Further details of the office premises are contained in the property valuation report set out in Appendix III to this document.

As at the Latest Practicable Date, one underlying lease agreement of the office of the Group in Shanghai has not yet registered. It cannot be registered as the relevant document in relation to the legal title of such property had not been provided by the relevant landlord. Zhong Lun advised that given such relevant documents remained outstanding, they were unable to ascertain whether the respective landlord had the legal right to lease the properties to the Group. If there are disputes over the legal title of the lease property, such lease agreement may be adjudged by PRC courts to be invalid under the PRC laws. The PRC court may require the Group to cease occupying the relevant leased property in the event that the respective landlord is not the real owner of the leased property. In the event that the Group is ordered by the court to cease occupying the relevant property, the Group will make relocation arrangement accordingly and such relocation cost is expected to be less than RMB5,000. The Group does not expect to encounter any major difficulties in seeking another office to continue with the operations.

INSURANCE

The Group has maintained property all risk insurance, public liability insurance and employee compensation claims insurance as at the Latest Practicable Date. Property all risk insurance covers the Group's assets which include plant, machinery, office furniture and fixtures and inventory against accidental, theft and physical loss or damage. Public liability insurance covers third party personal injury and property loss/damage claims against us relating to the Group's plants, warehouses and offices. Employee compensation claims insurance covers employee personal injury during the period of employment. During the Track Record Period, the Group has not made any material claims. The Directors consider that the above insurance plans and amounts insured are sufficient to cover the operational risks and protect the Group from any potential loss or damage.

LEGAL PROCEEDINGS

The Directors confirm that there are no material litigation, arbitration or administrative proceedings currently pending or threatening against the Group that may have a material adverse impact on the Group's business or results or operations.

The Directors confirm that there are no fines, confiscation of advertising fees, orders to cease dissemination of the relevant advertisement, etc. which have been imposed on the Group.

ENVIRONMENTAL MATTERS

The Production Facility in the PRC discharges waste water and chemical waste. Under the Processing Agreement, the PRC party is responsible for implementing measure to ensure the Production Facility complies with the applicable laws and regulations regarding environmental protection. Other than the operation of the Production Facility, the activities carried out by the Group, including its PRC subsidiaries and the PRC Entities, do not involve any discharge of solid, liquid or gaseous pollutants. Hence the environmental protection related laws and regulations are not applicable to these companies. The Group has not been in breach of any laws and regulations on operational safety in the PRC and Hong Kong.

CONTROLLING SHAREHOLDER

City Apex was incorporated on 23rd August, 2002 as an investment holding company, which is beneficially owned as to 77% by ER2 and as to 23% by Wellsmart Assets, a wholly-owned subsidiary of Great Eagle.

ER2 is an investment holding company based in Hong Kong and is the ultimate holding company of the Company. Apart from its investment in the Company, ER2 is also engaged in property investment and securities trading. Since becoming a major Shareholder (by virtue of its 77% shareholding in City Apex), ER2 has not held any shares in companies which are engaged in human resources related businesses. ER2 is beneficially owned as to approximately 67% by Mr. Lau and as to 12% by Mr. Wan. The remaining shareholding interest in ER2 is beneficially owned as to 15% by Mr. Martin Tang Yue-Nien, 5% by Dr. Lo, and 1% by Colchester Holdings. Save for being co-investors in ER2, each of Mr. Lau, Mr. Wan, Mr. Martin Tang Yue-Nien, Dr. Lo and Colchester Holdings together with its ultimate beneficiaries is an Independent Third Party.

GEC is an indirect wholly-owned subsidiary of Great Eagle, which is a substantial shareholder of the Company. Dr. Lo is the chairman and managing director of Great Eagle. Mr. Lee, a Director since 24th June, 2002, is an assistant director of Great Eagle. Both Dr. Lo and Mr. Lee are directors of City Apex. The other directors of City Apex include Mr. Lau and Ms. Lam Mei Lan.

Save for the common directors among the Group, City Apex, ER2 and GEC, the Directors consider that the businesses of City Apex, ER2 and GEC have been operating independently from the Group, and the Group is able of carrying on its business independently of the businesses of City Apex, ER2 and GEC.

City Apex, ER2 and GEC are investment holding companies and engaged in different businesses from the Group, therefore there has been no material business dealing and operations between the Group and each of City Apex, ER2 or GEC. Although there are common directors among the Group, City Apex, ER2 and GEC, there is a complete separation of management and staff. The Group and City Apex, ER2 and GEC do not rely on each other in respect of suppliers, customers, sales and marketing and general administration resources. The amounts due from or to City Apex, ER2 and GEC, which are immaterial, during the Track Record Period were fully settled as at the Latest Practicable Date.

1. International Resources Group Limited

(a) Relationship with controlling shareholders and the Directors

Mr. Lau is a Director and also a director and shareholder of IRG, a company incorporated in the UK in 1997. Mr. Lau has an interest of approximately 1% in IRG.

(b) Delineation of business

IRG, trading as Odgers, Ray & Berndtson, is a leading executive search firm in the UK, which focuses on senior executive and board level appointments. IRG employs approximately 230 employees, predominantly active in the UK and reports a net fee income of about GBP41 million for the year ended 31 December 2006. IRG is a subsidiary of OPD Group, a company providing human resources/recruitment consulting services listed on the London Stock Exchange, while the Group only provides staff selection service in Shanghai, i.e. assisting client to recruit staff by placing advertisements in the Group's Shanghai published weekly newspaper – 1010job精英招聘, as an ancillary service for promoting its recruitment publication. The staff selection service is an ancillary service designed by the Group for promoting its recruitment advertising business in Shanghai. The Group's turnover of staff selection service in Shanghai was less than 1% of the Group's turnover for the year ended 31 December 2005 and 2006, respectively. The related net profit amounted to less than 5% of that of the Group for the respective years.

Therefore, the Directors believe that since the Group is operating with a different business model, it is not competing, or will not be competing with IRG in the foreseeable future.

(c) Operational, management and financial independence of the Group

The Group and IRG have its own management teams at both the executive and operational levels. Mr. Lau is a minority shareholder of IRG not involving in the operation or the day-to-day management of IRG. IRG is controlled by the management of OPD Group and save for Mr. Lau is a common director of the Group and IRG, the Group and OPD Group do not have common directors. Furthermore, there is a complete separation of staff and the respective staff members of the Group and IRG are not on the payroll of the other. In addition, there has been no business dealing between the Group and IRG and no amounts due from or to IRG during the Track Record Period. In view of the above, the Directors consider that the business of IRG has been operating independently from the Group, and that the Group is capable of carrying on its business independently of the business of IRG.

For the above reasons and that Mr. Lau is only a minority shareholder of IRG, IRG has not been included in the Group in the past and was not included in the Group for the purpose of the Introduction. Mr. Lau has confirmed that he has no intention to inject his interest in IRG into the Group presently.

2. Amrop Hever

(a) Relationship with controlling shareholders and the Directors

Mr. Lau and Mr. Wan, being the Directors, have an interest of 12.5% and 55.0% respectively in SWPL operating under the licensed name of Amrop Hever ("Amrop Hever"). SWPL is incorporated in Hong Kong on 1st December, 1997. Mr. Wan is also a director of SWPL.

(b) Delineation of business

SWPL is principally engaged in senior level executive search services in Hong Kong, Beijing and Shanghai under the licensed name of Amrop Hever. SWPL has about 20 employees. Amrop Hever is a global executive search firm which is principally engaged in senior level executive search services worldwide through its international network.

The Group, providing advertising services to recruitment advertisers, offers a medium to facilitate the recruitment process among recruitment advertisers and job seekers. As an ancillary service for promoting its recruitment publication – 1010job 精英招聘, the Group also provides staff selection service in Shanghai. The remuneration level of the Group's target candidates generally falls below RMB400,000 per annum. On the other hand, Amrop Hever handles search assignments on an exclusive and retained basis and relies on proprietary research resources to identify senior level executives whose remuneration packages regularly falls into the range between RMB400,000 and RMB1,000,000 per annum. The Group's turnover of staff selection service in Shanghai was less than 1% of the Group's turnover for the year ended 31 December 2005 and 2006 respectively. The related net profit amounted to less than 5% of that of the Group for the respective years.

Given there is a clear delineation between the principal activities of the Group and Amrop Hever, the Directors are of the view that no competing interest arises with regard to the business of Amrop Hever insofar as the Group is concerned.

(c) Operational, management and financial independence of the Group

The Group and SWPL have its own management teams at both the executive and operational levels. Although Mr. Wan is a director of both the Group and SWPL, he does not have an executive role in the Group and has not involved in the day-to-day management of the Group. Mr. Lau, on the other hand, is a minority shareholder of SWPL and is not involved in the day-to-day management of SWPL. Furthermore, there is a complete separation of staff. There have been no business dealing between the Group and SWPL and no amounts paid by Amrop Hever to the Group during the Track Record Period. In view of the above, the Directors consider that the business of SWPL operates independently from the Group, and the Group is capable of carrying on its business independently of the business of SWPL.

For the above reasons and that the clienteles and services of SWPL are entirely different from that of the Group as explained above, the Directors consider that the business of SWPL is neither synergetic nor essential to the Group and therefore SWPL has not been included in the Group in the past and was not included in the Group for the purpose of the Introduction. Mr. Lau and Mr. Wan have confirmed that they have no intention to inject the business of SWPL into the Group presently.

Save as disclosed above, none of the Directors or controlling shareholders of the Company and other Shareholders with 5% or more interest has any business or interest that competes or may compete with the business of the Group.

POLICIES AND MECHANISMS TO AVOID POTENTIAL CONFLICTS OF INTEREST

Policies and mechanisms of the Group in place to avoid potential conflicts of interest include the followings:

(i) Currently, the Board comprises 10 Directors, four of whom are non-executive Directors, three are independent non-executive Directors and three are executive Directors. Independent non-executive Directors comprise not less than one-thirds of the Board. Each of the non-executive Directors is not involved in the day-to-day operation and management of the Group. Their primary duties include, among other things, attending and voting at Board meetings and to bring independent advices on the Group's strategies and policies. Save for Mr. Lau (who is the Chairman and an executive Director) and Mr. Wan (who is a non-executive Director), none of the Directors and senior management holds any position or any interest of more than 5% in businesses that competes or may compete with the business of the Group.

The majority, meaning eight out of 10 members of the Board does not hold any position or any interest of more than 5% in businesses that competes or may compete with the business of the Group. It is the Board as a whole, and not the individual Director, which together with the senior management of the Group make decisions for the Group and oversee the operation of the Group.

(ii) Each Director is aware of his/her fiduciary duties as a Director, which require, among other things, that he/she acts for the benefit of the Company and the Shareholders as a whole and does not allow any conflict of interests between his/her duties as a Director and his/her personal interests. If potential conflict of interest arises, the interested Director(s) will bring the matter to the independent non-executive Directors and shall not be present during the discussion of the relevant resolution in which conflict of interest may arise and shall abstain from voting on such proposed resolution.

(iii) The Company has set up an audit committee and a remuneration committee with the composition being independent non-executive Directors. The primary duty of the audit committee is to review and supervise the financial reporting process and internal control system of the Group. The primary duties of the remuneration committee include making recommendations to the Board regarding the policies and structure of remuneration packages of the Directors and senior management of the Group and reviewing their performance-based remuneration.

(iv) The Company has engaged Somerley as the compliance adviser who shall ensure that the Company is properly guided and advised as to compliance with the Listing Rules and any other applicable laws and regulations.

(v) The independent non-executive Directors may employ an independent financial adviser and to seek advice in considering connected transactions when it is necessary.

(vi) The Directors are obliged under the Bye-laws to declare to the Board any potential conflict of interest with the Group at Board meetings. The Board would monitor the potential conflict of interest of Directors and the Directors have to submit confirmation to the Board for disclosing details of competing businesses in any interim or annual reports to be issued by the Company.

(vii) In addition to the above measures, City Apex, being the controlling shareholder of the Company, and each of the executive Directors and non-executive Directors have given a non-competition undertaking in favour of the Company (the "Non-Competition Undertaking(s)"), pursuant to which each of them has undertaken not to compete with the businesses currently undertaken by the Group, which have been defined in the Non-Competition Undertakings as the operation or ownership in recruitment advertising, recruitment agency, inflight magazine advertising, agency for advertising spaces for statutory announcements and printing in the PRC and in Hong Kong, save for those interests as disclosed in this document (please refer to the disclosure in the section headed "Directors' interest in competing business" in Appendix V to this document) or any holdings less than 10% of the voting shares in the company concerned.

The Non-Competition Undertaking of City Apex will automatically lapse if City Apex cease to be the controlling shareholders of the Company and the Non-Competition Undertakings of each Director will automatically lapse if he or she ceases to be a Director.

To promote good corporate governance and increase transparency, in relation to the Non-Competition Undertakings:

(a) the Board (including the independent non-executive Directors) will review on an annual basis the compliance with the Non-Competition Undertaking by City Apex and each of the Directors who gave the Non-Competition Undertakings;

(b) City Apex and each Director who gave the Non-Competition Undertaking have also undertaken to provide all information necessary for the annual review by the Board (including independent non-executive Directors) and the enforcement of the Non-Competition Undertakings;

(c) the Company will disclose details of non-compliance of the Non-Competition Undertaking, if any, in its annual report;

(d) after the Introduction, City Apex and each Director will continue to prominently disclose details as required under Rule 8.10(2)(a) of the Listing Rules of any such interests (including any interests acquired after the Introduction) in the Company's annual report; and

(e) City Apex and each Director will prominently disclose in the Company's annual reports any change in details previously so disclosed in this document or annual reports.

Based on the above, the Board is satisfied that there are sufficient and effective arrangements to manage potential conflict of interest between the Group, the controlling shareholder of the Company and/or the Directors and to protect minority Shareholders' rights after listing on the Main Board.

CONTINUING CONNECTED TRANSACTIONS EXEMPTED FROM THE REPORTING, ANNOUNCEMENT AND INDEPENDENT SHAREHOLDERS' APPROVAL REQUIREMENTS

For the year ended 31st December, 2004, the Group received rental income and professional services income of HK$90,000 and HK$150,000 respectively from ER2.

The Group leased an office premise from Independent Third Party vendors and shared part of the office space to ER2 during 2004. As the vendors were Independent Third Parties and the premise-related costs were determined after arm's length negotiations, the Directors therefore considered the premise-related costs were consistent with the prevailing market rates. The rental income received from ER2 was derived from the provision of office space by the Group. Given the amount recharged by the Group to ER2 were determined with reference to the premise-related costs paid by the Group to Independent Third Party vendors and the area occupied by ER2, the Directors considered that the rental income received from ER2 is consistent with the prevailing market rates.

The service income received from ER2 represents information technology and graphic design services rendered by the Group. It was determined with reference to the Group's staff time cost spent for the assignment. The Directors were of the opinion that the professional services income were charged at market price or where no market price was available, at cost plus a percentage profit mark-up.

The Directors considered that the transactions above were conducted on normal commercial terms and the terms are fair and reasonable. The transactions were connected transactions of the Group exempted from all reporting, announcement and independent Shareholders' approval requirements contained in Chapter 14A of the Listing Rules. The Directors confirm that the connected transactions above discontinued from 1st January, 2005.

Save as disclosed above, the Group has not entered into any transactions with its connected persons during the Track Record Period.

EXECUTIVE DIRECTORS

Mr. Lau Chuk Kin, aged 54, was appointed as Chairman and an executive Director in October 2002. Mr. Lau was formerly the managing director of a leading executive search consultancy in Hong Kong and the managing director of Midas International Holdings Limited and is currently a director of ER2. He also founded Midas International Holdings Limited, a company engaged in printing and property investment and development and listed on the Main Board. Mr. Lau has over 10 years of experience in advertising and printing businesses. Mr. Lau holds a Bachelor of Arts Degree from the US and a Master of Business Administration Degree from The Chinese University of Hong Kong.

Ms. Ho Suk Yi, aged 40, was appointed as an executive Director in June 2004. She is also the qualified accountant and the company secretary of the Group. Ms. Ho holds a Bachelor's and a Master's Degree in Accountancy and is a member of the Hong Kong Institute of Certified Public Accountants and the Association of Chartered Certified Accountants respectively. She has over 15 years of experience in auditing, finance and accounting.

Mr. Peh Tun Lu, Jefferson, aged 47, was appointed as an executive Director in March 2007. He joined the Company in March 2006 and is taking the office of Chief Operating Officer of the Company. Mr. Peh holds a Master's Degree in Business from University of Technology, Sydney, Australia, a Bachelor's Degree in Accounting, Finance and System from the University of New South Wales, Australia and is a certified accountant in Hong Kong and Australia. Mr. Peh has over 24 years of experience in finance, accounting and management from listed and private companies in Hong Kong and Australia. Mr. Peh is an independent non-executive director of City Telecom (H.K.) Limited, the securities of which are listed on the Main Board with an American depositary receipt listing on the Nasdaq National Market in the United States.

NON-EXECUTIVE DIRECTORS

Mr. Lee Ching Ming, Adrian, aged 56, was appointed as a non-executive Director in June 2002. Mr. Lee graduated from The University of Hong Kong with a Bachelor of Social Sciences degree. He is an assistant director of Great Eagle and has more than 31 years of experience in banking, finance, investment, marketing and general management.

Mr. Wan Siu Kau, aged 55, joined the Group in January 2003 as a non-executive Director. Mr. Wan has over 19 years of experience in the executive search industry and holds a Master of Business Administration Degree from The Chinese University of Hong Kong. He is currently the Managing Partner of Amrop Hever, a global executive search firm, a director of ER2 and an independent non-executive director of Wai Kee Holdings Limited, a company listed on the Main Board.

Mr. Peter Stavros Patapios Christofis, aged 63, was appointed as a non-executive Director in March 2000. Mr. Christofis is a consultant – International Transport Media to JCDecaux SA. Prior to taking on this role, he was the managing director of JCDecaux Pearl & Dean – Hong Kong from where he retired in 2003. Mr. Christofis has over 36 years of advertising sales and general management experience gained in Europe, Africa and Southeast Asia.

Ms. Lam Mei Lan, aged 41, was appointed as an executive Director in October 2002. She resigned her executive role but continues to serve on the Board as a non-executive Director in July 2003. Ms. Lam holds a Master of Business Administration Degree from The Chinese University of Hong Kong. She is a fellow member of the Hong Kong Institute of Certified Public Accountants and the Association of Chartered Certified Accountants respectively. Ms. Lam has over 18 years of experience in finance and was the financial controller of various Main Board listed companies in Hong Kong namely Tomorrow International Holdings Limited, Dah Hwa International Limited (currently known as “Honesty Treasure International Holdings Limited”) and Midas Printing Group Limited (currently known as “Midas International Holdings Limited”). She was also an executive director of Midas Printing Group Limited. Ms. Lam is now the financial administrator of The Salvation Army Hong Kong and Macau Command and also a director of City Apex.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mrs. Ling Lee Ching Man, Eleanor, *SBS, OBE, JP,* aged 59, was appointed as an independent non-executive Director in April 2000. Mrs. Ling has over 30 years of experience in management and is a fellow of the Chartered Management Institute. Mrs. Ling is now an adviser to Jardine Matheson Limited and also serves on a number of statutory bodies including the Medical Council, the Standing Commission on Civil Service Salaries and Conditions of Service. Mrs. Ling is also an executive committee member of the Employers' Federation of Hong Kong and a vice patron of the Community Chest.

Mr. Cheng Ping Kuen, Franco, aged 53, was appointed as an independent non-executive Director in January 2003. Mr. Cheng has over 27 years of experience in the management of private banking and investment businesses both in Hong Kong and Canada. Mr. Cheng holds a Master's Degree in Business Administration from The Chinese University of Hong Kong and is now the Chief Representative of Rothschild Bank AG in Hong Kong.

Mr. Tyen Kan Hee, Anthony, aged 51, was appointed as an independent non-executive Director of the Company in September 2004. Mr. Tyen holds a Doctoral Degree in Philosophy and a Master's 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. He is currently a practising certified public accountant in Hong Kong and has over 29 years of experience in auditing, accounting, management and company secretary. Mr. Tyen is currently an independent non-executive director of Value Convergence Holdings Limited, a company listed on GEM. Mr. Tyen was a director of Show8 Cyber Media Limited (“Show8”), a company incorporated in Hong Kong prior to its dissolution as a result of creditors' voluntary liquidation commenced on 20 January 2001. Show8 was dissolved in July 2003. The Directors are of the opinion that Mr. Tyen serving as director of Show8, has acted honestly and in good faith, for proper purpose and in the interest of Show8 at all time. Before its liquidation, Show8 was an Internet content provider. Due to the unfavourable economic condition at that time and the burst of the Internet bubble in the 2000 and the significant decline in business activities in the Internet sector, Show8 was unable to overcome its financial difficulty and was then put into liquidation in January 2001. Mr. Tyen confirmed that he was not involved in the dissolution of Show8 and is not aware of any liability as a result of the dissolution of Show8. He is also not aware of any outstanding claim from the creditors of Show8 after the dissolution of the company. Mr. Tyen's extensive experience in auditing, accounting, management and company secretary as well as his serving as independent non-executive director with another GEM listed company, have fully demonstrated that he has the requisite character, experience, integrity and level of competence to act as, and commensurate with his position as, director of the Company as a listed issuer.

SENIOR MANAGEMENT

Mr. Chan Shu To, Camus, aged 36, is the information technology manager of the Group. Mr. Chan holds a Master's Degree in E-Commerce and a Bachelor's Degree in Information Engineering from The Chinese University of Hong Kong. He has nearly 11 years of experience in the information technology field. Prior to joining the Group in June 2005, he had worked for three listed companies, as assistant information technology manager in SUNeVision Holdings Limited, telecommunication engineer in Hutchison Telecommunications International Limited and assistant software engineer in PCCW Limited, in Hong Kong.

Ms. Choi Ching Kam, Dora, aged 43, is the human resources manager of the Group. Ms. Choi has over 16 years of experience in mainstream publishing and held senior positions in a number of leading newspapers and magazines in Hong Kong. She joined the Group as editor in July 2002, was promoted to managing editor in November 2002 and became the chief editor of the Group in 2005. In April 2007, she was reassigned as the human resources manager of the Group. Ms. Choi holds a diploma in Chinese Language and Literature from Hong Kong Shue Yan College, the predecessor of Hong Kong Shue Yan University.

Ms. Chow So Chu, Rita, aged 34, is the general manager of inflight magazine business division of the Group. Ms. Chow holds a Bachelor's Degree in Language and Communication from The Hong Kong Polytechnics University and has over 11 years experience in sales and marketing. She joined the Group in March 2004.

Ms. Lai Wing Ting, Jacklen, aged 36, is the general sales manager of the Group. She is responsible for the recruitment and display advertising business of the Group. She joined the Group in October 1995 and has 12 years of experience in advertising industry.

Ms. Shao Yang, Amy, aged 38, joined the Group in May 2004. Ms. Shao joined the Group as project manager in May 2004, promoted to project director of the Group in 2007. She has nearly 16 years of China-related experience gained from the financial and direct investment fields. Ms. Shao is responsible for the Group's business expansion in mainland China and other regions. Ms. Shao holds a Master's Degree in Business Administration from University of South Australia and a Bachelor's Degree in English Literature from Shanghai International Studies University.

Mr. Tsoi Chit Shun, Roger, aged 46, joined the Group in September 2005. Mr. Tsoi is the chief operating officer of 1010 Printing, the printing division of the Group. Mr. Tsoi has 15 years of experience in factory management. Mr. Tsoi holds a degree in Science from University of Hong Kong. Prior to joining the Group, he was the general manager of an ink plant in mainland China.

AUDIT COMMITTEE

The Company established an audit committee with terms of reference updated and amended with reference to Appendix 15 of the GEM Listing Rule, the "Code on Corporate Governance Practices". The audit committee has three members comprising the three independent non-executive Directors, namely, Mrs. Ling Lee Ching Man, Eleanor, Mr. Cheng Ping Kuen, Franco and Mr. Tyen Kan Hee, Anthony, who is also the chairman of the audit committee. The primary duty of the audit committee is to review and supervise the financial reporting process and internal control systems of the Group.

REMUNERATION COMMITTEE

The Company established a remuneration committee with written terms of reference. The remuneration committee comprises the three independent non-executive Directors, namely Mrs. Ling Lee Ching Man, Eleanor, Mr. Cheng Ping Kuen, Franco and Mr. Tyen Kan Hee, Anthony. The primary duties of the remuneration committee include making recommendations to the Board regarding the policies and structure of remuneration packages of the Directors and senior management of the Group and reviewing their performance-based remuneration. Discretionary bonuses are paid to Directors and staff based on their performance.

COMPLIANCE ADVISER

Pursuant to Rule 3A.19 of the Listing Rules, the Company has appointed Somerley as its compliance adviser to assist and advise the Company in connection with the Listing Rules and other applicable laws, rules, codes and guidelines. The material terms of the agreement entered into between the Company and Somerley are as follows:

(i) the Company appoints Somerley as its compliance adviser for a period commencing on the date on which the Shares are listed on the Main Board and ending on the date on which the Company complies with Rule 13.46 of the Listing Rules in respect of the financial results of the Group for the year ending 31st December, 2008, or until the agreement is terminated, whichever is earlier;

(ii) Somerley shall provide the Company with services, including guidance and advice as to compliance with the requirements of the Listing Rules and other applicable laws, rules, codes and guidelines, and accompany the Company to any meetings with the Stock Exchange;

(iii) the Company agrees to indemnify Somerley for certain actions against and losses incurred by Somerley arising out of or in connection with the performance of Somerley's duties under the agreement, except where the loss occurs as a result of fraud, wilful misconduct, bad faith or negligence on Somerley's part; and

(iv) the Company may terminate the appointment of Somerley if its work is of an unacceptable standard or if there is a material dispute over fees payable to Somerley (which cannot be resolved within 30 days) pursuant to the terms of the agreement. Somerley will have the right to terminate its appointment as compliance adviser by giving written notice to the Company.

DIRECTORS' REMUNERATION

The aggregate amount of fees, salaries and allowances, discretionary bonuses, retirement benefit scheme contributions and equity-settled share based payment expenses paid by the Group to the Directors for each of the three years ended 31st December, 2006 were HK$623,000, HK$1,299,000 and HK$4,412,000, respectively.

Save as disclosed above, no other payments have been paid or are payable, during the Track Record Period, by the Company or any of its subsidiaries to the Directors.

STAFF

Set out below is a breakdown of the number of staff of the Group by function as at the respective year end dates during the Track Record Period and the Latest Practicable Date:

	As at 31st December, 2004	**As at 31st December, 2005**	**As at 31st December, 2006**	**As at the Latest Practicable Date**
Production	11	14	14	12
Circulation	2	16	14	14
Management	2	5	4	5
Finance and administration	9	16	18	17
Sales and marketing	18	70	93	86
Editorial	7	7	6	7
Inflight magazine	7	7	17	16
Information technology	4	13	17	15
Printing	–	17	17	25
Total	**60**	**165**	**200**	**197**

STAFF RELATIONS

The Group maintains good relations with its staff and has not encountered any major difficulties in its recruitment and retention of staff. There was no interruption to the Group's operations due to labour disputes in the past.

RETIREMENT SCHEMES

The Group participates in a Mandatory Provident Fund Scheme (the "MPF Scheme") established under the Mandatory Provident Fund Ordinance in December 2000. The assets of the MPF Scheme are held separately from those of the Group, in funds under the control of trustees. The Group contributes 5% of the relevant payroll costs to the MFP Scheme, which contribution is matched by the employee.

The employees of the Group's PRC subsidiaries are required to participate in central pension scheme operated by the local municipal governments. The PRC subsidiaries of the Group contribute 31.5% to 45.6% of its payroll costs to the central pension scheme in compliance with the applicable PRC regulations on social insurance.

Further details regarding the expenses incurred for the retirement schemes for the Group's staff are set out in the accountants' report contained in Appendix I to this document.

GEM SHARE OPTION SCHEME

The Company has adopted the GEM Share Option Scheme since 2000 and has granted options to a total of 17 participants (including one executive Director and 16 employees of the Group) to subscribe for an aggregate of 2,332,000 Shares, representing approximately 0.8% of the issued share capital of the Company as at the Latest Practicable Date. The exercise price of these options ranges from HK$0.24 to HK$0.80, representing the market price of the Shares on the respective dates of grant. The consideration paid for each grant of options was HK$1.00. The principal terms of the GEM Share Option Scheme are summarised in the paragraph headed "GEM Share Option Scheme" in Appendix V to this document.

Although the GEM Share Option Scheme is to be terminated on the day immediately prior to the Listing Date, the options granted under the GEM Share Option Scheme will continue to be exercisable in accordance with their terms of issue within one month after the termination of the operation of the GEM Share Option Scheme.

In connection with the Introduction and in order to comply with the provisions of the Main Board Listing Rules, the Group will, subject to the approval by the Shareholders at the SGM to be held on Friday, 13th July, 2007, adopt the Proposed Share Option Scheme to replace the GEM Share Option Scheme. A summary of the Proposed Share Option Scheme is set out in the paragraph headed "Proposed Share Option Scheme" in Appendix V to this document.

SHARE CAPITAL

As at the Latest Practicable Date, the authorised share capital and the issued share capital of the Company were as follows:

Authorised:		*HK$*
500,000,000	Shares	100,000,000
Issued and fully paid as at the Latest Practicable Date:		
275,442,000	Shares	55,088,400

The minimum level of public float to be maintained by the Company at all times after the listing of the Shares on the Main Board, as required by the Listing Rules, is 25% of its share capital in issue from time to time.

Ranking

As at the Latest Practicable Date, all the existing Shares rank equally in all respects with all Shares now in issue or to be issued, and will qualify for all dividends or other distributions declared, made or paid after the date of this document.

GENERAL MANDATES TO ISSUE NEW SHARES AND REPURCHASE SHARES

At the Company's annual general meeting held on 13th April, 2007, the Directors were granted general unconditional mandates to:

(i) allot, issue and deal with Shares with an aggregate nominal value not exceeding 20% of the total nominal amount of the share capital of the Company in issue as at the date of passing of the relevant resolution on 13th April, 2007 pursuant to the GEM Listing Rules or the Listing Rules;

(ii) repurchase on GEM or on the Main Board such number of Shares with an aggregate nominal amount not exceeding 10% of the nominal amount of the share capital of the Company in issue as at the date of passing of the relevant resolution on 13th April, 2007 subject to and in accordance with all applicable laws and/or the requirement of the GEM Listing Rules or the Listing Rules; and

(iii) extend the general mandate granted to the Directors to allot, issue and deal with additional Shares as mentioned in paragraph (i) above by the amount representing the aggregate nominal amount of the share capital of the Company repurchased by the Company under the general mandate granted to the Directors as mentioned in paragraph (ii) above provided that such extended amount shall not exceed 10% of the total nominal value of the share capital of the Company in issue as at the date of passing of the relevant resolution on 13th April, 2007.

The above general mandates do not apply to situations where the Directors allot, issue or deal with Shares under (i) a rights issue; (ii) the exercise of the subscription rights attaching to any warrants which may be issued by the Company from time to time; (iii) the exercise of any option under any GEM share option scheme of the Company or similar arrangement for the time being adopted for the grant or issue to officers, employees and/or directors of the Company and/or its subsidiaries of Shares or rights to acquire Shares; (iv) any scrip dividend scheme or similar arrangement; or (v) a specific authority granted by the Shareholders in general meeting.

These general mandates will expire:

(i) at the conclusion of the Company's next annual general meeting;

(ii) at the expiration of the period within which the next annual general meeting of the Company is required by the bye-laws of the Company or any applicable laws to be held; or

(iii) when revoked, varied or renewed by an ordinary resolution of the Shareholders in general meeting,

whichever is the earliest.

SUBSTANTIAL SHAREHOLDERS

So far as the Directors are aware, as at the Latest Practicable Date, the following persons were directly or indirectly interested in 10% or more of the voting power at any general meetings of the Company:

Shareholder	Number of Shares	Approximate % of voting power
Mr. Lau	178,894,000	64.9%
ER2	178,894,000	64.9%
City Apex	177,954,000	64.6%

Note: Of 178,894,000 shares, 940,000 shares and 177,954,000 shares are beneficially owned by ER2 and City Apex, respectively. As at the Latest Practicable Date, Mr. Lau beneficially owned 67% of the issued share capital of ER2, which is the ultimate holding company of City Apex. Accordingly, Mr. Lau is deemed to be interested in the said shares pursuant to Part XV of the SFO.

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:

(a) The Company

Name of shareholder	Number of Shares	Percentage to the issued share capital of the Company
Tai Wah Investment Company Limited *(Note 1)*	22,000,000	8.0%
CFIC *(Note 1)*	24,115,333	8.8%
Great Eagle *(Note 2)*	21,638,000	7.9%
Jolly Trend Limited *(Note 2)*	21,638,000	7.9%
GEC *(Note 2)*	21,638,000	7.9%
Dr. Lo *(Note 3)*	21,788,000	7.9%

Notes:

1. Of these Shares, 1,117,333 Shares are directly owned by CFIC, 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 CFIC.

2. Each of Great Eagle and Jolly Trend Limited is deemed to be interested in the 21,638,000 Shares owned by GEC.

3. Of these shares, 21,638,000 Shares are duplicated in the interest described in note 2, as GEC is a wholly-owned subsidiary of Great Eagle. Dr. Lo was interested and/or deemed to be interested in the issued share capital of Great Eagle. Dr. Lo has personal interest in 150,000 Shares.

(b) Other members of the Group

Name of subsidiary	**Number of shareholder**	**Proportion of nominal value of issued capital held**
1010 Group	GRS	15.0%
RGL	Jobstreet	20.0%
1010 Printing (UK)	Simon Hodson	24.5%

Save 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.

MANAGEMENT DISCUSSION AND ANALYSIS

Overview

The Group is principally engaged in the media advertising business, including recruitment, inflight magazine and statutory announcement, and printing business.

The Group provides both print and online advertising to job seekers and recruitment advertisers in Hong Kong and Shanghai. Besides, the Group is the exclusive advertising market consultant and production services provider for the major inflight magazines and newspapers of two airlines, namely CEA and CSA, in the PRC. The Group has also been the exclusive sales agent for legal and public notices of China Daily since 2003. The Group's printing business involves manufacturing of high quality printed products.

The Group's revenue and turnover is derived from its advertising business and its printing business.

Key factors affecting results and financial condition of the Group

Economic conditions

The Group's performance is directly affected by the economic conditions in Hong Kong, the PRC and the international markets. The PRC market contributed 28.7%, 34.0% and 37.2% to the Group's turnover for each of the three years ended 31st December, 2006, respectively. Starting from the year 2005, the source of revenue of the Group has been diversified through sales of books in overseas markets including Australia, New Zealand, the UK and the US. For each of the two years ended 31st December 2006, 29.1% and 33.4% respectively of the Group's turnover were generated from these foreign countries. By exploring to the international markets, the earnings base of the Group has been broadened. The turnover of the Group grew by 118.4% from HK$103.4 million for the year ended 31st December, 2004 to HK$227.1 million for the year ended 31st December, 2005 and increased further by 31.4% to HK$298.3 million for the year ended 31st December, 2006.

Gross profit margins

The gross profit margins for each of the three years ended 31st December, 2006 were 53.3%, 39.9% and 38.8%, respectively. The reason for the drop of gross profit margin is mainly due to the establishment of the printing business in 2005, which has in general a lower profit margin than that of the Group's advertising business. Nonetheless, the printing business of the Group has broadened the revenue base of the Group and diversified the business risk of the Group.

Increase in production capacity

The Group's capital expenditures for the property, plant and equipment for each of the three years ended 31st December, 2006 were HK$2.4 million, HK$43.7 million and HK$45.1 million, respectively. The increases in capital expenditure were mainly due to the purchase of machineries in relation to the printing business of the Group. Such capital expenditures have expanded the Group's production capacity and upgraded the Group's technology employed for production.

Fluctuation in costs of raw materials and supplies

Printing cost and direct production cost in relation to the printing business of the Group and the publication of the Group's recruitment and inflight magazines constituted 48.1%, 62.5% and 58.4% of the direct operating costs of the Group for each of the three years ended 31st December, 2006, respectively. The raw materials and supplies consumed by the Group are mainly paper, ink and fuel for printing. During the Track Record Period, the market price for raw materials and supplies had been stable. However, potential increment in the future may dampen the Group's profit margin.

Apart from the above, potential investors should be aware that there are many factors which are beyond the control of the Group and might affect the Group's future performance. Further details are set out in the section headed "Risk factors" in this document.

Critical accounting policies and estimates

The Group's financial statements have been prepared in compliance with Hong Kong Financial Reporting Standards, which require the Group's management to adopt relevant accounting policies. In applying these accounting policies, the Group's management is required to make subjective judgements that frequently require estimates and assumptions about future matters that are inherently uncertain. Consequently, actual results could differ from those estimates. The Group's estimates and judgements are continually evaluated and based on historical experience and other factors that are believed to be reasonable under the circumstances.

The accounting policies and accounting estimates and judgements are set out in notes 3 and 4 respectively to the accountants' report contained in Appendix I to this document. The following paragraphs discuss those that are most critical in preparing the financial statements of the Group:

Revenue recognition

Revenue is recognised when it is probable that the economic benefits will flow to the Group and when the revenue, if applicable, can be measured reliably.

Specifically, 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 the website; printing income and publication sales are recognised upon transfer of the significant risks and rewards of ownership to the customer, which is usually taken as the time when the goods are delivered and the customer has accepted the goods; service income is recognised in the accounting period in which the services are rendered, by reference to completion of the specific transaction assessed on the basis of the actual service provided as a proportion of the total services to be provided; rental income under operating leases is recognised on a straight-line basis over the term of the relevant lease; interest income is recognised on a time-proportion basis using the effective interest rate method; and dividend income is recognised when the right to receive payment is established.

In respect of financial assets classified as held for trading, subsequent to initial recognition, such financial assets are measured at fair value with changes in fair value recognised in income statement.

Impairment for accounts receivables

The policy for the impairment of receivables and advances of the Group is based on, where appropriate, the evaluation of collectibility and ageing analysis of accounts and on the management's judgement. A considerable amount of judgement is required in assessing the ultimate realisation of these receivables and advances, including the current creditworthiness and the past collection history of each debtor. Instead, the Group identifies specific accounts receivables which aged over the credit period granted. If the financial conditions of debtors were to deteriorate, impairment of such specific accounts receivables will be made.

Depreciation for property, plant and equipment

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

The Group depreciated the property, plant and equipment on a straight-line basis over the estimated useful lives. The estimated useful lives reflect the Directors' estimate of the periods that the Group intends to derive future economic benefits from the use of the Group's property, plant and equipment. The assets' useful lives are also reviewed, and adjusted if appropriate, at each balance sheet date.

Results of operations

The following table summarises the Group's income statements for the Track Record Period as set out in the accountants' report contained in Appendix I to this document.

	Year ended 31st December,		
	2004	**2005**	**2006**
	HK$'000	*HK$'000*	*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 *(Note 1)*	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	33,986	37,268	58,280
Attributable to:			
Equity holders of the Company	33,986	37,094	55,102
Minority interests	–	174	3,178
Profit for the year	33,986	37,268	58,280
Dividends	–	10,969	26,106
Earnings per Share for profit attributable to the equity holders of the Company during the year *(Note 2)*			
Basic *(HK cents)*	14.54	13.57	20.07
Diluted *(HK cents)*	14.47	13.46	19.94

Notes:

1. 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.

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 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 Shares for the purpose of basic earnings per Shares and effect of dilutive potential Shares in respect of share options granted.

Discussion of income statement components

Turnover

The following table 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	100.0	160,570	70.7	192,622	64.6
Printing income	–	–	66,533	29.3	105,711	35.4
Total	103,995	100.0	227,103	100.0	298,333	100.0

The Group's turnover showed a continuous growing trend, from HK$104.0 million in 2004 to HK$227.1 million in 2005 and further to HK$298.3 million in 2006.

The Group's advertising business contributed 100.0%, 70.7% and 64.6% to the Group's turnover for each of the three years ended 31st December, 2006, respectively. Although the percentage attributable to the Group's advertising business has decreased as a result of the growing importance of the printing business, the advertising business has contributed a rising stream of revenue of HK$104.0 million, HK$160.6 million and HK$192.6 million for each of the three years ended 31st December, 2006, respectively, primarily due to the expansion of inflight magazine business.

In respect of the Group's advertising income, it mainly comprised income from recruitment, inflight magazine and statutory announcement. The recruitment segment contributed HK$58.2 million, HK$67.8 million and HK$73.3 million to the Group's turnover for each of the three years ended 31st December, 2006, representing 56.0%, 29.9% and 24.6% of the Group's turnover, respectively. The inflight magazine segment contributed HK$32.3 million, HK$80.0 million and HK$104.9 million to the Group's turnover for each of the three years ended 31st December, 2006, representing 31.0%, 35.2% and 35.2% of the Group's turnover, respectively. The statutory announcements segment contributed HK$13.5 million, HK$12.8 million and HK$14.4 million to the Group's turnover for each of the three years ended 31st December, 2006, representing 13.0%, 5.6% and 4.8% of the Group's turnover, respectively.

The Group's printing business commenced operation in March 2005. It contributed HK$66.5 million to the Group's turnover for the year ended 31st December, 2005, representing 29.3% of the Group's turnover and HK$105.7 million to the Group's turnover for the year ended 31st December, 2006, representing 35.4% of the Group's turnover.

The following table illustrates the breakdown of the Group's turnover by reference to the location of customers during the Track Record Period:

	For the year ended 31st December,					
	2004		2005		2006	
	HK$'000	*%*	*HK$'000*	*%*	*HK$'000*	*%*
Hong Kong	74,111	71.3	83,790	36.9	87,657	29.4
The PRC	29,884	28.7	77,246	34.0	111,052	37.2
Australia	–	–	52,494	23.1	72,843	24.4
The US	–	–	6,485	2.9	2,938	1.0
The UK	–	–	5,064	2.2	21,930	7.4
New Zealand	–	–	2,024	0.9	1,598	0.5
Others	–	–	–	–	315	0.1
Total	103,995	100.0	227,103	100.0	298,333	100.0

Direct operating costs

Direct operating costs mainly represent printing cost, direct production cost, cost of advertising space and direct staff costs. Set out below are the Group's cost components of direct operating costs during the Track Record Period:

	For the year ended 31st December,					
	2004		2005		2006	
	HK$'000	*%*	*HK$'000*	*%*	*HK$'000*	*%*
Printing cost	23,372	48.1	34,894	25.6	41,127	22.5
Direct production cost	–	–	50,372	36.9	65,530	35.9
Cost of advertising space	19,010	39.1	37,662	27.6	49,058	26.9
Direct staff costs	4,839	10.0	8,397	6.2	12,972	7.1
Other operating costs	1,377	2.8	5,171	3.7	13,839	7.6
Total	48,598	100.0	136,496	100.0	182,526	100.0

Gross profit

The following table illustrates the breakdown of the Group's gross profit and gross profit margin by business segments during the Track Record Period:

	For the year ended 31st December,					
	2004		**2005**		**2006**	
		Gross profit margin		Gross profit margin		Gross profit margin
	HK$'000	*(%)*	*HK$'000*	*(%)*	*HK$'000*	*(%)*
Advertising	55,397	53.3	76,791	47.8	87,273	45.3
Printing	–	–	13,816	20.8	28,534	27.0
Total	55,397	53.3	90,607	39.9	115,807	38.8

The gross profit margin of the Group decreased from 53.3% for the year ended 31st December, 2004 to 39.9% for the year ended 31st December, 2005 and further decreased to 38.8% for the year ended 31st December, 2006. The drop in gross profit margin of the Group for each of two years ended 31st December, 2006 was mainly due to the diversification into the printing industry which generally had a lower gross profit margin than that of the Group's advertising business.

Other operating income

Other operating income mainly consists of gain from changes in fair value of investment properties, rental income from investment properties and gain on trading of investment securities.

Gain on disposal of investment properties

For the year ended 31st December, 2006, the Group recorded a gain on disposal of investment properties of approximately HK$12.1 million, which is expected to be a non-recurrent income.

Selling and distribution costs

Selling and distribution costs primarily consist of salaries of sales persons, delivery charges, promotion and marketing expenses. The Group conducts its marketing and promotional activities mainly by way of participating recruitment exhibitions and seminars as well as advertising on newspapers, public transports and the Internet. The selling and distribution costs represented 13.5%, 15.4% and 13.9% of the Group's turnover for each of the three years ended 31st December, 2006, respectively.

Administrative expenses

Administrative expenses primarily consist of staff costs and rental for office premises. The administrative expenses represented 11.0%, 12.2% and 10.9% of the Group's turnover for each of the three years ended 31st December, 2006, respectively.

Other operating expenses

Other operating expenses represent impairment of receivables. The Group recorded impairment of receivables of HK$290,000, HK$698,000 and HK$2.1 million, representing approximately 0.3%, 0.3% and 0.7% of the Group's turnover for each of the three years ended 31st December, 2006, respectively.

Finance costs

Finance costs mainly represent finance lease charges.

Income tax expense

Income tax expense mainly represents tax arising from assessable profits generated from Hong Kong. No tax was arisen from assessable profits generated from the PRC as the PRC subsidiaries either incurred tax losses or were entitled to tax concession during the Track Record Period.

The Group apportions the profits from the manufacture of goods on a 50:50 basis with 50% of the profits not being subject to the Hong Kong Profits Tax in accordance with DIPN21. Further details are set out in the paragraph headed "Hong Kong taxation" in "Risk factors" section in this document.

Non-taxable revenue during the Track Record Period mainly included gain on disposal of investment properties, gain on disposal of property, plant and equipment, gain on disposal of interests in subsidiaries, interest income and income related to the 50:50 claims under DIPN 21.

Non-tax deductible expenses during the Track Record Period mainly included expenses incurred by companies without generating assessable income in the normal course of business and expenses related to the 50:50 claims under DIPN 21.

Discussion of operating results

For the year ended 31st December, 2004

Turnover

For the year ended 31st December, 2004, the Group's turnover was HK$104.0 million, comprising turnover of advertising business from recruitment of HK$58.2 million, inflight magazine of HK$32.3 million and statutory announcement of HK$13.5 million. During the year ended 31st December, 2004, the Group's recruitment advertising business had benefited from the economic rebound in Hong Kong during the year. The Group had also established its inflight magazine business during the year.

Gross profit

Gross profit for the year ended 31st December, 2004 was HK$55.4 million, while gross profit margin was approximately 53.3%. Such a relatively high profit margin was mainly contributed by the Group's recruitment advertising business in Hong Kong, which has the highest gross profit margin among the Group's various operations, especially when it benefited from the economic recovery and the booming employment market in Hong Kong during 2004, and in particular the retail, tourism, trade and financial sectors.

Other operating income

For the year ended 31st December, 2004, other operating income amounted to HK$4.4 million, which primarily consisted of HK$1.9 million gain from changes in fair value of investment properties.

Selling and distribution costs

For the year ended 31st December, 2004, selling and distribution costs amounted to HK$14.1 million, representing 13.5% of the Group's turnover. The selling and distribution costs for the year were mainly incurred for the Group's distribution of publications, brand promotion activities and events held such as career exhibitions and staff costs for sales persons.

Administrative expenses

For the year ended 31st December, 2004, administrative expenses amounted to HK$11.4 million, representing 11.0% of the Group's turnover. The administrative expenses for the year primarily consisted of HK$5.8 million staff costs and HK$2.0 million rental expenses for office premises.

Finance costs

The Group did not incur any finance costs for the year ended 31st December, 2004 as it did not have any borrowings during the year.

Income tax expense

Income tax expense for the year ended 31st December, 2004 amounted to approximately HK$28,000, representing an underprovision of taxation for the prior year. The effective tax rate was only approximately 0.1% as a result of the assessable profits for the year were fully absorbed by tax losses brought forward from prior years.

Profit attributable to equity holders of the Company

The Group achieved a net profit of HK$34.0 million for the year ended 31st December, 2004, representing a net profit margin of 32.7%. The profit was mainly generated from operations of the Group and the gain arising from changes in fair value of investment properties.

For the year ended 31st December, 2005

Turnover

The Group's turnover increased by 118.4% from HK$104.0 million for the year ended 31st December, 2004 to HK$227.1 million for the year ended 31st December, 2005. The increase was mainly due to the growth in the turnover from inflight magazine business and the printing business newly developed in 2005. The growth in turnover was mainly contributed from the inflight magazine business, which increased by 147.7%, from HK$32.3 million to HK$80.0 million. The printing business, which commenced operations during the year, provided turnover of HK$66.5 million to the Group. Turnover contributed by the recruitment advertising business increased by 16.5% to HK$67.8 million, while turnover contributed from the statutory announcement business decreased by HK$0.7 million to HK$12.8 million.

Gross profit

Gross profit of the Group increased by 63.6% from HK$55.4 million for the year ended 31st December, 2004 to HK$90.6 million for the year ended 31st December, 2005. Gross profit margin, however, decreased from 53.3% for the year ended 31st December, 2004 to 39.9% for the year ended 31st December, 2005. The drop in gross profit margin was mainly due to the diversification of the Group's business into printing operations, whose gross profit margin was the lowest among the rest of the Group's business operations. Apart from the above, the gross profit margin of the Group's recruitment advertising was dampened due to the initial set up cost incurred for the establishment of operations in Shanghai. At the same time, the inflight magazines business, which has a relative lower gross profit margin than that of recruitment advertising, has recorded a decrease in gross profit margin despite a significant growth in turnover during the year. The gross profit margin of the statutory announcement business slightly increased during 2005. As it only contributed a small part of the Group's turnover, there was no material effect on the Group's overall gross profit margin.

Other operating income

Other operating income increased by 163.3%, from HK$4.4 million for the year ended 31st December, 2004 to HK$11.6 million for the year ended 31st December, 2005. The increase was mainly attributable to the gain from changes in fair value of investment properties of HK$3.1 million and the gain on partial disposal of investments in subsidiaries of HK$6.0 million. During the year, the Group disposed of 5% interest in RHRG, which is principally engaged in the recruitment business, at a consideration of HK$6.0 million to an Independent Third Party investor. Such disposal has broadened the capital base of the Group's recruitment business and has also resulted in a gain of HK$6.0 million. Further details of the disposal are set out in the paragraph headed "History and development" in "Business" section in this document.

Selling and distribution costs

Selling and distribution costs increased by 148.4% from HK$14.1 million for the year ended 31st December, 2004 to HK$34.9 million for the year ended 31st December, 2005. The increase was due to higher freight costs for shipping printed products to overseas, staff costs for sales persons and advertising expenses were incurred in the course of the expansion of recruitment advertising business in the PRC and the establishment of the printing business.

Administrative expenses

Administrative expenses increased by 142.3%, from HK$11.4 million for the year ended 31st December, 2004 to HK$27.7 million for the year ended 31st December, 2005, mainly as a result of the Group's expansion in operations and increase in staff costs. The increase in staff costs for the year was owing to the increment in headcount for development of the Group's recruitment advertising business in the PRC.

Finance costs

Finance costs, representing the finance lease charges, increased from nil for the year ended 31st December, 2004 to HK$0.5 million for the year ended 31st December, 2005. The finance lease was arranged for the purchase of machinery for the production lines of the Group's printing business.

Income tax expense

Income tax expense for the year ended 31st December, 2005 was HK$1.1 million, which represents wholly deferred taxation. No current income tax was payable because the assessable profits were absorbed by the tax losses brought forward from prior years. The income tax expenses for the year were deferred taxation, which was primarily provided for the revaluation gain on investment properties according to Hong Kong Accounting Standard 40 "Investment Property".

Profit attributable to equity holders of the Company

Profit attributable to equity holder of the Company for the year ended 31st December, 2005 amounted to approximately HK$37.1 million, registered a growth of 9.1% over the prior year. The growth was mainly attributable to the increase in the total sales volume of the Group as it expanded the inflight magazine business during the year. The net profit margin was 16.3% for the year ended 31st December, 2005 compared with 32.7% for the year ended 31st December, 2004. The profit margin dropped because the two new businesses, i.e. recruitment advertising in Shanghai and printing, developed by the Group during 2005 generally had a lower profit margin.

For the year ended 31st December, 2006

Turnover

Compared to that for the year ended 31st December, 2005, the Group's turnover increased by 31.4% from HK$227.1 million to HK$298.3 million for the year ended 31st December, 2006. During the year, growth in turnover was mainly contributed by the printing business, which has completed its first full year of operation, with turnover increased by 58.9% and reached HK$105.7 million. Turnover from both the recruitment advertising business and the inflight magazine business increased and reached HK$73.3 million and HK$104.9 million, respectively. Turnover from statutory announcement business was HK$14.4 million.

Gross Profit

Gross profit of the Group for the year ended 31st December, 2006 was HK$115.8 million, representing a 27.8% increase from the previous year. The increase of gross profit was in line with the increase in turnover. However, the gross profit margin of the Group decreased from 39.9% for the year ended 31st December, 2005 by 1.1% to 38.8% for the year ended 31st December, 2006 due to the expansion of the printing business, which has a lower gross profit margin than the advertising business. Apart from the above, the gross profit margin of the recruitment advertising improved and continued to be the Group's highest margin business during the year. The gross profit margin of inflight magazine business decreased owing to the costs incurred for the introduction of a new inflight magazine during the year. The gross profit margin of the statutory announcement business continued to enhance but it did not have any significant effect on the gross profit margin of the Group as its turnover contribution was limited.

Other operating income

For the year ended 31st December, 2006, other operating income amounted to HK$15.0 million, comprised gain on financial assets at fair value through profit or loss of approximately HK$9.1 million and net foreign exchange gain of HK$1.5 million. The remaining HK$4.4 million mainly represented sale of scrap paper and plate and rental income from investment properties. The gain on financial assets at fair value through profit or loss represents investment income from the trading and appreciation of value of the Group's investment in equity securities listed in Hong Kong. In respect of the net foreign exchange gain of HK$1.5 million, it was mainly arisen from the appreciation of Australian dollars during 2006 when revenue from Australia of HK$72.8 million was recognised during the year.

Gain on disposal of investment properties

For the year ended 31st December, 2006, the Group disposed of its investment properties in Hong Kong at a consideration of HK$52.3 million, resulting in a gain of HK$12.1 million. However, the Group does not expect such gain will be recurrent.

Selling and distribution costs

Selling and distribution costs for the year ended 31st December, 2006 was HK$41.3 million, representing an 18.3% increase from that of 2005. Selling and distribution costs increase at a lower rate than that of turnover because the Group has implemented more stringent controls on advertising and promotion costs for the Group's PRC operation.

Administrative expenses

The increase of HK$4.9 million in administrative expenses from HK$27.7 million for the year ended 31st December, 2005 to HK$32.6 million for the year ended 31st December, 2006 was mainly resulted from expansion of business in both the advertising and the printing businesses.

Finance costs

Finance costs for the year increased by nearly four times due to the finance lease charges incurred in relation to the purchase of machinery for the Group's printing business.

Income tax expense

Income tax expense for the year ended 31st December, 2006 amounted to HK$6.0 million, of which HK$5.1 million represented provision for profits tax and the remaining HK$0.9 million represented provision for deferred taxation. The effective tax rate was 9.3% for the year ended 2006 compared to 2.8% for the year ended 31st December, 2005. The increase in effective tax rate for the year ended 31st December, 2006 was mainly due to the fact that the tax losses brought forward of certain subsidiaries which earned taxable profit in the year was almost utilised.

Profit attributable to equity holders of the Company

Profit attributable to equity holders of the Company for the year ended 31st December, 2006 was HK$55.1 million, demonstrating a 48.5% increase from that for the year ended 31st December, 2005. The increase was contributed by the printing business and the inflight magazine business. The net profit margin was 18.5% for the year ended 31st December, 2006, compared with 16.3% for the year ended 31st December, 2005. In addition to the 31.4% growth in turnover, the gain on disposal of investment properties of HK$12.1 million and the gain from investment in equity securities of HK$9.1 million had led to the increase in net profit and net profit margin for the year ended 31st December, 2006.

Unaudited consolidated results for the three months ended 31st March, 2007

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

Notes:

1. Other operating income mainly 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.

Turnover

The Group recorded a turnover of HK$73.7 million for the three months ended 31st March, 2007, representing an increase of approximately 17.4% over that of HK$62.7 million for the corresponding period in 2006. The growth was mainly attributable to the inflight magazine business which brought an additional revenue of approximately HK$11.5 million in the first quarter of 2007.

Gross profit

Gross profit of the Group for the three months ended 31st March, 2007 was HK$25.5 million, representing a 5.4% decrease from the corresponding period in 2006. The decrease was due to the competitive environment pressurising the profit margin of the existing sales as well as the Group's strategy to expand customer portfolio of the printing business by offering cheaper services with a lower profit margin. Furthermore, the printing division received orders in the first quarter of 2007 involving significant amount of handworks, which resulted in higher variable costs and, therefore, reduced the gross profit margin of the printing segment.

Other operating income

For the three months ended 31st March, 2007, other operating income amounted to HK$13.3 million, which primarily consisted of HK$9.5 million gain on partial disposal and dilution of interest in RGL and HK$1.8 million exchange gain. Details of the partial disposal of RGL to Jobstreet has been set out in the paragraph headed "History and development" in "Business" section in this document.

Selling and distribution costs

Selling and distribution costs for the three months ended 31st March, 2007 amounted to HK$13.0 million, representing a 19.0% increase from that of 2006. The increment was in line with the increase in turnover.

Administrative expenses

Administrative expenses for the three months ended 31st March, 2007 amounted to HK$8.4 million, representing a 13.8% increase from that of 2006. The increment was mainly resulted from the recognition of listing expenses in relation to the Introduction.

Finance costs

Finance costs decreased by 30.9% from HK$369,000 for the three months ended 31st March, 2006 to HK$255,000 for the corresponding period in 2007. The decrease was mainly due to the repayment of obligation under finance leases.

Income tax expense

Income tax expense for the three months ended 31st March, 2007 amounted to HK$1.2 million. The effective tax rate was 6.9%. The increase in income tax expense was mainly resulted from the increase in taxable profit during the period. No profits tax has been provided for the three months ended 31st March, 2006 as the Group had losses brought forward from previous years.

Profit attributable to equity holders of the Company

Profit attributable to equity holders of the Company for the three months ended 31st March, 2007 was HK$15.1 million, representing an increase of approximately 66.7% over that of HK$9.1 million in the same quarter in 2006. The net profit margin was 20.5% for the three months ended 31st March, 2007, compared with 14.4% in the corresponding period in 2006. The increment was mainly resulted from the gain on partial disposal and dilution of interest in a subsidiary.

LIQUIDITY AND CAPITAL RESOURCES

Overview

In general, the Group has relied primarily on cash generated from operations and trade credits from suppliers to fund the working capital and other capital requirements.

Net current assets

The Group had net current assets of approximately HK$48.9 million, HK$82.6 million and HK$126.6 million as at 31st December, 2004, 2005 and 2006, respectively.

As at 31st December, 2006, current assets comprised inventories of HK$15.5 million, trade and other receivables and deposits of HK$75.7 million, financial assets at fair value through profit or loss (representing equity securities listed in Hong Kong) of HK$11.5 million, advances to associates of HK$19.0 million and cash and cash equivalents of HK$55.2 million. The current liabilities comprised trade and other payables of HK$43.6 million, finance lease liabilities (current portion) of HK$3.7 million and provision for taxation of HK$2.9 million.

As at 30th April, 2007, the Group's net current assets were HK$124.8 million, comprising current assets of HK$177.5 million and current liabilities of HK$52.7 million. Current assets of the Group as at 30th April, 2007 largely comprised cash and cash equivalents of HK$72.1 million, trade and other receivables and deposits of HK$63.8 million, advances to associates of HK$16.5 million and inventories of HK$24.9 million. Current liabilities of the Group as at 30th April, 2007 mainly consisted of trade and other payables of HK$43.2 million.

Based on the current and anticipated levels of operations and conditions in the market and industry of the Group, the Board believes that with cash on hand, cash inflow from operations, availability of credit facilities and trade credits from suppliers, the Group will be able to meet its working capital, capital expenditures and other funding requirements for the foreseeable future.

Analysis of inventory

The Group actively and closely monitors its inventory levels to ensure that the Group's working capital position will not be tied-up by the high level of inventory. The following table sets forth a breakdown of inventories of the Group by nature:

	As at 31st December,		
	2004	**2005**	**2006**
	HK$'000	*HK$'000*	*HK$'000*
Raw materials	–	6,972	13,647
Work-in-progress	–	1,432	1,382
Finished goods	–	195	426
Total	–	8,599	15,455

The Group has had inventories since 2005 when its printing business commenced operations in that year. The inventories are all related to the Group's printing business, and over 90% of them are aged within one year. Raw materials are largely papers, while the work-in-progress is mainly unfinished books in the production lines and the finished goods are printed books. The increase in inventory as at 31st December, 2006 was required to cope with the sales orders of the Group's printing business in 2007. Since finished goods are usually shipped out once the production is finished, finished goods are maintained at a low level in the Group's inventory.

The Group's inventories which comprised largely paper, are not subject to frequent obsolescence and technological changes. No material obsolescence of inventory has been identified during the Track Record Period. Nevertheless, procedures are in place to control the status and stock level of the inventory of the Group. The majority of the Group's raw materials are purchased only when confirmed orders are received from customers. For materials that are frequently used, the Group maintains a certain level of inventory. In addition, stock counts on all inventories are carried out on a periodical basis in order to identify any obsolete and defective inventory. In general, the Group is not subject to significant exposure of inventory obsolescence.

As at 31st December, 2006, raw materials, work-in-progress and finished goods accounted for about 88.3%, 8.9% and 2.8% respectively of the Group's inventory. As at Latest Practicable Date, all work-in-progress and finished goods of the Group as at 31st December, 2006 were utilised and sold out respectively. Among the raw materials of the Group as at 31st December, 2006, about 85% were papers, of which about 45.1% were utilised as at the Latest Practicable Date. The balance (about 15%) of the raw materials represents consumables which are used by the Group frequently.

The following table sets forth the turnover of the Group's inventory:

	For the year ended 31st December,		
	2004	2005	2006
Inventory turnover days *(Note)*	—	68	92

Note: The inventory turnover days are calculated as the average of the beginning and ending inventory balance for the year, divided by cost of inventories recognised as an expense for the year and multiplied by 365 days.

The inventory turnover days for the year ended 31st December, 2005 was comparatively lower than that for the year ended 31st December, 2006 as the Group did not have any inventory at the beginning of 2005. The increase in inventory turnover days for the year ended 31st December, 2006 was mainly in line with the growth of business and more sales orders are expected for 2007.

Analysis of trade and other receivables and deposits

Trade and other receivables and deposits constitute a major component of the Group's current assets throughout the Track Record Period. The increase in the amount of trade and other receivables and deposits of the Group was mainly due to the expansion of business and has been in line with the growth of revenue and turnover.

Trade receivable turnover days increased as the businesses of the Group, in particular the printing business, expanded but have remained in line with the average credit terms granted by the Group. The following table sets forth the turnover of the Group's trade receivables:

	For the year ended 31st December,		
	2004	2005	2006
Trade receivables turnover days *(Note)*	44	65	78

Note: Trade receivable turnover days are calculated as the average of the beginning and ending trade receivables balance for the year, divided by revenue and turnover for the year and multiplied by 365 days.

Trade receivables turnover days have grown from 44 days for the year ended 31st December, 2004 to 65 days for the year ended 31st December, 2005 and to 78 days for the year ended 31st December, 2006. The increase was primarily due to longer credit term offered to customers of printing business. Trade receivables turnover days were remained in line with the average credit terms granted by the Group.

An ageing analysis of the Group's trade receivables is set forth below:

	As at 31st December,		
	2004	**2005**	**2006**
	HK$'000	*HK$'000*	*HK$'000*
0–30 days	6,153	13,355	19,792
31–60 days	5,191	12,310	13,385
61–90 days	2,436	11,982	8,602
91–120 days	2,689	16,969	12,280
121–150 days	1,062	6,647	6,623
Over 150 days	250	2,249	2,605
Total	17,781	63,512	63,287

As at the Latest Practicable Date, approximately 99.6% of the trade receivables as at 31st December, 2006 was settled.

In general, credit periods from 7 to 150 days are granted to customers in the recruitment advertising business, while credit periods from 30 to 120 days are granted to customers in the printing business. For certain large advertising and publishing agencies with good payment history and frequent transactions with the Group, as an industry practice, grace periods ranging from 7 to 60 days in addition to their credit periods are given. The sales personnel of the Group are responsible for monitoring the settlement from customers. In determining the amount of impairment required, the Group takes into account the collectibility, ageing status, creditworthiness and the past collection history of each debtor. Impairment will be made for specific trade receivables which are unlikely to be collected. If the financial condition of the customers deteriorates, resulting in an impairment of their ability to make payments, additional provision may be required. For each of the three years ended 31st December, 2006, the Group recorded impairment of receivables of HK$290,000, HK$698,000 and HK$2.1 million, respectively, representing approximately 0.3%, 0.3% and 0.7% of the Group's turnover of the respective years. This indicates that most of the customers of the Group pay within the credit periods. Having assessed the recoverability of the receivables, the Directors are of the view that no further provision is necessary as to the trade receivables as at 31st December, 2006. The assessment requires the use of judgments and estimates and is based on the credit history of the customers and the current market condition.

Set out below is the breakdown of other receivables and deposits of the Group:

	As at 31st December,		
	2004	**2005**	**2006**
	HK$'000	*HK$'000*	*HK$'000*
Rental and other deposits	865	10,153	2,208
Prepayments and receivables	2,569	3,503	9,984
Others	257	578	245
Total	3,691	14,234	12,437

The increase in rental and other deposits as at 31st December, 2005 was mainly due to the inclusion of deposits paid in relation to the newly established recruitment advertising business in Shanghai and printing business. Decrease in rental and other deposits as at 31st December, 2006 was mainly due to the deposits were refunded and offset against accounts payable of printing business during the year. Increase in prepayment and receivables for 2006 was mainly due to a prepaid service fee of approximately HK$4.4 million for a new magazine title, namely "View", being acquired by the Group's inflight magazine business during the year.

Analysis of advances to associates

The advances to associates amounted to HK$5.4 million and HK$19.0 million as at 31st December, 2005 and 2006, respectively were largely due from PPGI. PPGI is an investment holding company and its sole asset is a 50% interest in PPGL which is engaged in printing business in Hong Kong and provides printing services for the Recruit magazine. The Group's shareholding in PPGI has increased from 20% to 50% in 2006 by acquiring of a further 30% from two Independent Third Party vendors. The Group took up the shareholders' loan from the vendors which resulted in the increase in the amounts advanced to PPGI during the year. The advances to associates are unsecured, interest-free and repayable on demand.

Cross Board Group Limited ("Cross Board"), a subsidiary of Sing Tao News Corporation Limited ("Sing Tao") whose shares are listed on the Stock Exchange, became the joint venture partner of PPGL on 16th March, 2000. Cross Board holds a 50% equal equity share in PPGL as PPGI. The share capital of PPGL is HK$20 million which was equally contributed by the two shareholders. The shareholders have further contributed advances to finance the operation of PPGL in equal share, amounted to HK$70 million from each party. As of 31st December, 2006, the balance of such shareholder's loan, net off repayment, in the accounts of PPGL was HK$55 million for each shareholder. Save as disclosed herein, there is no other relationship between Cross Board or Sing Tao and the Group.

PPGI serves as an investment vehicles and it has not been involved in any significant business transactions other than its investment in PPGL. The Directors are of the view that no further provision on the advances to PPGI was required as they expect PPGL will continue its profitable position based on the existing market and economic condition, give rise to cash inflow to the Group by way of repayment of shareholders' loan and dividend payment through PPGI and provide synergies for further business development of the Group in printing industry.

It is expected that the Recruit magazine in Hong Kong will be continued to be printed by PPGL. The Directors are of the view that the printing services provided by PPGL are on normal commercial terms and the terms are fair and reasonable.

Analysis of trade and other payables

Trade and other payables constitute the largest component of the Group's current liabilities throughout the Track Record Period and are primarily related to the purchase of raw materials. The increase was mainly due to the Group's expansion into the printing business which required more purchases of raw materials and supplies for production processes. Credit periods granted by the suppliers are 30 to 90 days save for the net balance payable to CSA will be settled on an annual basis in around March or April each year according to the terms of the relevant agreement between CSA and the Group. The table below sets forth the turnover of the Group's trade payables:

	For the year ended 31st December,		
	2004	**2005**	**2006**
Trade payables turnover days *(Note)*	5	44	54

Note: Trade payables turnover days are calculated as the average of the beginning and ending trade payables balance for the year, divided by direct operating costs for the year, and multiplied by 365 days.

For the year ended 31st December, 2005, trade payables turnover days increased significantly, primarily because of longer credit term offered by suppliers of raw materials of the Group's printing business. Turnover of trade payables have been generally in line with the Group's payment terms.

Set out below is the breakdown of other payables:

	As at 31st December,		
	2004	**2005**	**2006**
	HK$'000	*HK$'000*	*HK$'000*
Accruals and provision	6,522	13,412	17,090
Other payables	1,156	2,773	4,380
Customer deposits	947	1,194	1,625
Total	8,625	17,379	23,095

The increase in accruals and provision as at 31st December, 2005 was mainly due to the inclusion of accrued expenses for the newly established recruitment advertising business in Shanghai and printing business. The increase in accruals and provision as at 31st December, 2006 was mainly due to increase in accrued expenses as a result of the expansion of the Group's business during the year. Other payables mainly represented volume rebate payables, being sales incentive, which increased year-on-year due to turnover growth and business expansion.

Capital resources

As at 31st December, 2004, the Group did not have any borrowings and its only liabilities were trade and other payables of approximately HK$8.8 million. The Group raised net proceeds of approximately HK$31.5 million through a rights issue exercise in 2004. Gearing ratio as at 31st December, 2004 was nil.

As at 31st December, 2005, the Group had finance lease liabilities of approximately HK$20.4 million and loans from minority shareholders of approximately HK$9.5 million. Gearing ratio (calculated as finance lease liabilities plus loans from minority shareholders and divided by total assets) was 13.9%. In connection with the development of the Group's printing business in the year, finance leases were arranged for the acquisition of printing machinery and equipment for its production lines in the Production Facility in the PRC, while the loan from minority shareholders was mainly used as working capital of 1010 Printing, which is the operating vehicle of the Group's printing business.

As at 31st December, 2006, finance lease liabilities of the Group amounted to approximately HK$17.4 million and gearing ratio was 6.9% as compared to 13.9% as at 31st December, 2005. The drop of gearing ratio was resulted from the repayment of finance lease liabilities. Save for the finance lease liabilities, the Group did not have any other borrowings as at 31st December, 2006.

The Group had no unutilised banking facilities as at 30th April, 2007.

Cash flow information

The table below sets out selected cash flow information during the Track Record Period:

	For the year ended 31st December,		
	2004	**2005**	**2006**
	HK$' 000	*HK$' 000*	*HK$' 000*
Net cash generated from operating activities	21,570	11,588	43,240
Net cash (used in)/generated from investing activities	(38,754)	(9,356)	12,244
Net cash generated from/(used in) financing activities	31,496	6,457	(45,261)
Net increase in cash and cash equivalents	14,312	8,689	10,223
Cash and cash equivalents at beginning of the year	21,933	36,245	44,934
Cash and cash equivalents at end of the year	36,245	44,934	55,157

Operating activities

For the year ended 31st December, 2004, net cash generated from operating activities amounted to HK$21.6 million. It was mainly attributable to operating profit before working capital changes of HK$33.9 million , which was partially offset by the increase in trade and other receivables and deposits of HK$12.3 million. The increase in trade and other receivables and deposits in 2004 was mainly due to the significant growth in turnover during the year.

For the year ended 31st December, 2005, net cash generated from operating activities amounted to HK$11.6 million. While operating profit before working capital changes amounted to HK$35.5 million and there was an increase in trade and other payables of HK$41.7 million, the net cash was offset by the increase in trade and other receivables and deposits of HK$57.0 million and the increase in inventory of HK$8.6 million and thus resulted in a net cash inflow from operating activities of HK$11.6 million. The increase in trade and other receivables and deposits was in line with the growth in revenue, while the increase in inventories was primarily due to the production need of the Group's printing business.

For the year ended 31st December, 2006, net cash generated from operating activities amounted to HK$43.2 million, representing an increase of 273.1% as compared to that for the year ended 31st December, 2005. The net cash from operating activities consisted primarily of profit before income tax of HK$64.3 million and adjustment for depreciation of HK$12.0 million, and was partially offset by the gain on disposal of investment properties of HK$12.1 million, the increase in inventories and decrease in trade and other payables of HK$6.9 million and HK$7.0 million, respectively. The growth in cash flow was principally owing to the 67.7% increase in profit before income tax for the year ended 31st December, 2006 as compared to year ended 31st December, 2005.

Investing activities

Net cash used in investing activities amounted to HK$38.8 million and HK$9.4 million for each of the two years ended 31st December, 2005, respectively, and net cash generated from investing activities was HK$12.2 million for the year ended 31st December, 2006. The cash used for the year ended 31st December, 2004 was mainly for the acquisition of an investment property in Hong Kong of HK$34.7 million, while the cash used for the year ended 31st December, 2005 was mainly for the purchase of property, plant and equipment amounting to HK$17.8 million. For the year ended 31st December, 2006, net cash generated from investing activities was HK$12.2 million, which was mainly contributed from the proceeds on disposal of investment properties of HK$51.9 million.

Financing activities

The Group generated net cash from financing activities of HK$31.5 million and HK$6.5 million for each of the two years ended 31st December, 2005, respectively, and used net cash in financing activities of HK$45.3 million for the year ended 31st December, 2006. The cash flow generated from financing activities for the year ended 31st December, 2004 mainly represented the net proceeds from a rights issue of the Company in April 2004 while the cash flow generated for the year ended 31st December, 2005 was mainly contributed by the increase in loans from minority shareholders of HK$10.0 million. For the year ended 31st December, 2006, HK$45.3 million was used in financing activities chiefly for the payment of dividends of HK$16.5 million and the repayment of finance lease liabilities and interest of HK$27.9 million.

Cash and cash equivalents

As at 31st December, 2006, the Group's cash at brokers of HK$16.5 million included in the balance of cash and cash equivalents represented cash held by two Independent Third Party brokers, on the Group's behalf, primarily for trading of investment securities purpose.

Capital commitments

As at 31st December, 2004, the Group had no capital commitment. As at 31st December, 2005 and 2006, the Group had capital commitments contracted but not provided for of approximately HK$1.9 million and HK$0.5 million, respectively, which were mainly related to purchase of machinery for the production lines of the Group's printing operation.

Contingent liabilities

As at 31st December, 2006, the Group had no significant contingent liabilities or outstanding litigation.

Foreign exchange risk

The Group's revenue are mainly denominated in US dollars, Australian dollars, Renminbi and Hong Kong dollars, while its costs and expenses are mainly denominated in Hong Kong dollars and Renminbi. The Group's exposure to exchange rate fluctuations results primarily from revenue generated from overseas sales and the operating costs incurred in the PRC. In view of the large volume of transactions involving foreign currencies especially in its printing business, the Group uses forward exchange contracts to hedge its foreign currency exposure in trading activities when appropriate. The Group adopts a centralised treasury policy in cash and financial management.

DIVIDENDS

Dividends attributable to each of the three years ended 31st December, 2006 were nil, HK$11.0 million and HK$26.1 million, respectively, representing dividend payout ratios of nil, 29.6% and 47.4% respectively. Excluding the special dividend of HK$0.025 per Share, the dividend payout ratio attributable to the year ended 31st December, 2006 was approximately 34.9%. The Group intends to maintain a dividend payout ratio after its listing on the Main Board at the range of 30% to 40%, subject to the profitability of the Group. Nevertheless, the historical dividend distribution record of the Group should not be used as a reference or basis to determine the level of dividends that may be declared or paid by Group in the future.

PROPERTY INTERESTS

Property interests in Hong Kong

As at the Latest Practicable Date, the Group rented the whole floor of 26th Floor, 625 King's Road, North Point, Hong Kong with a gross floor area of approximately 11,821 sq. m.. The Group uses the property as its principal office. The Group also rents factory units at Nos. 2013-2016, 20/F, Tsuen Wan Industrial Centre, Nos. 220-248 Texaco Road, Tsuen Wan, New Territories, Hong Kong with a gross floor area of 1,009 sq. m. as an office for its printing business.

As at the Latest Practicable Date, the Group owned workshop 3, 9th Floor, Technology Plaza, No. 651 King's Road, North Point, Hong Kong with a gross floor area of approximately 77.48 sq. m.. The property is held by the Group for its own occupation and is used as a storage.

In October 2004, the Group purchased offices 2601 and 2602 on 26th Floor, K. Wah Centre, No. 191 Java Road, Hong Kong at a consideration of HK$33.4 million. The Group originally intended to use the property as its principal office upon the expiry of the lease of the existing principal office at 26th Floor, 625 King's Road, North Point, Hong Kong. As the lease of the existing principal office was subsequently renewed, the property was sold for HK$52.3 million in August 2006. After deducting relevant selling and legal expenses, a gain of approximately HK$12.1 million was recorded.

Property interests in the PRC

As at the Latest Practicable Date, the Group also rented certain office units in Guangzhou and Shanghai, with a total gross floor area of 140.74 sq. m. and 823.16 sq. m., respectively. The property rented in Guangzhou serves as the office of the Group's PRC sales office of its inflight magazine business; while the properties rented in Shanghai serve as the office of the Group's recruitment advertising business in Shanghai.

Further details of the Group's property interests are set out in the valuation report issued by CB Richard Ellis Limited, independent professional surveyors and valuers, the full text of which is contained in Appendix III to this document.

A reconciliation of the net book values of the property interests from the audited financial statements of the Group as at 31st December, 2006 to the valuation of the property intersest as at 30th April, 2007 is set out below:

	HK$'000
Net book value as at 31st December, 2006 included in the accountants' report set out in Appendix I to this document	
Buildings	444
Prepaid land lease payments	1,034
	1,478
Movements for the four months ended 30th April, 2007	
Depreciation on buildings (unaudited)	(3)
Amortisation on prepaid land lease payments (unaudited)	(7)
Net book value as at 30th April, 2007	1,468
Valuation surplus	112
Valuation as at 30th April, 2007 included in valuation report set out in Appendix III to this document	1,580

INDEBTEDNESS

As at the close of business on 30th April, 2007, being the latest practicable date for the purpose of ascertaining certain information contained in this indebtedness statement prior to the printing of this document, the Group had finance lease liabilities of approximately HK$16.2 million.

Save for the aforesaid or otherwise disclosed herein and apart from intra-group liabilities, the Group did not have, at the close of business on 30th April, 2007, any debt securities authorised or otherwise created but unissued, or term loans or bank overdrafts, loans or other similar indebtedness, liabilities under acceptances or acceptance credits, debentures, mortgages, charges, obligations under hire purchase contracts or finance leases, guarantees, or other material contingent liabilities.

For the purpose of this indebtedness statement, foreign currency amounts have been translated into Hong Kong dollars at the approximate rate of exchange prevailing as at 30th April, 2007.

The Directors confirm that there is no material adverse changes in the Group's indebtedness position and contingent liabilities since 30th April, 2007.

WORKING CAPITAL

The Directors are of the opinion that after taking into account the existing financial resources available to the Group and the expected internally generated funds, the Group has sufficient working capital for its present requirements for the next 12 months from the date of this document.

DISCLOSURE UNDER RULES 13.13 TO 13.19 OF THE LISTING RULES

At the Latest Practicable Date, the Directors confirm that there are no circumstances which would give rise to a disclosure requirement under Rules 13.13 to 13.19 of the Listing Rules.

NO MATERIAL ADVERSE CHANGE

There has been no material adverse change in the Group's financial or trading position or prospects since 31st December, 2006, being the date to which the Group's latest published audited financial statements were made up.

The following is the text of a report prepared for the purpose of inclusion in this document, received from the auditors and reporting accountants of the Company, Grant Thornton, Certified Public Accountants, Hong Kong:

Certified Public Accountants
Member of Grant Thornton International

Grant Thornton
均富會計師行

27th June, 2007

The Directors
Recruit Holdings Limited
Somerley Limited

Dear Sirs,

We set out below our report on the financial information relating to Recruit Holdings Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") for each of the three years ended 31st December, 2004, 2005 and 2006 (the "Relevant Periods"), for inclusion in the listing document of the Company dated 27th June, 2007 in connection with the proposed listing of the entire issued share capital of the Company on the Main Board (the "Main Board") of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") by way of introduction.

The Company was incorporated in the Cayman Islands as an exempted company on 13th March, 2000 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 on 29th January, 2003. The shares of the Company have been listed on the Growth Enterprise Market ("GEM") of the Stock Exchange since 20th July, 2000.

At the date of this report, the Company has direct and indirect interests in the subsidiaries as set out in Note 40 of Section II, all of which are private companies (or, if incorporated or established outside Hong Kong, have substantially the same characteristics as a Hong Kong private company). All companies comprising the Group have adopted 31st December as their financial year end date.

The audited consolidated financial statements of the Group for the Relevant Periods were prepared in accordance with accounting principles generally accepted in Hong Kong and in compliance with Hong Kong Financial Reporting Standards ("HKFRSs") which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). We have acted as the auditors of the Company since the year ended 31st December, 2005. The consolidated financial statements of the Group for the year ended 31st December, 2004 were audited by Deloitte Touche Tohmatsu, Certified Public Accountants, Hong Kong. Details of auditors and applicable accounting standards for the preparation of the financial statements of the subsidiaries are set out in Note 40 of Section II.

For the purpose of this report, we have examined the audited consolidated financial statements of the Group for the Relevant Periods and have carried out such additional procedures as we considered necessary in accordance with the Auditing Guideline 3.340 "Prospectuses and the reporting accountant" issued by the HKICPA.

The consolidated income statements, consolidated statements of changes in equity and consolidated cash flow statements of the Group for the Relevant Periods and the consolidated balance sheets of the Group as at 31st December, 2004, 2005 and 2006 and the balance sheets of the Company as at 31st December, 2004, 2005 and 2006, together with the notes set out in Sections I to IV below (the "Financial Information") have been prepared based on the audited consolidated financial statements of the Group for the Relevant Periods, after making such adjustments as are appropriate. The directors of the Company, during the Relevant Periods, are responsible for the preparation of these consolidated financial statements which give a true and fair view. In preparing these consolidated financial statements, it is fundamental that appropriate accounting policies are selected and applied consistently.

The directors of the Company are responsible for the preparation of the Financial Information which gives a true and fair view. It is our responsibility to form an independent opinion, based on our examination, on the Financial Information and to report our opinion.

In our opinion, the Financial Information, for the purpose of this report, gives a true and fair view of the consolidated results and cash flows of the Group for the Relevant Periods and of the state of affairs of the Group and the Company as at 31st December, 2004, 2005 and 2006.

I. FINANCIAL INFORMATION

1. CONSOLIDATED INCOME STATEMENTS

		Year ended 31st December,		
		2004	**2005**	**2006**
	Notes	*HK$'000*	*HK$'000*	*HK$'000*
Revenue and turnover	*5*	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		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	*7*	–	(539)	(2,618)
Profit before income tax	*8*	34,014	38,328	64,262
Income tax expense	*11*	(28)	(1,060)	(5,982)
Profit for the year		33,986	37,268	58,280
Attributable to:				
Equity holders of the Company		33,986	37,094	55,102
Minority interests		–	174	3,178
Profit for the year		33,986	37,268	58,280
Dividends	*12*	–	10,969	26,106
Earnings per share for profit attributable to the equity holders of the Company during the year	*13*			
Basic *(HK cents)*		14.54	13.57	20.07
Diluted *(HK cents)*		14.47	13.46	19.94

2. CONSOLIDATED BALANCE SHEETS

		At 31st December,		
		2004	2005	2006
	Notes	*HK$'000*	*HK$'000*	*HK$'000*
ASSETS AND LIABILITIES				
Non-current assets				
Property, plant and equipment	*14*	3,407	41,971	74,257
Prepaid land lease payments	*15*	–	–	1,034
Investment properties	*16*	36,660	39,800	–
Interests in associates	*18*	7,351	–	1,411
Deposit paid for acquisition of property, plant and equipment		2,001	–	–
		49,419	81,771	76,702
Current assets				
Inventories	*21*	–	8,599	15,455
Trade and other receivables and deposits	*22*	21,472	77,746	75,724
Financial assets at fair value through profit or loss	*23*	–	162	11,452
Advances to associates	*18*	–	5,365	18,978
Cash and cash equivalents	*24*	36,245	44,934	55,157
		57,717	136,806	176,766
Current liabilities				
Trade and other payables	*25*	8,797	50,446	43,611
Finance lease liabilities	*26*	–	3,808	3,691
Provision for taxation		–	–	2,855
		8,797	54,254	50,157
Net current assets		48,920	82,552	126,609
Total assets less current liabilities		98,339	164,323	203,311
Non-current liabilities				
Finance lease liabilities	*26*	–	16,586	13,714
Loans from minority shareholders	*27*	–	9,476	–
Deferred tax liabilities	*28*	–	1,060	1,990
		–	27,122	15,704
Net assets		98,339	137,201	187,607

		At 31st December,		
		2004	**2005**	**2006**
	Notes	*HK$'000*	*HK$'000*	*HK$'000*
EQUITY				
Equity attributable to the equity holders of the Company				
Share capital	*29*	54,500	54,844	54,960
Reserves	*31*	43,839	71,209	100,028
Proposed final and special dividends	*12*	–	10,969	20,610
		98,339	137,022	175,598
Minority interests		–	179	12,009
Total equity		98,339	137,201	187,607

3. BALANCE SHEETS

	Notes	At 31st December, 2004 HK$'000	2005 HK$'000	2006 HK$'000
ASSETS AND LIABILITIES				
Non-current assets				
Investments in subsidiaries	*17*	1	–	–
Interest in an associate	*18*	70	–	–
Amounts due from subsidiaries	*19*	83,470	–	–
		83,541	–	–
Current assets				
Amounts due from subsidiaries	*19*	–	126,494	146,435
Advance to an associate	*18*	–	70	70
Other receivables		226	683	221
Cash and cash equivalents	*24*	3,923	226	10,814
		4,149	127,473	157,540
Current liabilities				
Other payables		13	55	22
Amounts due to subsidiaries	*20*	45	188	12,666
		58	243	12,688
Net current assets		4,091	127,230	144,852
Net assets		87,632	127,230	144,852
EQUITY				
Equity attributable to the equity holders of the Company				
Share capital	*29*	54,500	54,844	54,960
Reserves	*31*	33,132	61,417	69,282
Proposed final and special dividends	*12*	–	10,969	20,610
Total equity		87,632	127,230	144,852

4. CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Equity attributable to the equity holders of the Company										Minority interests	Total equity
	Share capital	Share premium	Employee compensation reserve	Exchange reserve	Merger reserve	Contributed surplus	Goodwill reserve	Capital contribution	Proposed final and special dividends	(Accumulated losses)/ Retained earnings		
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1st January, 2004	27,250	49,724	–	5	(43,897)	45,000	13,440	–	–	(59,047)	–	32,475
Profit for the year	–	–	–	–	–	–	–	–	–	33,986	–	33,986
Total recognised income for the year	–	–	–	–	–	–	–	–	–	33,986	–	33,986
Issue of rights shares	27,250	5,450	–	–	–	–	–	–	–	–	–	32,700
Share issue expenses	–	(1,204)	–	–	–	–	–	–	–	–	–	(1,204)
Equity-settled share-based payment expenses *(Note 10 of Section II)*	–	–	382	–	–	–	–	–	–	–	–	382
At 31st December, 2004	54,500	53,970	382	5	(43,897)	45,000	13,440	–	–	(25,061)	–	98,339
At 1st January, 2005	54,500	53,970	382	5	(43,897)	45,000	13,440	–	–	(25,061)	–	98,339
Effect on adoption of HKFRS 3	–	–	–	–	–	–	(13,440)	–	–	13,440	–	–
At 1st January, 2005, as restated	54,500	53,970	382	5	(43,897)	45,000	–	–	–	(11,621)	–	98,339
Currency translation	–	–	–	60	–	–	–	–	–	–	5	65
Fair value change on loans from minority shareholders	–	–	–	–	–	–	–	521	–	–	–	521
Net results recognised directly in equity	–	–	–	60	–	–	–	521	–	–	5	586
Profit for the year	–	–	–	–	–	–	–	–	–	37,094	174	37,268
Total recognised income and expense for the year	–	–	–	60	–	–	–	521	–	37,094	179	37,854
Shares issued at premium	344	116	–	–	–	–	–	–	–	–	–	460
Share issue expenses	–	(21)	–	–	–	–	–	–	–	–	–	(21)
Equity-settled share-based payment expenses *(Note 10 of Section II)*	–	–	569	–	–	–	–	–	–	–	–	569
Proposed final 2005 dividend *(Note 12 of Section II)*	–	–	–	–	–	(10,969)	–	–	10,969	–	–	–
At 31st December, 2005	54,844	54,065	951	65	(43,897)	34,031	–	521	10,969	25,473	179	137,201

	Equity attributable to the equity holders of the Company									Minority interests	Total equity
	Share capital	Share premium	Employee compen-sation reserve	Exchange reserve	Merger reserve	Contri-buted surplus	Capital contri-bution	Proposed final and special dividends	Retained earnings		
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1st January, 2006	54,844	54,065	951	65	(43,897)	34,031	521	10,969	25,473	179	137,201
Currency translation	–	–	–	(20)	–	–	–	–	–	(4)	(24)
Net results recognised directly in equity	–	–	–	(20)	–	–	–	–	–	(4)	(24)
Profit for the year	–	–	–	–	–	–	–	–	55,102	3,178	58,280
Total recognised income and expense for the year	–	–	–	(20)	–	–	–	–	55,102	3,174	58,256
Shares issued at premium	116	35	–	–	–	–	–	–	–	–	151
Share issue expenses	–	(3)	–	–	–	–	–	–	–	–	(3)
Equity-settled share- based payment expenses *(Note 10 of Section II)*	–	–	332	–	–	–	–	–	–	–	332
Final 2005 dividend paid *(Note 12 of Section II)*	–	–	–	–	–	(8)	–	(10,969)	–	–	(10,977)
Interim 2006 dividend paid *(Note 12 of Section II)*	–	–	–	–	–	(5,488)	–	–	–	–	(5,488)
Proposed final and special 2006 dividends *(Note 12 of Section II)*	–	–	–	–	–	(20,610)	–	20,610	–	–	–
Transfer to minority shareholders	–	–	–	–	–	–	(521)	–	–	521	–
Capitalisation of loan by minority shareholders of a subsidiary *(Note 27 of Section II)*	–	–	–	–	–	–	–	–	–	8,389	8,389
Acquisition of additional interests in a subsidiary	–	–	–	–	–	–	–	–	–	(254)	(254)
At 31st December, 2006	54,960	54,097	1,283	45	(43,897)	7,925	–	20,610	80,575	12,009	187,607

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.

The contributed surplus of the Group arose as a result of the reduction in share capital in accordance with the Group's capital reorganisation in 2003.

During the year ended 31st December, 2004, the Group undertook a share consolidation as set out in Note 29 of Section II to the Financial Information.

5. CONSOLIDATED CASH FLOW STATEMENTS

	Year ended 31st December,		
	2004	2005	2006
	HK$'000	*HK$'000*	*HK$'000*
Cash flows from operating activities			
Profit before income tax	34,014	38,328	64,262
Adjustments for:			
Amortisation of prepaid land lease payments	–	–	21
Depreciation	1,360	4,946	11,978
Dividend income from equity investments	–	(18)	(1)
Equity-settled share-based payment expenses	382	569	332
Excess over the costs of acquisition of additional interests in a subsidiary	–	–	(254)
Gain from changes in fair value of investment properties	(1,945)	(3,140)	–
Gain on disposal of investment properties	–	–	(12,114)
Gain on financial assets at fair value through profit or loss	–	(239)	(9,149)
Gain on partial disposal of investments in subsidiaries	–	(6,000)	–
Impairment of receivables	290	698	2,087
Interest element of finance lease payments	–	539	2,618
Interest income	(222)	(405)	(827)
Loss on disposal and write off of property, plant and equipment	1	226	392
Operating profit before working capital changes	33,880	35,504	59,345
Increase in inventories	–	(8,599)	(6,856)
Increase in trade and other receivables and deposits	(12,292)	(56,972)	(65)
Increase/(Decrease) in trade and other payables	10	41,655	(6,987)
Cash generated from operations	21,598	11,588	45,437
Income taxes paid	(28)	–	(2,197)
Net cash from operating activities	21,570	11,588	43,240

	Year ended 31st December,		
	2004	**2005**	**2006**
	HK$'000	*HK$'000*	*HK$'000*
Cash flows from investing activities			
Dividend income received	–	18	1
Increase in investment in an associate	–	–	(1,411)
Increase in prepaid land lease payments	–	–	(1,055)
Interest received	222	405	827
Net repayments/(advances) of advances to associates	–	1,986	(13,613)
Payment for acquisition of investment properties	(34,715)	–	–
Payment of deposit for acquisition of property, plant and equipment	(2,001)	–	–
Proceeds on disposal of financial assets at fair value through profit or loss	–	2,852	39,763
Proceeds on partial disposal of investments in subsidiaries	–	6,000	–
Proceeds on disposal of property, plant and equipment	110	–	502
Proceeds on disposal of investment properties	–	–	51,914
Purchase of property, plant and equipment	(2,370)	(17,842)	(22,780)
Purchase of financial assets at fair value through profit or loss	–	(2,775)	(41,904)
Net cash (used in)/generated from investing activities	(38,754)	(9,356)	12,244

	Year ended 31st December,		
	2004	**2005**	**2006**
	HK$'000	*HK$'000*	*HK$'000*
Cash flows from financing activities			
Capital element of finance lease liabilities paid	–	(3,440)	(25,329)
Increase/(Decrease) in loans from minority shareholders	–	9,997	(997)
Interest element of finance lease payments	–	(539)	(2,618)
Proceeds from shares issued on exercise of share options	–	460	151
Proceeds on issue of rights shares	32,700	–	–
Share issue expenses paid	(1,204)	(21)	(3)
Dividends paid to equity holders of the Company	–	–	(16,465)
Net cash generated from/(used in) financing activities	31,496	6,457	(45,261)
Net increase in cash and cash equivalents	14,312	8,689	10,223
Cash and cash equivalents at 1st January	21,933	36,245	44,934
Cash and cash equivalents at 31st December	36,245	44,934	55,157

II. NOTES TO THE FINANCIAL INFORMATION

1. GENERAL INFORMATION

The Company was incorporated in the Cayman Islands as an exempted company on 13th March, 2000 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 on 29th January, 2003. The address of the Company's registered office is 26/F, 625 King's Road, North Point, Hong Kong. The Company's shares have been listed on the GEM of the Stock Exchange since 20th July, 2000.

The Company acts as an investment holding company, provides corporate management services and is engaged in investment trading activities. Details of the activities of its subsidiaries are set out in Note 40 of Section II to the Financial Information.

2. BASIS OF PRESENTATION

The Financial Information have been prepared in accordance with HKFRSs. The Financial Information comply with the applicable disclosure requirements of the Hong Kong Companies Ordinance and the Rules Governing the Listing of Securities on the GEM of the Stock Exchange ("GEM Listing Rules").

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

3.1 Adoption of new and revised HKFRSs

(i) In 2004, the Group has early adopted 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 properties and recognises the fair value changes to the income statement in the period in which they arise. Details of the fair value changes recognised to the income statement during the Relevant Periods are set out in Note 8 of Section II to the Financial Information. The early adoption of HKAS 40 does not have any impact to the result of the Group prior to 2004 as the Group did not have any investment property as at 31st December, 2003.

(ii) In 2005, the Group has adopted, for the first time, the new and revised HKFRSs, which are relevant to its operations and effective for the accounting periods beginning on or after 1st January, 2005. These include the following:

HKAS 1	Presentation of Financial Statements
HKAS 2	Inventories
HKAS 7	Cash Flow Statements
HKAS 8	Accounting Policies, Changes in Accounting Estimates and Errors
HKAS 10	Events after the Balance Sheet Date
HKAS 12	Income Taxes
HKAS 14	Segment Reporting
HKAS 16	Property, Plant and Equipment
HKAS 18	Revenue
HKAS 19	Employee Benefits
HKAS 21	The Effects of Changes in Foreign Exchange Rates
HKAS 24	Related Party Disclosures
HKAS 27	Consolidated and Separate Financial Statements
HKAS 28	Investment in Associates
HKAS 32	Financial Instruments: Disclosure and Presentation
HKAS 33	Earnings per Share
HKAS 36	Impairment of Assets
HKAS 37	Provisions, Contingent Liabilities and Contingent Assets
HKAS 39	Financial Instruments: Recognition and Measurement
HKFRS 2	Share-based Payment
HKFRS 3	Business Combinations

All the standards have been applied retrospectively except where specific transitional provisions require a different treatment. Significant effects on the Relevant Periods arising from the application of the standards listed above in respect to presentation, recognition and measurement of accounts are described in the following notes:

(a) *Adoption of HKAS 1*

The application of HKAS 1 has resulted in a change in the presentation of the financial statements. Minority interests are now included as a separate line item within equity. Profit and loss attributable to minority interests and that attributable to equity holders of the Company is now presented as an allocation of the net result of the year.

(b) *Adoption of HKAS 39*

On the adoption of HKAS 39, the Group classified its investments in securities, other than subsidiaries and associates into financial assets at fair value through profit or loss and measured at fair value.

HKAS 39 requires all financial assets and liabilities to be measured at fair value on initial recognition and thereafter at amortised cost using the effective interest rate method at subsequent balance sheet dates.

(c) *Adoption of HKFRS 2*

Prior to the adoption of HKFRS 2 on 1st January, 2005, equity-settled share-based payment transactions were treated as changes in the entity's equity only upon execution. HKFRS 2 requires all goods and services received in the course of share-based payment transactions to be measured at fair value and recognised in the financial statements with a corresponding credit to equity, unless the transaction is settled in cash. When applied to employee share-based compensation, this leads to the recognition of share options which have been granted and are expected to vest as an expense in income statement.

According to the transitional provisions of HKFRS 2, all equity-settled share-based payments granted after 7th November, 2002 that had not vested on 1st January, 2005 are required to be recognised retrospectively in the Group's financial statements.

The effect of the adoption of HKFRS 2 on the consolidated income statement is summarised as follows:

	2004	**2005**	**2006**
	HK$'000	*HK$'000*	*HK$'000*
Increase in staff costs, included in administrative expenses	382	569	332
Total decrease in profit for the year	(382)	(569)	(332)
Profit attributable to:			
Equity holders of the Company	(382)	(569)	(332)
Minority interests	–	–	–
	(382)	(569)	(332)
Decrease in basic and diluted earnings per share *(HK cents)*	(0.16)	(0.21)	(0.12)

The effect of the adoption of HKFRS 2 on the consolidated balance sheet of the Group is summarised as follows:

	HK$'000
At 31st December, 2004 and 1st January, 2005	
Increase/(Decrease) in equity:	
Employee compensation reserve	382
Accumulated losses	(382)
At 31st December, 2005 and 1st January, 2006	
Increase/(Decrease) in equity:	
Employee compensation reserve	951
Retained earnings	(951)
At 31st December, 2006	
Increase/(Decrease) in equity:	
Employee compensation reserve	1,283
Retained earnings	(1,283)

The effect of the adoption of HKFRS 2 on the balance sheet of the Company is summarised as follows:

	HK$'000
At 31st December, 2004 and 1st January, 2005	
Amounts due from subsidiaries	382
Increase in equity:	
Employee compensation reserve	382
At 31st December, 2005 and 1st January, 2006	
Amounts due from subsidiaries	951
Increase in equity:	
Employee compensation reserve	951
At 31st December, 2006	
Amounts due from subsidiaries	1,283
Increase in equity:	
Employee compensation reserve	1,283

(d) *Adoption of HKFRS 3*

This standard stipulates a prospective change to the accounting policy.

In accordance with HKFRS 3, any excess of the Group's interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over cost (formerly known as "negative goodwill") is recognised immediately in income statement in the period in which the acquisition takes place.

In accordance with the relevant transitional provisions in HKFRS 3, the Group derecognised the carrying amount of negative goodwill on 1st January, 2005 amounting to HK$13,440,000 against the accumulated losses as at 1st January, 2005. Details of which are set out in the consolidated statements of changes in equity on page 141 to this document.

(e) *Other standards adopted*

The adoption of all other new and revised HKFRSs did not result in significant changes to the Group's accounting policies. The specific transitional provisions contained in some of these standards were considered. The adoption of these standards and interpretations did not result in any significant changes to the amounts or disclosures in these financial statements.

(iii) In 2006, the Group has adopted, for the first time, a number of new and amended HKFRSs, which are effective for accounting periods beginning on or after 1st December, 2005 or 1st January, 2006. These include the following:

HKAS 1, HKAS 27 & HKFRS 3 (Amendments)	Presentation of Financial Statements, Consolidated and Separate Financial Statements & Business Combinations – Amendments as a consequence of the Hong Kong Companies (Amendment) Ordinance 2005
HKAS 19 (Amendment)	Employee Benefits – Actuarial Gains and Losses, Group Plans and Disclosures
HKAS 21 (Amendment)	The Effects of Changes in Foreign Exchange Rates – Net Investment in a Foreign Operation
HKAS 39 (Amendment)	Financial Instruments: Recognition and Measurement – Cash Flow Hedge Accounting of Forecast Intragroup Transactions
HKAS 39 (Amendment)	Financial Instruments: Recognition and Measurement – The Fair Value Option
HKAS 39 & HKFRS 4 (Amendment)	Financial Instruments: Recognition and Measurement and Insurance Contracts – Financial Guarantee Contracts
HKFRS 1 & HKFRS 6 (Amendments)	First-time Adoption of Hong Kong Financial Reporting Standards and Exploration for and Evaluation of Mineral Resources
HKFRS 6	Exploration for and Evaluation of Mineral Resources
HK(IFRIC)-Int 4	Determining whether an Arrangement contains a lease
HK(IFRIC)-Int 5	Rights to Interests Arising from Decommissioning, Restoration and Environmental Rehabilitation Funds
HK(IFRIC)-Int 6	Liabilities arising from Participating in a Specific Market – Waste Electrical and Electronic Equipment

The adoption of the above new and amended HKFRSs has resulted in changes to the Group's accounting policies as set out below, but these had no material effect on the amounts reported for the Relevant Periods:

(a) Financial guarantee contracts

In 2006, the Group has adopted the amendments to HKAS 39 "Financial Instruments: Recognition and Measurement – Financial Guarantee Contracts" which is effective for annual period beginning on or after 1st January, 2006.

A financial guarantee contract is defined by HKAS 39 as a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

The Company acts as the issuer of financial guarantee contracts

Prior to 1st January, 2006, financial guarantee contracts were not accounted for in accordance with HKAS 39 and those contracts were disclosed as contingent liabilities. A provision for financial guarantee was only recognised when it was probable that an outflow of resources would be required to settle the financial guarantee obligation and the amount can be estimated reliably.

Upon the adoption of these amendments, a financial guarantee contract issued by the Company and not designated as at fair value through profit or loss is recognised initially at its fair value less transaction costs that are directly attributable to the issue of the financial guarantee contract. Subsequent to initial recognition, the Company measures the financial guarantee contract at the higher of: (i) the amount determined in accordance with HKAS 37; and (ii) the amount initially recognised less, when appropriate, cumulative amortisation recognised in accordance with HKAS 18.

In connection with a financial guarantee granted to a bank over the repayment under finance leases by a subsidiary, this change in accounting policy has had no material effect on the Company's or Group's amounts reported for the current and prior accounting periods.

(b) Leases

In the current year, the Group has adopted HK(IFRIC)-Int 4 which concludes that an arrangement may contain a lease if the substance of the transaction (for a series of transactions) is the transfer of the right to use a specific asset or assets for an agreed period of time in return for a payment (or a series of payments) even if there is no legal form of a lease. The Group's accounting policy on leases has been changed accordingly, i.e. to account for a transaction (or a component of a transaction) as a lease even in the absence of a legal form of a lease.

The Group has followed the guidance in HK(IFRIC)-Int 4 and identified that processing arrangement for manufacturing of printed products in the PRC contains a lease. According to HK(IFRIC)-Int 4, the Group's payments under this arrangement have been separated into amounts attributable to the lease component and the manufacturing services performed by the manufacturer under the processing arrangement. Both charges are included in the direct operation costs. This change has had no material effect on the Group's results for the current and prior accounting periods.

(iv) The Group has not early adopted the following new and amended HKFRSs that have been issued up to the date of this report but are not yet effective during the Relevant Periods. The directors of the Company anticipate that the adoption of these HKFRSs will not result in substantial changes to the Group's accounting policies.

HKAS 1 (Amendment)	Presentation of Financial Statements – Capital Disclosures[1]
HKFRS 7	Financial Instruments: Disclosures[1]
HKFRS 8	Operating Segments[7]
HK(IFRIC)-Int 7	Applying the Restatement Approach under HKAS 29 Financial Reporting in Hyperinflationary Economies[2]
HK(IFRIC)-Int 8	Scope of HKFRS 2[3]
HK(IFRIC)-Int 9	Reassessment of Embedded Derivatives[4]
HK(IFRIC)-Int 10	Interim Financial Reporting and Impairment[5]
HK(IFRIC)-Int 11	HKFRS 2 – Group and Treasury Share Transactions[6]
HK(IFRIC)-Int 12	Service Concession Arrangements[8]

[1] Effective for annual periods beginning on or after 1st January, 2007
[2] Effective for annual periods beginning on or after 1st March, 2006
[3] Effective for annual periods beginning on or after 1st May, 2006
[4] Effective for annual periods beginning on or after 1st June, 2006
[5] Effective for annual periods beginning on or after 1st November, 2006
[6] Effective for annual periods beginning on or after 1st March, 2007
[7] Effective for annual periods beginning on or after 1st January, 2009
[8] Effective for annual periods beginning on or after 1st January, 2008

3.2 Basis of preparation

The significant accounting policies that have been used in the preparation of these Financial Information are summarised below. These policies have been consistently applied to all the years presented unless otherwise stated.

The Financial Information have been prepared on the historical cost basis except for the revaluation of investment properties and certain financial assets and liabilities. The measurement bases are fully described in the accounting policies below.

It should be noted that accounting estimates and assumptions are used in preparation of the Financial Information. Although these estimates are based on management's best knowledge of current events and actions, actual results may ultimately differ from those estimates.

3.3 Basis of consolidation

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

Minority interests at the balance sheet date, being the portion of the net assets of subsidiaries attributable to equity interests that are not owned by the Company, whether directly or indirectly through subsidiaries, are presented in the consolidated balance sheet and consolidated statement of changes in equity within equity, separately from equity attributable to the equity holders of the Company. Minority interests in the results of the Group are presented on the face of the consolidated income statement as an allocation of the total profit or loss for the year between minority interests and the equity holders of the Company.

3.4 Subsidiaries

Subsidiaries are entities over which the Company has the power to control, directly or indirectly, the financial and operating policies so as to obtain benefits from their activities. The existence and effect of potential voting rights that are currently exercisable are considered when assessing whether the Company controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Company. They are de-consolidated from the date that control ceases.

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

Acquired subsidiaries (other than combining entities under common control) are subject to the application of the purchase method. This involves the revaluation at fair value of all identifiable assets and liabilities, including contingent liabilities of the subsidiary, at the acquisition date, regardless of whether or not they were recorded in the financial statements of the subsidiary prior to acquisition. On initial recognition, the assets and liabilities of the subsidiary are included in the consolidated balance sheet at their revalued amounts, which are also used as the bases for subsequent measurement in accordance with the Group's accounting policies. If the cost of acquisition is less than the fair value of the net assets and contingent liabilities of the subsidiary acquired, the difference is recognised directly in the consolidated income statement.

In the Company's balance sheet, investments in subsidiaries are carried at cost less impairment loss. The results of the subsidiaries are accounted for by the Company on the basis of dividends received and receivable at the balance sheet date.

3.5 Associates

Associates are those entities over which the Group is able to exert significant influence, generally accompanying a shareholding of between 20% and 50% of voting rights but which are neither subsidiaries nor investment in a joint venture. In consolidated financial statements, investments in associates are initially recognised at cost and subsequently accounted for using the equity method. The Group's investment in associates includes goodwill (net of any accumulated impairment loss) or fair value adjustment attributable to the share in the associate identified on acquisition.

Goodwill represents the excess of the cost of the investment in an associate over the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities at the date of acquisition.

The Group's share of the post-acquisition results and reserves of associates is included in the consolidated income statement and consolidated reserves, respectively. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment.

When the Group's share of losses in the associates equals or exceeds its interests in the associates, the Group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associates.

Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

In the Company's balance sheet, investments in associates are stated at cost less any impairment losses. The results of associates are accounted for by the Company on the basis of dividends received and receivable.

3.6 Excess of the Group's interest in net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over cost (formerly known as "negative goodwill")

Negative goodwill is recognised immediately in income statement in the period in which the acquisition takes place.

In accordance with the relevant transitional provisions in HKFRS 3, the Group derecognised the carrying amount of negative goodwill at 1st January, 2005 of HK$13,440,000 against the accumulated losses as at 1st January, 2005.

3.7 Foreign currencies

The Financial Information are presented in Hong Kong Dollars (HK$), which is also the functional currency of the Company.

In the individual financial statements of the consolidated entities, foreign currency transactions are translated into the functional currency of the individual entity using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at year-end exchange rates are recognised in the income statement.

Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined and are reported as part of the fair value gain or loss. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

In the consolidated financial statements, all individual financial statements of subsidiaries and associates, originally presented in a currency different from the Group's presentation currency, have been converted into Hong Kong dollars. Assets and liabilities have been translated into Hong Kong dollars at the closing rates at the balance sheet date. Income and expenses have been converted into the Hong Kong dollars at the exchange rates ruling at the transaction dates, or at the average rates over the reporting period provided that the exchange rates do not fluctuate significantly. Any differences arising from this procedure have been dealt with in the exchange reserve in equity.

3.8 Revenue recognition

Revenue is recognised when it is probable that the economic benefits will flow to the Group and when the revenue, if applicable, can be measured reliably and on the following bases:

– 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 the website.

– Printing income and publication sales are recognised upon transfer of the significant risks and rewards of ownership to the customer. This is usually taken as the time when the goods are delivered and the customer has accepted the goods.

– Service income is recognised in the accounting period in which the services are rendered, by reference to completion of the specific transaction assessed on the basis of the actual service provided as a proportion of the total services to be provided.

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

– Interest income is recognised on a time-proportion basis using the effective interest rate method.

– Dividend income is recognised when the right to receive payment is established.

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

The policies on financial assets at fair value through profit or loss are dealt with in Note 3.13(i) of Section II to the Financial Information.

3.9 Property, plant and equipment

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

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

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other costs, such as repairs and maintenance are charged to the income statement during the period in which they are incurred.

Depreciation on property, plant and equipment is calculated using the straight-line method to allocate their costs over their estimated useful lives, at the following rates per annum:

Buildings	Over 50 years or the lease term, whichever is shorter
Furniture and fixtures	20%
Office equipment	20%
Leasehold improvements	20%–50% or over the lease term, whichever is shorter
Computer equipment and systems	33%
Motor vehicles	20%
Machinery	10%

The assets' useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

Assets held under finance leases are depreciated over their estimated useful lives or where shorter the term of the lease using the same method as owned assets in the same category.

3.10 Investment property

Investment properties are land and/or buildings which are owned or held under a leasehold interest to earn rental income and/or for capital appreciation. These include land held for a currently undeterminable future use.

When the Group holds a property interest under an operating lease to earn rental income and/or for capital appreciation, the interest is classified and accounted for as an investment property on a property-by-property basis. Any such property interest which has been classified as an investment property is accounted for as if it were held under a finance lease.

On initial recognition, investment property is measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, the investment property is stated at fair value. Fair value is determined by external professional valuers, with sufficient experience with respect to both the location and the nature of the investment property. The carrying amounts recognised in the balance sheet reflect the prevailing market conditions at the balance sheet date.

Any gain or loss resulting from either a change in the fair value or the sale of an investment property is included in the income statement for the period in which they arise.

3.11 Leases

An arrangement, comprising a transaction or a series of transactions, is or contains a lease if the Group determines that the arrangement conveys a right to use a specific asset or assets for an agreed period of time in return for a payment or a series of payments. Such a determination is made based on an evaluation of the substance of the arrangement and is regardless of whether the arrangement takes the legal form of a lease.

(i) Classification of assets leased to the Group

Assets that are held by the Group under leases which transfer to the Group substantially all the risks and rewards of ownership are classified as being held under finance leases. Leases which do not transfer substantially all the risks and rewards of ownership to the Group are classified as operating leases, except for property held under operating leases that would otherwise meet the definition of an investment property is classified as an investment property on a property-by-property basis and, if classified as investment property, is accounted for as if held under a finance lease *(see Note 3.10 of Section II to the Financial Information)*.

(ii) Assets acquired under finance leases

Where the Group acquires the use of assets under finance leases, the amounts representing the fair value of the leased asset, or, if lower, the present value of the minimum lease payments (the "initial value"), of such assets are included in property, plant and equipment and the corresponding liabilities, net of finance lease charges, are recorded as finance lease liabilities.

Subsequent accounting for assets held under finance lease agreements corresponds to those applied to comparable acquired assets. The corresponding finance lease liability is reduced by lease payments less finance lease charges.

Finance lease charges implicit in the lease payments are charged to income statement over the period of the leases so as to produce an approximately constant periodic rate of charge on the remaining balance of the finance lease liabilities for each accounting period. Contingent rentals are charged to income statement in the accounting period in which they are incurred.

(iii) Operating lease charges as the lessee

Where the Group has the use of assets held under operating leases, payments made under the leases are charged to the income statement on a straight line basis over the lease terms except where an alternative basis is more representative of the pattern of benefits to be derived from the leased assets. Lease incentives received are recognised in the income statement as an integral part of the aggregate net lease payments made. Contingent rental are charged to the income statement in the accounting period in which they are incurred.

3.12 Impairment

Goodwill, property, plant and equipment, prepaid land lease payments, and interests in subsidiaries and associates are subject to impairment testing.

For the purposes of assessing impairment, where an asset does not generate cash inflows largely independent from those from other assets, the recoverable amount is determined for the smallest group of assets that generate cash inflows independently (i.e. a cash-generating unit). As a result, some assets are tested individually for impairment and some are tested at cash-generating unit level. Goodwill in particular is allocated to those cash-generating units that are expected to benefit from synergies of the related business combination and represent the lowest level within the Group at which goodwill is monitored for internal management purpose.

Cash-generating units that include goodwill are tested for impairment at least annually, irrespective of whether there is any indication that they are impaired. All other individual assets or cash-generating units are tested for impairment whenever there are indications that the carrying amount may not be recoverable.

An impairment loss is recognised as an expense immediately for the amount by which the asset's or cash-generating unit's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of fair value, reflecting market conditions less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessment of time value of money and the risk specific to the asset.

Impairment losses recognised for cash-generating units, to which goodwill has been allocated, are credited initially to the carrying amount of goodwill. Any remaining impairment loss is charged pro rata to the other assets in the cash-generating unit except that the carrying amount of an asset will not be reduced below its individual fair value less cost to sell, or value in use, if determinable.

An impairment loss on goodwill is not reversed in subsequent periods. In respect of other assets, an impairment loss is reversed if there has been a favourable change in the estimates used to determine the asset's recoverable amount and only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

3.13 Financial assets

The Group classifies its financial assets into the following categories: loans and receivables and financial assets at fair value through profit or loss. Management determines the classification of its financial assets at initial recognition depending on the purpose for which the financial assets were acquired and where allowed and appropriate, re-evaluates this designation at every reporting date.

All financial assets are recognised when, and only when, the Group becomes a party to the contractual provisions of the instrument. Regular way purchases of financial assets are recognised on settlement date. When financial assets are recognised initially, they are measured at fair value, plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs.

Derecognition of financial assets occurs when the rights to receive cash flows from the investments expire or are transferred and substantially all of the risks and rewards of ownership have been transferred. At each balance sheet date, financial assets are reviewed to assess whether there is objective evidence of impairment. If any such evidence exists, impairment loss is determined and recognised based on the classification of the financial asset.

(i) Financial assets at fair value through profit or loss

Financial assets are classified as held for trading if they are acquired for the purpose of selling in the near term.

Subsequent to initial recognition, the financial assets included in this category are measured at fair value with changes in fair value recognised in income statement.

(ii) *Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables are subsequently measured at amortised cost using the effective interest rate method, less any impairment losses. Amortised cost is calculated taking into account any discount or premium on acquisition and includes fees that are an integral part of the effective interest rate and transaction cost.

Impairment of financial assets

At each balance sheet date, financial assets other than at fair value through profit or loss are reviewed to determine whether there is any objective evidence of impairment. If any such evidence exists, the impairment loss is measured and recognised as follows:

(i) *Financial assets carried at amortised cost*

If there is objective evidence that an impairment loss on loans and receivables carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). The amount of the loss is recognised in income statement of the period in which the impairment occurs.

If, in subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed to the extent that it does not result in a carrying amount of the financial asset exceeding what the amortised cost would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in income statement of the period in which the reversal occurs.

(ii) *Financial assets carried at cost*

The amount of impairment loss is measured as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses are not reversed in subsequent periods.

3.14 Inventories

Inventories are carried at the lower of cost and net realisable value. Cost is determined using the first-in, first-out method. Cost comprises direct materials and, where applicable, direct labour costs and those overhead costs that have been incurred in bringing the inventories to their present condition. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and applicable selling expenses.

3.15 Accounting for income taxes

Income tax comprises current tax and deferred tax.

Current income tax assets and/or liabilities comprise those obligations to, or claims from, fiscal authorities relating to the current or prior reporting period, that are unpaid at the balance sheet date. They are calculated according to the tax rates and tax laws applicable to the fiscal periods to which they relate, based on the taxable profit for the year. All changes to current tax assets or liabilities are recognised as a component of tax expense in the income statement.

Deferred tax is calculated using the liability method on temporary differences at the balance sheet date between the carrying amounts of assets and liabilities in the financial statements and their respective tax bases. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are recognised for all deductible temporary differences, tax losses available to be carried forward as well as other unused tax credits, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised.

Deferred tax assets and liabilities are not recognised if the temporary difference arises from goodwill or from initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither taxable nor accounting profit or loss.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, except where the Group is able to control the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax is calculated, without discounting, at tax rates that are expected to apply in the period the liability is settled or the asset realised, provided they are enacted or substantively enacted at the balance sheet date.

Changes in deferred tax assets or liabilities are recognised in the income statement, or in equity if they relate to items that are charged or credited directly to equity.

3.16 Cash and cash equivalents

Cash and cash equivalents include cash at bank and in hand as well as short-term highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, such as bank deposits.

3.17 Share capital

Ordinary shares are classified as equity. Share capital is determined using the nominal value of shares that have been issued.

Any transaction costs associated with the issuing of shares are deducted from share premium (net of any related income tax benefit) to the extent they are incremental costs directly attributable to the equity transaction.

3.18 Employee benefits

(i) Retirement benefit schemes

The Group participates in several staff retirement benefit schemes for employees in Hong Kong and the People's Republic of China, except Hong Kong (the "PRC"), comprising defined contribution retirement schemes and a Mandatory Provident Fund scheme (the "MPF Scheme"). The assets of these schemes are held separately from those of the Group in independently administered funds. The retirement benefit schemes are generally funded by payments from employees and by the relevant group companies. The retirement benefit scheme costs charged to the income statement represents contributions payable by the Group to the schemes.

The subsidiaries operating in the PRC are required to participate in the defined contribution retirement schemes for their employees, organised by the relevant local government authorities. They are required to make contributions to the retirement benefit schemes at a specified percentage of employees' relevant income and there are no other further obligations to the Group.

Before 1st December, 2000, the Group operated a defined contribution retirement scheme (the "ORSO Scheme") in Hong Kong for all qualified employees. The ORSO Scheme is funded by monthly contributions from both employees and the Group at rates ranging from 5% to 7.5% of the employees' basic salary, depending on the length of service with the Group. The Group's contributions under the ORSO Scheme were reduced by contributions forfeited by those employees who left the ORSO Scheme prior to vesting fully in the contributions.

The Mandatory Provident Fund Schemes Authority has approved the ORSO Scheme as a Mandatory Provident Fund Exempted Occupational Retirement Scheme under the Mandatory Provident Fund Schemes Ordinance (the "MPF Schemes Ordinance"). With effect from 1st December, 2000, the MPF Scheme was set up under the MPF Schemes Ordinance for existing staff who opt for this scheme and eligible staff recruited on or after that date. When the underlying staff elect the MPF Scheme, retirement scheme benefits attributed to the staff under the ORSO Scheme remain unchanged in the MPF Scheme. Under the MPF Scheme, eligible employees are required to contribute 5% of their monthly basic salaries whereas the Group's contribution will be 5% of the relevant income with a maximum monthly contribution of HK$1,000 and there are no other legal or constructive obligations to the Group.

(ii) Share-based employee compensation

All share-based payment arrangements granted after 7th November, 2002 and had not yet vested on 1st January, 2005 are recognised in the financial statements. The Group operates equity-settled share-based compensation plans to remunerate its employees and directors.

All employee services received in exchange for the grant of any share-based compensation are measured at their fair values. These are indirectly determined by reference to the share options awarded. Their value is appraised at the grant date and excludes the impact of any non-market vesting conditions.

All share-based compensation is ultimately recognised as an expense in the income statement with a corresponding credit to the employee compensation reserve in equity. If vesting periods or other vesting conditions apply, the expense is allocated over the vesting period, based on the best available estimate of the number of share options expected to vest. Non-market vesting conditions are included in assumptions about the number of options that are expected to become exercisable. Estimates are subsequently revised if there is any indication that the number of share options expected to vest differs from previous estimates. No adjustment to expense recognised in prior periods is made if fewer share options ultimately are exercised than originally vested.

Upon exercise of share options, the proceeds received net of any directly attributable transaction costs up to the nominal value of the shares issued are allocated to share capital with any excess being recorded as share premium.

When the share options are exercised, forfeited or are still not exercised at the expiry date, the amount previously recognised in employee compensation reserve will continue to be held in employee compensation reserve.

(iii) Bonus plans

The Group recognises a liability and an expense for bonuses where it has a contractual obligation or where there is a past practice that has created a constructive obligation.

3.19 Related parties

Parties are considered to be related to the Group if:

(i) directly, or indirectly through one or more intermediaries, the party:

- controls, is controlled by, or is under common control with, the Group;
- has an interest in the Group that gives it significant influence over the Group;
- has joint control over the Group;

(ii) the party is a jointly-controlled entity;

(iii) the party is an associate;

(iv) the party is a member of the key management personnel of the Group or its parent;

(v) the party is a close member of the family of any individual referred to in (i) or (iv);

(vi) the party is an entity that is controlled, jointly-controlled or significantly influenced by or for which significant voting power in such entity resides with, directly or indirectly, any individual referred to in (iv) or (v); or

(vii) the party is a post-employment benefit plan for the benefit of employees of the Group, or of any entity that is a related party of the Group.

3.20 Financial liabilities

The Group's financial liabilities include trade and other payables, finance lease liabilities, loans from minority shareholders and amounts due to group companies.

Financial liabilities are recognised when the Group becomes a party to the contractual provisions agreements of the instrument. All interest related charges are recognised as an expense in finance costs in the income statement.

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amount is recognised in the income statement.

Finance lease liabilities

Finance lease liabilities are measured at initial value less the capital element of lease repayments *(see Note 3.11(ii) of Section II to the Financial Information)*.

Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction cost) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest rate method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least twelve months after the balance sheet date.

Trade and other payables and amounts due to group companies

Trade and other payables and amounts due to group companies are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest rate method.

3.21 Contingent liabilities

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

Contingent liabilities are recognised in the course of the allocation of purchase price to the assets and liabilities acquired in a business combination. They are initially measured at fair value at the date of acquisition and subsequently measured at the higher of the amount that would be recognised in a comparable provision as described above and the amount initially recognised less any accumulated amortisaton, if appropriate.

3.22 Financial guarantees issued

A financial guarantee contract is a contract that requires the issuer (or guarantor) to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument.

Where the Group issues a financial guarantee, the fair value of the guarantee is initially recognised as deferred income within trade and other payables. Where consideration is received or receivable for the issuance of the guarantee, the consideration is recognised in accordance with the Group's policies applicable to that category of asset. Where no such consideration is received or receivable, an immediate expense is recognised in income statement on initial recognition of any deferred income.

The amount of the guarantee initially recognised as deferred income is amortised in income statement over the term of the guarantee as income from financial guarantees issued. In addition, provisions are recognised if and when it becomes probable that the holder of the guarantee will call upon the Group under the guarantee and the amount of that claim on the Group is expected to exceed the current carrying amount i.e. the amount initially recognised less accumulated amortisation, where appropriate.

3.23 Segment reporting

A segment is a distinguishable component of the Group that is engaged either in providing products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments.

In accordance with the Group's internal financial reporting, the Group has determined that business segments be presented as the primary reporting format and geographical segments as the secondary reporting format for the purposes of these financial statements.

Segment revenue, expenses, results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis to that segment. Segment assets consist primarily of inventories, receivables and property, plant and equipment and operating cash but exclude corporate assets, interests in associates and investment properties. Segment liabilities consist primarily of operating liabilities but exclude deferred tax liabilities and liabilities incurred for financing rather than operating purpose. Segment revenue, expenses, assets and liabilities are determined before intra-group balance and intra-group transactions are eliminated as part of the consolidation process unless the group entities are in the same segment.

Segment capital expenditure is the total cost incurred during the period to acquire segment assets that are expected to be used for more than one period.

Unallocated items mainly comprise investment properties, deferred tax liabilities, corporate assets and liabilities, corporate and financing expenses.

In respect of geographical segment reporting, sales are based on the country in which the customer is located and segment assets and capital expenditure are where the assets are located.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

(i) Net realisable value of inventories

Net realisable value of inventories is the estimated selling price in the ordinary course of business, less estimated costs of completion and selling expenses. These estimates are based on the current market condition and the historical experience of selling products of similar nature. It could change significantly as a result of competitor actions in response to the changes in market condition. Management reassess these estimations at the balance sheet date.

(ii) Estimated impairment of receivables and advances

The policy for the impairment of receivables and advances of the Group is based on, where appropriate, the evaluation of collectibility and ageing analysis of accounts and on the management's judgement. A considerable amount of judgement is required in assessing the ultimate realisation of these receivables and advances, including the current creditworthiness and the past collection history of each debtor. If the financial conditions of debtors of the Group were to deteriorate, resulting in an impairment of their ability to make payments, additional provision for impairment may be required.

(iii) Valuation of share options granted

The fair value of share options granted was calculated using the Black-Scholes valuation model based on certain estimates and assumptions made by Group's management. Some of the significant estimates and assumptions made by management include the estimated life of share options granted to be five years based on exercise restrictions and behavioural considerations; and the volatility of share price which was determined by reference to historical data and weighted average share prices. Details of the inputs are set out in Note 30 of Section II to the Financial Information.

(iv) **Depreciation**

The Group depreciated the property, plant and equipment on a straight-line basis over the estimated useful lives, starting from the date on which the assets are placed into productive use. The estimated useful lives reflect the directors' estimate of the periods that the Group intends to derive future economic benefits from the use of the Group's property, plant and equipment.

(v) **Current taxation and deferred taxation**

The Group is subject to income taxes in different jurisdictions. Significant judgement is required in determining the amount of the provision of taxation and the timing of payment of the related taxations. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

5. REVENUE AND TURNOVER

	2004	**2005**	**2006**
	HK$'000	*HK$'000*	*HK$'000*
Advertising income	103,995	160,570	192,622
Printing income	–	66,533	105,711
	103,995	227,103	298,333

6. **SEGMENT INFORMATION**

Primary reporting format – business segments

The Group is organised on a worldwide basis into three main business segments:

Advertising – providing advertising services on different publications and magazines.

Printing – printing of books and magazines.

Investment – trading of financial assets at fair value through profit or loss.

	Advertising			Printing			Investment			Consolidated		
	2004	2005	2006	2004	2005	2006	2004	2005	2006	2004	2005	2006
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Revenue												
– External sales	103,995	160,570	192,622	–	66,533	105,711	–	–	–	103,995	227,103	298,333
Segment results	30,492	29,422	36,076	–	(347)	13,984	–	257	7,910	30,492	29,332	57,970
Unallocated operating income										4,418	10,881	15,525
Unallocated operating expenses										(896)	(1,346)	(6,615)
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										33,986	37,268	58,280
Segment assets	51,619	74,998	65,327	–	97,022	127,296	–	162	28,846	51,619	172,182	221,469
Interests in associates										7,351	5,365	20,389
Unallocated assets										48,166	41,030	11,610
Total assets										107,136	218,577	253,468
Segment liabilities	8,781	21,128	24,987	–	58,601	35,975	–	–	–	8,781	79,729	60,962
Unallocated liabilities										16	1,647	4,899
Total liabilities										8,797	81,376	65,861
Other information												
Amortisation of prepaid land lease payments	–	–	21	–	–	–	–	–	–	–	–	21
Capital expenditure	2,370	5,797	3,001	–	37,880	43,174	–	–	–	2,370	43,677	46,175
Depreciation	1,360	3,303	3,276	–	1,643	8,702	–	–	–	1,360	4,946	11,978
Impairment of receivables	290	698	2,087	–	–	–	–	–	–	290	698	2,087

Secondary reporting format – geographical segments

The Group's operations are located in several main geographical areas. The following table provides an analysis of the Group's sales by geographical market based on the country in which the customer is located.

Sales by geographical markets:

	2004	2005	2006
	HK$'000	*HK$'000*	*HK$'000*
Hong Kong	74,111	83,790	87,657
Mainland China	29,884	77,246	111,052
Australia	–	52,494	72,843
United States	–	6,485	2,938
United Kingdom	–	5,064	21,930
New Zealand	–	2,024	1,598
Others	–	–	315
	103,995	227,103	298,333

The following is an analysis of the carrying amount of segment assets and additions to property, plant and equipment and prepaid land lease payments, analysed by the geographical area in which the assets are located.

	Segment assets			Capital expenditure		
	2004	2005	2006	2004	2005	2006
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Hong Kong	51,619	119,732	126,611	2,370	1,909	3,704
Mainland China	–	52,450	94,858	–	41,768	42,471
	51,619	172,182	221,469	2,370	43,677	46,175

7. FINANCE COSTS

	2004	2005	2006
	HK$'000	*HK$'000*	*HK$'000*
Finance lease charges	–	539	2,618

8. PROFIT BEFORE INCOME TAX

	2004	2005	2006
	HK$'000	*HK$'000*	*HK$'000*
Profit before income tax is arrived at after charging:			
Amortisation of prepaid land lease payments	–	–	21
Auditors' remuneration			
– Audit services	250	549	653
– Other services	–	–	350
Cost of inventories recognised as an expense	–	23,153	47,797
Depreciation *(Note (a))*:			
– Owned assets	1,360	4,350	10,302
– Leased assets	–	596	1,676
Employee benefit expense *(Note 10 of Section II)*	15,994	33,016	43,059
Impairment of receivables	290	698	2,087
Loss on disposal and write off of property, plant and equipment	1	226	392
Minimum lease payments paid under operating leases or leases defined under HK(IFRIC)-Int 4 in respect of:			
– Rented premises and production facilities	1,211	3,073	5,704
– Internet access line	91	84	156
Net foreign exchange loss	25	734	–
and after crediting *(Note (b))*:			
Dividend income from equity investments	–	(18)	(1)
Excess over the costs of acquisition of additional interests in a subsidiary	–	–	(254)
Gain from changes in fair value of investment properties *(Note 16 of Section II)*	(1,945)	(3,140)	–
Gain on financial assets at fair value through profit or loss	–	(239)	(9,149)
Gain on partial disposal of investments in subsidiaries	–	(6,000)	–
Interest income	(222)	(405)	(827)
Net foreign exchange gain	–	–	(1,524)
Operating lease rental income from:			
– Subleasing of office premises	(90)	–	–
– Investment properties	(88)	(1,334)	(953)

Notes:

(a) Depreciation expenses of HK$963,000, HK$3,523,000 and HK$9,785,000 for the years ended 31st December, 2004, 2005 and 2006, respectively, have been included in direct operating costs; and depreciation expenses of HK$397,000, HK$1,423,000 and HK$2,193,000 for the years ended 31st December, 2004, 2005 and 2006, respectively, have been included in administrative expenses.

(b) All these items have been included in other operating income. The directors have confirmed that certain items such as gain from changes in fair value of investment properties and gain on partial disposal of investments in subsidiaries are non-recurring in nature.

9. DIRECTORS' REMUNERATION AND SENIOR MANAGEMENT'S EMOLUMENTS

(a) Directors' emoluments

The emoluments paid or payable to the directors during the Relevant Periods were as follows:

	Fee	Salaries and allowances	Discre-tionary bonuses	Retirement benefit scheme contri-butions	Equity-settled share-based payment expenses *(Note)*	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Year ended 31st December, 2004						
Executive directors						
Ms. Ho Suk Yi (appointed on 3rd June, 2004)	–	294	–	7	32	333
Mr. Lau Chuk Kin	–	–	–	–	–	–
Non-executive directors						
Ms. Lam Mei Lan	30	–	–	–	–	30
Mr. Lee Ching Ming, Adrian	30	–	–	–	–	30
Mr. Peter Stavros Patapios Christofis	30	–	–	–	–	30
Ms. Tam Yuk Ling, Rosaline (resigned on 30th August, 2004)	30	–	–	–	–	30
Mr. Wan Siu Kau	30	–	–	–	–	30
Independent non-executive directors						
Mr. Cheng Ping Kuen, Franco	60	–	–	–	–	60
Mrs. Ling Lee Ching Man, Eleanor	60	–	–	–	–	60
Mr. Tyen Kan Hee, Anthony (appointed on 8th September, 2004)	20	–	–	–	–	20
	290	294	–	7	32	623
Year ended 31st December, 2005						
Executive directors						
Ms. Ho Suk Yi	–	600	150	12	79	841
Mr. Lau Chuk Kin	–	–	–	–	–	–
Non-executive directors						
Ms. Lam Mei Lan	45	–	–	–	–	45
Mr. Lee Ching Ming, Adrian	45	–	–	–	–	45
Mr. Peter Stavros Patapios Christofis	45	–	–	–	–	45
Mr. Wan Siu Kau	45	–	–	–	–	45
Independent non-executive directors						
Mr. Cheng Ping Kuen, Franco	100	–	–	–	–	100
Mrs. Ling Lee Ching Man, Eleanor	100	–	–	–	–	100
Mr. Tyen Kan Hee, Anthony	78	–	–	–	–	78
	458	600	150	12	79	1,299

	Fee	Salaries and allowances	Discretionary bonuses	Retirement benefit scheme contributions	Equity-settled share-based payment expenses (Note)	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Year ended 31st December, 2006						
Executive directors						
Ms. Ho Suk Yi	–	720	150	12	–	882
Mr. Lau Chuk Kin	–	–	3,000	–	–	3,000
Non-executive directors						
Ms. Lam Mei Lan	50	–	–	–	–	50
Mr. Lee Ching Ming, Adrian	50	–	–	–	–	50
Mr. Peter Stavros Patapios Christofis	50	–	–	–	–	50
Mr. Wan Siu Kau	50	–	–	–	–	50
Independent non-executive directors						
Mr. Cheng Ping Kuen, Franco	110	–	–	–	–	110
Mrs. Ling Lee Ching Man, Eleanor	110	–	–	–	–	110
Mr. Tyen Kan Hee, Anthony	110	–	–	–	–	110
	530	720	3,150	12	–	4,412

Note: The amount of equity-settled share-based payment expenses is measured according to the Group's accounting policies for share-based employee compensation transactions as set out in Note 3.18(ii) of Section II to the Financial Information. Particulars of share options granted to the directors under the Company's GEM share option scheme are set out in Note 30 to the Section II to the Financial Information.

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group included none, one and two directors for the years ended 31st December, 2004, 2005 and 2006, respectively, whose emoluments are reflected in the analysis presented above. The emoluments payable to the remaining five, four and three individuals during the Relevant Periods are as follows:

	2004	2005	2006
	HK$'000	HK$'000	HK$'000
Salaries, allowances and other benefits	2,089	1,860	1,819
Discretionary bonuses	–	3,470	4,101
Retirement benefit scheme contributions	81	72	31
Equity-settled share-based payments	87	24	–
	2,257	5,426	5,951

The emoluments fell within the following bands:

	Number of individuals		
	2004	**2005**	**2006**
Emolument bands			
Nil – HK$1,000,000	5	3	–
HK$1,000,001 – HK$3,000,000	–	–	2
HK$3,000,001 – HK$3,500,000	–	1	1

During the Relevant Periods, no emoluments were paid by the Group to the directors of the Company or the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office. None of the directors has waived or agreed to waive any emoluments during the Relevant Periods.

10. EMPLOYEE BENEFIT EXPENSE (including directors' emoluments)

	2004	**2005**	**2006**
	HK$'000	*HK$'000*	*HK$'000*
Wages, salaries and bonuses	14,792	29,809	39,977
Equity-settled share-based payments *(Note 30 of Section II)*	382	569	332
Retirement benefit scheme contributions *(Note 36 of Section II)*	324	1,282	1,872
Other benefits	496	1,356	878
	15,994	33,016	43,059

11. INCOME TAX EXPENSE

Hong Kong profits tax has been provided at the rate of 17.5% on the Company's estimated assessable profits for the year ended 31st December, 2006. No Hong Kong profits tax had been provided as the Group had tax deductible losses brought forward from previous years for the years ended 31st December, 2005 and 2004. Taxation on overseas profits has been calculated on the estimated assessable profit at the rates of taxation prevailing in the countries in which the Group operates during the Relevant Periods.

	2004	**2005**	**2006**
	HK$'000	*HK$'000*	*HK$'000*
Hong Kong profits tax			
Current year	–	–	5,019
Underprovision in prior years	28	–	33
Deferred taxation			
Current year *(Note 28 of Section II)*	–	1,060	930
	28	1,060	5,982

Reconciliation between tax expense and accounting profit at applicable tax rates:

	2004	2005	2006
	HK$'000	*HK$'000*	*HK$'000*
Profit before income tax	34,014	38,328	64,262
Notional tax on the profit before income tax, calculated at the rates applicable to the profits in the tax jurisdictions concerned	5,952	4,720	10,249
Tax effect of non-taxable revenue	(456)	(1,381)	(6,450)
Tax effect of non-deductible expenses	130	2,286	2,362
Tax effect of tax losses not recognised	40	2,691	2,736
Tax effect of temporary differences not recognised	37	60	(470)
Utilisation of previously unrecognised tax losses	(5,703)	(7,316)	(2,478)
Underprovision in prior years	28	–	33
Income tax expense	28	1,060	5,982

12. DIVIDENDS

(a) Dividends attributable to the year:

	2004	2005	2006
	HK$'000	*HK$'000*	*HK$'000*
Interim dividend of Nil, Nil and HK$0.02 per share	–	–	5,488
Proposed final dividend of Nil, HK$0.04 and HK$0.05 per share	–	10,969	13,740
Proposed special dividend of Nil, Nil and HK$0.025 per share	–	–	6,870
Additional final dividend in respect of the previous financial year	–	–	8
	–	10,969	26,106

The final and special dividends proposed after the balance sheet date has not been recognised as a liability at the balance sheet date, but reflected as an appropriation of contributed surplus during the Relevant Periods and a proposed final and special dividends reserve has been set up.

Following the passing of the relevant resolution at the annual general meeting on 13th April, 2007, the final dividend of HK$0.05 per share totalling HK$13,740,000 and special dividend of HK$0.025 per share totalling HK$6,870,000 for the year ended 31st December, 2006 were paid on 18th April, 2007.

(b) Dividends attributable to the previous financial year, approved and paid during the year:

	2004	2005	2006
	HK$'000	*HK$'000*	*HK$'000*
Final dividend in respect of the previous financial year	–	–	10,969
Additional final dividend in respect of the previous financial year	–	–	8
	–	–	10,977

13. EARNINGS PER SHARE

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

	2004	2005	2006
	HK$'000	*HK$'000*	*HK$'000*
Profit attributable to the equity holders of the Company	33,986	37,094	55,102

	Number of shares		
	2004	2005	2006
	'000	*'000*	*'000*
Weighted average number of ordinary shares for the purpose of basic earnings per share	233,784	273,431	274,517
Effect of dilutive potential ordinary shares in respect of share options granted	1,142	2,076	1,799
Weighted average number of ordinary shares for the purpose of diluted earnings per share	234,926	275,507	276,316

14. PROPERTY, PLANT AND EQUIPMENT

Group

	Buildings	Furniture and fixtures	Office equipment	Leasehold improvements	Computer equipment and systems	Motor vehicles	Machinery	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1st January, 2004								
Cost	–	665	1,132	256	24,106	369	–	26,528
Accumulated depreciation	–	(652)	(1,067)	(81)	(21,962)	(258)	–	(24,020)
Net book amount	–	13	65	175	2,144	111	–	2,508
Year ended 31st December, 2004								
Opening net book amount	–	13	65	175	2,144	111	–	2,508
Additions	–	–	–	–	2,370	–	–	2,370
Disposals	–	–	–	–	(2)	(109)	–	(111)
Depreciation	–	(7)	(39)	(85)	(1,227)	(2)	–	(1,360)
Closing net book amount	–	6	26	90	3,285	–	–	3,407
At 31st December, 2004								
Cost	–	665	1,132	256	26,472	233	–	28,758
Accumulated depreciation	–	(659)	(1,106)	(166)	(23,187)	(233)	–	(25,351)
Net book amount	–	6	26	90	3,285	–	–	3,407
Year ended 31st December, 2005								
Opening net book amount	–	6	26	90	3,285	–	–	3,407
Exchange differences	–	7	2	5	45	–	–	59
Additions	–	1,201	459	11,374	5,569	856	24,218	43,677
Disposals	–	–	–	–	(226)	–	–	(226)
Depreciation	–	(129)	(60)	(1,244)	(2,832)	(82)	(599)	(4,946)
Closing net book amount	–	1,085	427	10,225	5,841	774	23,619	41,971
At 31st December, 2005								
Cost	–	1,874	1,594	11,637	31,869	1,089	24,218	72,281
Accumulated depreciation	–	(789)	(1,167)	(1,412)	(26,028)	(315)	(599)	(30,310)
Net book amount	–	1,085	427	10,225	5,841	774	23,619	41,971
Year ended 31st December, 2006								
Opening net book amount	–	1,085	427	10,225	5,841	774	23,619	41,971
Exchange differences	–	6	2	2	28	–	–	38
Additions	453	491	124	1,862	1,757	108	40,325	45,120
Disposals	–	–	–	–	(574)	(320)	–	(894)
Depreciation	(9)	(296)	(113)	(2,684)	(3,240)	(233)	(5,403)	(11,978)
Closing net book amount	444	1,286	440	9,405	3,812	329	58,541	74,257
At 31st December, 2006								
Cost	453	2,374	1,705	13,507	31,758	517	64,543	114,857
Accumulated depreciation	(9)	(1,088)	(1,265)	(4,102)	(27,946)	(188)	(6,002)	(40,600)
Net book amount	444	1,286	440	9,405	3,812	329	58,541	74,257

The net book amount of property, plant and equipment includes the net carrying amount of Nil, HK$23,238,000 and HK$20,664,000 as at 31st December, 2004, 2005 and 2006, respectively, in respect of assets held under finance leases.

15. PREPAID LAND LEASE PAYMENTS

	Group		
	2004	2005	2006
	HK$'000	*HK$'000*	*HK$'000*
At 1st January			
Cost	–	–	–
Accumulated amortisation	–	–	–
Net book amount	–	–	–
For the year ended 31st December			
Additions	–	–	1,055
Amortisation	–	–	(21)
Closing net book amount	–	–	1,034
At 31st December			
Cost	–	–	1,055
Accumulated amortisation	–	–	(21)
Net book amount	–	–	1,034

The Group's prepaid land lease payments represent up-front payments to acquire an interest in the usage of land situated in Hong Kong, which is held under a medium-term lease.

16. INVESTMENT PROPERTIES

All of the Group's property interests held under operating leases to earn rentals are measured using the fair value model and are classified and accounted for as investment properties. Details of the operating lease arrangements are set out in Note 33 of Section II to the Financial Information.

Changes to the carrying amounts presented in the balance sheet can be summarised as follows:

	Group		
	2004	2005	2006
	HK$'000	*HK$'000*	*HK$'000*
Carrying amount at 1st January	–	36,660	39,800
Additions	34,715	–	–
Net gain from fair value adjustments *(Note 8 of Section II)*	1,945	3,140	–
Disposals	–	–	(39,800)
Carrying amount at 31st December	36,660	39,800	–

The investment properties were revalued as at 31st December, 2004 and 2005 by an independent firm of professionally qualified valuers, Dynasty Premium Asset Valuation and Real Estate Consultancy Limited. Valuations were based on current prices in an active market for the properties.

Investment properties of the Group were situated in Hong Kong and held under medium-term operating leases.

The investment properties were disposed of during the year ended 31st December, 2006. Prior to the disposal of the investment properties, the Group had leased out the investment properties under an operating lease.

17. INVESTMENTS IN SUBSIDIARIES

	Company		
	2004	**2005**	**2006**
	HK$'000	*HK$'000*	*HK$'000*
Unlisted shares, at cost	62,030	62,030	62,030
Less: Impairment losses	(62,029)	(62,030)	(62,030)
	1	–	–

Details of the subsidiaries at the date of this report are set out in Note 40 of Section II to the Financial Information.

18. INTERESTS IN ASSOCIATES

	Group			Company		
	2004	**2005**	**2006**	**2004**	**2005**	**2006**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Unlisted shares at cost, less impairment losses				–	–	–
Goodwill *(Note (a))*	–	–	1,411			
Share of net assets	–	–	–			
	–	–	1,411	–	–	–
Advances to associates *(Note (b))*						
– Trion Pacific Limited	70	70	70	70	70	70
– PPG Investments Limited ("PPGI")	16,022	14,036	27,649	–	–	–
	16,092	14,106	27,719	70	70	70
Less: Impairment losses	(8,741)	(8,741)	(8,741)	–	–	–
	7,351	5,365	18,978	70	70	70
	7,351	5,365	20,389	70	70	70
Less: Portion due within one year included under current assets	–	(5,365)	(18,978)	–	(70)	(70)
Non-current portion included under non-current assets	7,351	–	1,411	70	–	–

Notes:

(a) Goodwill above relates to the further acquisition of an indirect interest in PPGI from 20% to 50% on 11th December, 2006 by the Company. No impairment loss has been recognised at the balance sheet date.

PPGI serves as an investment vehicle and it has not been involved in any significant business transactions other than its investment of a 50% interest in Premier Printing Group Limited ("PPGL") which is engaged in printing business in Hong Kong and provides printing services to the Group (see Note 38 of Section II to the Financial Information). In view of the above, the directors of the Company carried out its impairment test for goodwill primarily based on the financial information of PPGL.

Impairment tests for goodwill

The recoverable amount of the goodwill is determined based on value-in-use calculation. The value-in-use calculation uses cash flow projection based on one-year financial budget approved by management and extrapolated to cover a period of five years. The key assumptions for the value-in-use calculation are those regarding the discount rate and growth rate during the period. Management estimates the discount rate using pre-tax rate that reflects current market assessments of the time value of money and the risks specific to PPGL. The growth rate is based on management's expectation for the market development. The discount rate used in the cash flow projection is 4 per cent. The growth rate used is assumed to be nil. Management believes that any reasonably foreseeable change in any of the above key assumptions would not cause the carrying amount of goodwill to exceed the recoverable amount.

(b) Advances to associates are unsecured, interest-free and repayable on demand.

(c) Particulars of the associates at the date of this report are as follows:

Name of company	Particulars of issued shares held	Country of incorporation/ operation and kind of legal entity	Percentage of interest held by the Company directly/ indirectly*	Principal activities
Oriental Touch China Limited	45 ordinary shares of US$1 each	British Virgin Islands/ Hong Kong, limited liability company	45%*	Stock photo sales
PPG Investments Limited	5,000 ordinary shares of US$1 each	British Virgin Islands/ Hong Kong, limited liability company	50%*	Investment holding
Trion Pacific Limited 三慧顧問有限公司	35 ordinary shares of HK$1 each	Hong Kong, limited liability company	35%	Inactive

(d) Summarised financial information in respect of the Group's associates is set out below:

	Assets	Liabilities	Equity	Revenues	Profit/ (Loss)
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
2004					
100 per cent	49,493	80,428	(30,935)	–	(3,933)
Group's effective interest	9,923	16,116	(6,193)	–	(790)
2005					
100 per cent	43,431	70,620	(27,189)	66	3,746
Group's effective interest	8,719	14,154	(5,435)	23	758
2006					
100 per cent	28,440	55,856	(27,416)	17	(221)
Group's effective interest	14,182	27,886	(13,704)	6	(116)

The financial information above is based on the unaudited management accounts during the Relevant Periods.

The Group has not recognised losses of HK$790,000, profits of HK$758,000 and losses of HK$116,000 for the Group's associates for the years ended 31st December, 2004, 2005 and 2006, respectively. As at 31st December, 2004, 2005 and 2006, the accumulated losses not recognised were HK$6,194,000, HK$5,436,000 and HK$5,552,000, respectively.

19. AMOUNTS DUE FROM SUBSIDIARIES

	Company		
	2004	2005	2006
	HK$'000	*HK$'000*	*HK$'000*
Amounts due from subsidiaries			
– interest bearing at 7% (2005: 2%) per annum	–	34,715	33,047
– interest-free	99,524	95,023	119,717
	99,524	129,738	152,764
Less: Allowances for amounts due from subsidiaries	(16,054)	(3,244)	(6,329)
	83,470	126,494	146,435
Less: Portion due within one year included under current assets	–	(126,494)	(146,435)
	83,470	–	–

For each of the two years ended 31st December, 2005 and 2006, the amounts due from subsidiaries are unsecured and repayable on demand. Accordingly, the amounts are classified as current assets.

For the year ended 31st December, 2004, the amounts due from subsidiaries were unsecured and had no fixed terms of repayment. In the opinion of directors, no repayment would be demanded within twelve months from the balance sheet date. Accordingly, the amounts were classified as non-current assets.

20. AMOUNTS DUE TO SUBSIDIARIES

The amounts due to subsidiaries are unsecured, interest-free and repayable on demand.

21. INVENTORIES

	Group		
	2004	2005	2006
	HK$'000	*HK$'000*	*HK$'000*
Raw materials	–	6,972	13,647
Work-in-progress	–	1,432	1,382
Finished goods	–	195	426
	–	8,599	15,455

All inventories were stated at cost.

22. TRADE AND OTHER RECEIVABLES AND DEPOSITS

	Group		
	2004	2005	2006
	HK$'000	*HK$'000*	*HK$'000*
Trade receivables	18,071	64,210	65,374
Less: Impairment of receivables	(290)	(698)	(2,087)
Trade receivables – net	17,781	63,512	63,287
Other receivables and deposits	3,691	14,234	12,437
	21,472	77,746	75,724

As at the respective balance sheet dates, the ageing analysis of trade receivables based on sales invoice date and net of provisions, is as follows:

	Group		
	2004	**2005**	**2006**
	HK$'000	*HK$'000*	*HK$'000*
0 – 30 days	6,153	13,355	19,792
31 – 60 days	5,191	12,310	13,385
61 – 90 days	2,436	11,982	8,602
91 – 120 days	2,689	16,969	12,280
121 – 150 days	1,062	6,647	6,623
Over 150 days	250	2,249	2,605
Total trade receivables	17,781	63,512	63,287

The Group allowed a credit period from 7 to 120 days, 7 to 150 days and 7 to 150 days to its customers for the years ended 31st December, 2004, 2005 and 2006 respectively.

23. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	Group		
	2004	**2005**	**2006**
	HK$'000	*HK$'000*	*HK$'000*
Held for trading			
Equity securities, listed in Hong Kong	–	162	11,452
Market value of listed securities	–	162	11,452

24. CASH AND CASH EQUIVALENTS

Cash and cash equivalents include the following components:

	Group			Company		
	2004	**2005**	**2006**	**2004**	**2005**	**2006**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Bank and cash balances	36,245	20,534	27,707	3,923	226	775
Cash at brokers	–	–	16,450	–	–	39
Short-term bank deposits	–	24,400	11,000	–	–	10,000
	36,245	44,934	55,157	3,923	226	10,814

The effective interest rates of short-term bank deposits of the Group as at 31st December, 2005 and 2006 ranged from 3.56% to 4% and 3.3% to 3.8%, respectively. These deposits have maturity periods ranging from 3 to 13 days and 1 to 3 days as at 31st December, 2005 and 2006, respectively, on inception and are eligible for immediate cancellation without penalty but, any interest for the last deposit period would be forfeited.

Included in bank and cash balances of the Group is Nil, HK$2,031,000 and HK$3,798,000 of bank balances denominated in Renminbi ("RMB") placed with banks in the PRC as at 31st December, 2004, 2005 and 2006, respectively. RMB is not a freely convertible currency. However, under the PRC's Foreign Exchange Control Regulations and Administration of Settlement, Sales and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

25. TRADE AND OTHER PAYABLES

	Group		
	2004	2005	2006
	HK$'000	*HK$'000*	*HK$'000*
Trade payables	172	33,067	20,516
Other payables	8,625	17,379	23,095
	8,797	50,446	43,611

As at the respective balance sheet dates, the ageing analysis of trade payables based on invoice date is as follows:

	Group		
	2004	2005	2006
	HK$'000	*HK$'000*	*HK$'000*
0 – 30 days	172	6,044	6,554
31 – 60 days	–	7,552	4,355
61 – 90 days	–	9,292	4,466
91 – 120 days	–	4,361	1,161
Over 120 days	–	5,818	3,980
Total trade payables	172	33,067	20,516

26. FINANCE LEASE LIABILITIES

The analysis of the obligations under finance leases is as follows:

	Group		
	2004	2005	2006
	HK$'000	*HK$'000*	*HK$'000*
Due within one year	–	5,168	4,667
Due in the second to fifth years	–	18,954	15,181
	–	24,122	19,848
Future finance charges on finance lease	–	(3,728)	(2,443)
Present value of finance lease liabilities	–	20,394	17,405

The present value of finance lease liabilities is as follows:

	Group		
	2004	2005	2006
	HK$'000	*HK$'000*	*HK$'000*
Due within one year	–	3,808	3,691
Due in the second to fifth years	–	16,586	13,714
	–	20,394	17,405
Less: Portion due within one year included under current liabilities	–	(3,808)	(3,691)
Non-current portion included non-current liabilities	–	16,586	13,714

The finance lease liabilities of HK$20,394,000 at 31st December, 2005 have been fully repaid in 2006. During the year ended 31st December, 2006, the Group entered into finance leases for various items of machinery. The lease runs for an initial period of five years. These leases do not have options to renew or any contingent rental provisions.

27. LOANS FROM MINORITY SHAREHOLDERS

As at 31st December, 2005, loans from minority shareholders were unsecured, interest-free and had no fixed term of repayments. During the year ended 31st December, 2006, HK$997,000 of the loans from minority shareholders of a subsidiary were repaid and the remaining amount was deemed to be repaid by way of full capitalisation of the loans into the newly issued ordinary shares of the subsidiary. The new shares of the subsidiary rank pari passu with the existing shares in all respects.

28. DEFERRED TAX LIABILITIES

Deferred taxation is calculated on temporary differences under the liability method using the rates of taxation prevailing in the countries in which the Group operates.

Group

The movement on the deferred tax liabilities is as follows:

	2004	**2005**	**2006**
	HK$'000	*HK$'000*	*HK$'000*
At 1st January	–	–	1,060
Deferred taxation charged to income statement *(Note 11 of Section II)*	–	1,060	930
At 31st December	–	1,060	1,990

The following are the major deferred tax liabilities/(assets) recognised in the balance sheet and the movements during the Relevant Periods:

	Accelerated tax depreciation	**Fair value gains**	**Tax losses**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
At 1st January, 2004	323	–	(323)	–
Charged/(Credited) to income statement	243	–	(243)	–
At 31st December, 2004 and 1st January, 2005	566	–	(566)	–
Charged/(Credited) to income statement	1,872	890	(1,702)	1,060
At 31st December, 2005 and 1st January, 2006	2,438	890	(2,268)	1,060
Charged/(Credited) to income statement	2,527	(890)	(707)	930
At 31st December, 2006	4,965	–	(2,975)	1,990

Company

No deferred tax has been provided in the financial statements of the Company during the Relevant Periods as there are no temporary differences.

At the respective balance sheet dates, the major components of unrecognised deductible temporary differences are as follows:

	Group			Company		
	2004	**2005**	**2006**	**2004**	**2005**	**2006**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Difference between depreciation and depreciation allowance	874	1,176	1,448	–	–	–
Unutilised tax losses	48,623	15,446	6,974	2,189	1,042	2,720
Other temporary differences	440	–	–	–	–	–
	49,937	16,622	8,422	2,189	1,042	2,720

The deductible temporary differences have not been recognised in the financial statements as it is not probable that future taxable profit will be available against which these deductible temporary differences can be utilised. All tax losses and deductible temporary differences of the Group and the Company have no expiry dates under the current tax legislation except for the tax losses amounting to Nil, HK$7,622,000 and HK$4,222,000, for the years ended 31st December, 2004, 2005 and 2006, respectively, incurred by three subsidiaries in the PRC which will expire after 5 years from the year in which the tax losses were incurred.

29. SHARE CAPITAL

	Number of shares			Nominal value		
	2004	**2005**	**2006**	**2004**	**2005**	**2006**
	'000	*'000*	*'000*	*HK$'000*	*HK$'000*	*HK$'000*
Authorised:						
Ordinary shares of HK$0.01, HK$0.20 and HK$0.20 each at beginning of year	10,000,000	500,000	500,000	100,000	100,000	100,000
Share consolidation	(9,500,000)	–	–	–	–	–
Ordinary shares of HK$0.20 each	500,000	500,000	500,000	100,000	100,000	100,000
Issued and fully paid:						
Ordinary shares of HK$0.01, HK$0.20 and HK$0.20 each at beginning of year	2,725,000	272,500	274,218	27,250	54,500	54,844
Rights shares issued at premium	2,725,000	–	–	27,250	–	–
Share consolidation	(5,177,500)	–	–	–	–	–
Shares issued on exercise of share options	–	1,718	582	–	344	116
Ordinary shares of HK$0.20 each	272,500	274,218	274,800	54,500	54,844	54,960

Rights issue

A special resolution was passed on 6th April, 2004 to approve a rights issue on the basis of one rights share for every share held by shareholders on the register of members on 6th April, 2004, at an issue price of HK$0.012 per right share, for the purposes of financing working capital and investment of the Group. The rights issue resulted in the issue of 2,725,000,000 shares of HK$0.010 each for a total cash consideration, before share issue expenses, of approximately HK$33 million.

Share consolidation

Pursuant to a special resolution passed on 26th August, 2004, a share consolidation on the basis that every twenty shares of HK$0.01 each in the issued and unissued share capital of the Company being consolidated into one consolidated share of HK$0.20 each was carried out ("Share Consolidation"). The authorised share capital of the Company remained at HK$100,000,000, but was divided into 500,000,000 shares of HK$0.20 each.

Shares issued on exercise of share options

The increase in share capital in 2005 and 2006 represented the shares issued on exercise of share options, granted under the Company's GEM share option scheme as stated in Note 30 of Section II to the Financial Information.

30. SHARE-BASED EMPLOYEE COMPENSATION

GEM share option scheme

The Company's GEM share option scheme (the "GEM 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 GEM 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 option.

Pursuant to Chapter 23 of the GEM Listing Rules, unless shareholders' prior approval 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 share-based employee compensation will be settled by issue of the Company's ordinary shares. The Group has no legal or constructive obligation to repurchase or settle the options other than in the Company's ordinary shares.

Details of the share options granted under the GEM Share Option Scheme are as follows:

Share option type	Date of grant	Number of options granted	Vesting period	Exercisable period	Exercise price per share *HK$*
2003	2.7.2003	1,875,000	2.7.2003 to 1.7.2004	2.7.2004 to 2.7.2013	0.24 *(Note)*
2004(a)	17.5.2004	3,000,000	17.5.2004 to 16.5.2005	17.5.2005 to 2.7.2013	0.28 *(Note)*
2004(b)	9.12.2004	250,000	9.12.2004 to 8.12.2005	9.12.2005 to 2.7.2013	0.43
2005	7.7.2005	1,250,000	7.7.2005 to 6.7.2006	7.7.2006 to 2.7.2013	0.80

Note: Following the Share Consolidation in 2004, the exercise prices of the share options were adjusted to HK$0.24 and HK$0.28 from the initial exercise price of HK$0.012 and HK$0.014 respectively. The number of share options was also adjusted as a result of Share Consolidation.

The following table discloses movements in the outstanding options granted under the GEM Share Option Scheme:

			Number of share options					
Year	Grantees	Share option type	Outstanding at 1st January	Granted during the year	Forfeited during the year	Consolidation during the year	Exercised during the year	Outstanding at 31st December
2004	Director	2004(a)	–	5,000,000	–	(4,750,000)	–	250,000
		2004(b)	–	250,000	–	–	–	250,000
			–	5,250,000	–	(4,750,000)	–	500,000
	Employees	2003	22,500,000	–	–	(21,375,000)	–	1,125,000
		2004(a)	–	55,000,000	(5,000,000)	(47,500,000)	–	2,500,000
	Sub-total		22,500,000	55,000,000	(5,000,000)	(68,875,000)	–	3,625,000
	Total		22,500,000	60,250,000	(5,000,000)	(73,625,000)	–	4,125,000
2005	Director	2004(a)	250,000	–	–	–	–	250,000
		2004(b)	250,000	–	–	–	–	250,000
			500,000	–	–	–	–	500,000
	Employees	2003	1,125,000	–	–	–	(540,000)	585,000
		2004(a)	2,500,000	–	–	–	(1,178,000)	1,322,000
		2005	–	1,250,000	(100,000)	–	–	1,150,000
	Sub-total		3,625,000	1,250,000	(100,000)	–	(1,718,000)	3,057,000
	Total		4,125,000	1,250,000	(100,000)	–	(1,718,000)	3,557,000

Year	Grantees	Share option type	Number of share options: Outstanding at 1st January	Granted during the year	Forfeited during the year	Consolidation during the year	Exercised during the year	Outstanding at 31st December
2006	Director	2004(a)	250,000	–	–	–	–	250,000
		2004(b)	250,000	–	–	–	–	250,000
			500,000	–	–	–	–	500,000
	Employees	2003	585,000	–	–	–	(260,000)	325,000
		2004(a)	1,322,000	–	(1,000)	–	(322,000)	999,000
		2005	1,150,000	–	–	–	–	1,150,000
	Sub-total		3,057,000	–	(1,000)	–	(582,000)	2,474,000
	Total		3,557,000	–	(1,000)	–	(582,000)	2,974,000

Note:

(i) No new share options were granted during the year ended 31st December, 2006. Total consideration received from employees and directors for taking up the options granted during the years ended 31st December, 2004 and 2005 amounted to HK$15 and HK$7, respectively.

(ii) There are 351,000 ordinary shares, which represent 0.1% of the issued share capital, available for issue under the GEM Share Option Scheme at the date of this report.

(iii) The closing price of the shares of HK$0.20 each of the Company quoted on the Stock Exchange on 30th June, 2003, 14th May, 2004, 8th December, 2004 and 6th July, 2005, being the business date immediately before the date on which share options were granted, was HK$0.24 (adjusted), HK$0.28 (adjusted), HK$0.43 and HK$0.75 respectively.

(iv) The closing price of the shares of HK$0.20 each of the Company quoted on the Stock Exchange on 14th March, 2005, 19th May, 2005, 31st August, 2005, 12th September, 2005, 26th September, 2005, 5th October, 2005, 31st October, 2005, 1st February, 2006 and 11th September, 2006, being the business date immediately before the date on which the options were exercised, was HK$1.39, HK$0.93, HK$0.9, HK$0.72, HK$0.8, HK$0.75, HK$0.72, HK$0.82 and HK$1.15 respectively.

(v) The fair values of options granted under the relevant GEM Share Option Scheme on 2nd July, 2003, 17th May, 2004, 9th December, 2004 and 7th July, 2005, measured at the date of grant, were approximately HK$170,000, HK$467,000, HK$69,000 and HK$663,000 respectively. The following significant assumptions were used to derive the fair values, using the Black-Scholes option pricing model:

Date of grant	7.7.2005	9.12.2004	17.5.2004	2.7.2003
Expected volatility (based on the annualised historical volatility of the closing price of the shares in the Company from 1st July, 2000 to the date of grant)	80.80%	77.90%	80.52%	74.33%
Expected life (in years)	5	5	5	5
Risk-free interest rate (being the approximate yield of 5-year Exchange Fund on the grant date)	3.32%	2.68%	3.77%	2.95%
Expected dividend yield	Nil	Nil	Nil	Nil

In total, HK$382,000, HK$569,000 and HK$332,000 of share-based employee compensation expense has been included in the consolidated income statement for the years ended 31st December, 2004, 2005 and 2006, respectively, with a corresponding credit in equity. No liabilities were recognised as they were all equity-settled share-based payment transactions.

31. RESERVES

		Group	
	2004	**2005**	**2006**
	HK$'000	*HK$'000*	*HK$'000*
Share premium	53,970	54,065	54,097
Employee compensation reserve	382	951	1,283
Exchange reserve	5	65	45
Merger reserve	(43,897)	(43,897)	(43,897)
Contributed surplus	45,000	34,031	7,925
Goodwill reserve	13,440	–	–
Capital contribution	–	521	–
(Accumulated losses)/Retained earnings	(25,061)	25,473	80,575
	43,839	71,209	100,028

Details of the movements in the above reserves during the Relevant Periods are set out in the consolidated statements of changes in equity on pages 141–142 to this document.

Company

	Share premium	**Employee compen-sation reserve**	**Con-tributed surplus**	**(Accu-mulated losses)**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1st January, 2004	49,724	–	62,919	(107,951)	4,692
Issue of rights shares	5,450	–	–	–	5,450
Share issue expenses	(1,204)	–	–	–	(1,204)
Equity-settled share-based payment expenses	–	382	–	–	382
Profit for the year	–	–	–	23,812	23,812
At 31st December, 2004 and 1st January, 2005	53,970	382	62,919	(84,139)	33,132
Shares issued on exercise of share options	116	–	–	–	116
Share issue expenses	(21)	–	–	–	(21)
Equity-settled share-based payment expenses	–	569	–	–	569
Profit for the year	–	–	–	38,590	38,590
Proposed final 2005 dividend *(Note 12 of Section II)*	–	–	(10,969)	–	(10,969)
At 31st December, 2005 and 1st January, 2006	54,065	951	51,950	(45,549)	61,417
Shares issued on exercise of share options	35	–	–	–	35
Share issue expenses	(3)	–	–	–	(3)
Equity-settled share-based payment expenses	–	332	–	–	332
Profit for the year	–	–	–	33,607	33,607
Additional final dividend paid relating to 2005 *(Note 12 of Section II)*	–	–	(8)	–	(8)
Interim 2006 dividend paid *(Note 12 of Section II)*	–	–	(5,488)	–	(5,488)
Proposed final and special 2006 dividends *(Note 12 of Section II)*	–	–	(20,610)	–	(20,610)
At 31st December, 2006	54,097	1,283	25,844	(11,942)	69,282

The contributed surplus of the Company comprises:

(i) an amount of HK$17,919,000 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 when the group reorganisation became effective over the nominal amount of the share capital of the Company issued under the group reorganisation, and

(ii) an amount of HK$45,000,000 which represents reduction in share capital in accordance with the Company's capital reorganisation in 2003, which involved (a) 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 (b) maintaining, after implementation of the reduction in nominal value of each share as referred to above, 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;

and is reduced by:

(iii) an amount of Nil, HK$10,969,000 and HK$35,701,000 representing the accumulated proposed dividend to be distributed or dividend distributed as at 31st December, 2004, 2005 and 2006, respectively.

The Company's reserves available for distribution comprise its contributed surplus and retained earnings.

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:

(a) it is, or would after the payment be, unable to pay its liabilities as they become due; or

(b) 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.

32. OPERATING LEASE COMMITMENTS

Group

As at the respective balance sheet dates, the total future minimum lease payments of the Group under non-cancellable operating leases are payable as follows:

	Rented premises and production facilities			Internet access line		
	2004	**2005**	**2006**	**2004**	**2005**	**2006**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Within one year	1,128	5,419	5,117	84	49	276
In the second to fifth years inclusive	501	13,333	12,444	42	–	172
After five years	–	22,589	8,921	–	–	–
	1,629	41,341	26,482	126	49	448

The Group leases a number of properties and production facilities and internet access line under operating leases or leases as defined under HK(IFRIC)-Int 4. The leases run for an initial period from one to ten years, with an option to renew the lease and renegotiate the terms at the expiry date or at dates as mutually agreed between the Group and respective landlords/lessors.

Company

The Company had no commitments under non-cancellable operating leases as at 31st December, 2004, 2005 and 2006.

33. OPERATING LEASE ARRANGEMENTS

Group

As at the respective balance sheet dates, the Group had future aggregate minimum lease receipts under non-cancellable operating leases as follows:

	2004	**2005**	**2006**
	HK$'000	*HK$'000*	*HK$'000*
Within one year	1,335	953	–
In the second to fifth years inclusive	238	–	–
	1,573	953	–

The Group leased its investment properties, as set out in Note 16 of Section II to the Financial Information, under operating lease arrangements which ran for an initial period of two years, without an option to renew the lease terms at the expiry date or at dates as mutually agreed between the Group and the respective tenants. The terms of the leases generally also required the tenants to pay security deposits.

Company

The Company had no operating lease arrangements under non-cancellable operating leases as at 31st December, 2004, 2005 and 2006.

34. CAPITAL COMMITMENTS

		Group			**Company**	
	2004	**2005**	**2006**	**2004**	**2005**	**2006**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Capital expenditure in respect of:						
Acquisition of property, plant and equipment contracted but not provided for in the financial statements	–	1,884	499	–	–	–
Capital investments in subsidiary to be established	–	–	–	4,680	–	–
	–	1,884	499	4,680	–	–

35. CORPORATE GUARANTEES

	Group			Company		
	2004	2005	2006	2004	2005	2006
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Corporate guarantees given and utilised*	–	–	–	–	16,000	14,000

* *As at 31st December, 2005 and 2006, the Company has given corporate guarantees to its non wholly owned subsidiary to the extent of HK$33,060,000 and HK$24,700,000, respectively, in relation to payments for certain finance leases to financial institutions as set out in Note 26 of Section II to the Financial Information, HK$16,000,000 and HK$14,000,000 of which was utilised, respectively.*

In the opinion of the directors of the Company, no material liabilities will arise from the above guarantees which arose in the ordinary course of business and the fair value of the corporate guarantees granted by the Company is immaterial.

36. RETIREMENT BENEFIT SCHEMES

The amount of retirement benefit contributions for the Group's employees, net of forfeited contributions, which has been dealt with in the income statement of the Group for the Relevant Periods are as follows:

	2004	2005	2006
	HK$'000	*HK$'000*	*HK$'000*
Gross retirement benefits scheme contributions	610	1,329	1,872
Less: Forfeited contributions for the year	(286)	(47)	–
Net retirement benefits scheme contributions *(Note 10 of Section II)*	324	1,282	1,872

There was no significant amount of forfeited contributions available to reduce future contributions payable by the Group as at 31st December, 2004, 2005 and 2006.

37. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

Major non-cash transactions

(a) During the years ended 31st December, 2004, 2005 and 2006, the Group entered into finance lease arrangements in respect of property, plant and equipment with a total capital value at the inception of the leases of Nil, HK$23,834,000 and HK$22,340,000, respectively.

(b) Details of the capitalisation of the loans from minority shareholders are set out in Note 27 of Section II to the Financial Information.

38. RELATED PARTY TRANSACTIONS AND BALANCES

Transactions between the Company and its subsidiaries, which are related parties of the Company, have been eliminated on consolidation and are not disclosed in this note. Save as disclosed in Notes 18, 19 and 20 of Section II to the Financial Information, details of the other significant transactions between the Group and other related parties during the Relevant Periods are disclosed as follows:

(a) Related party transactions

The Group paid printing costs of Nil, HK$12,861,000 and HK$12,536,000 to Premier Printing Group Limited ("PPGL"), a related company in which an associate company of the Group (PPGI) holds a 50% (2005 and 2004: 20%) interest, for the years ended 31st December, 2004, 2005 and 2006, respectively.

During the year ended 31st December, 2004, the Group received service income and rental income of HK$150,000 and HK$90,000, respectively, from the ultimate holding company of the Company, ER2 Holdings Limited, in which the directors, Mr. Lau Chuk Kin and Mr. Wan Siu Kau, had beneficial interests.

In the opinion of the directors, the transactions were carried out in the normal course of the Group's business and were charged at prices mutually agreed by the Group and the contracting parties. The directors also confirmed that, except for the printing costs to PPGL, the above related party transactions will not continue after the listing of the Company on the Main Board of the Stock Exchange by way of introduction.

(b) Compensation of key management personnel

The key management personnel of the Group are the directors of the Company. The remuneration of the key management personnel is determined by the remuneration committee having regard to the performance of individuals and market trends. Details of the remuneration paid to them are set out in Note 9(a) of Section II to the Financial Information.

39. HOLDING COMPANIES

As at 31st December, 2004, 2005 and 2006 and at the date of this report, the Company's ultimate holding company is ER2 Holdings Limited which was incorporated in Hong Kong and the Company's immediate holding company is City Apex Limited, which was incorporated in British Virgin Islands.

40. PARTICULARS OF SUBSIDIARIES

Name of company	Date of incorporation/ establishment	Place/Country of incorporation/ establishment and kind of legal entity	Class of shares	Issued and fully paid share capital/ registered capital	Percentage of issued capital held by the Company	Principal activities	*Notes*
1010 Group Limited	10th January, 2005	Hong Kong, limited liability company	Ordinary	HK$33,000,000	73%^	Investment holding	*(iii)*
1010 Printing International Limited 匯星印刷國際有限公司	10th January, 2005	Hong Kong, limited liability company	Ordinary	HK$1	73%^	Printing	*(iii)*
1010 Printing (UK) Limited	2nd January, 2007	United Kingdom, limited liability company	Ordinary	GBP1,000	54%^	Printing agency	*(x)*
Anson Worldwide Limited	8th November, 2002	British Virgin Islands, limited liability company	Ordinary	US$1	100%^	Inactive	*(iv)*

Name of company	Date of incorporation/ establishment	Place/Country of incorporation/ establishment and kind of legal entity	Class of shares	Issued and fully paid share capital/ registered capital	Percentage of issued capital held by the Company	Principal activities	*Notes*
Central Publisher Limited 卓越出版社有限公司	26th September, 1997	Hong Kong, limited liability company	Ordinary	HK$1,000	100%^	Publishing and investment trading	*(i)*
Chinavantage Group Limited 先傳媒集團有限公司	5th July, 2006	British Virgin Islands, limited liability company	Ordinary	US$1	100%^	Investment holding	*(iv)*
Easking Limited 宜勁有限公司	15th September, 2004	Hong Kong, limited liability company	Ordinary	HK$1	100%^	Investment holding	*(ii)*
Eastern Inflight Magazine Productions Limited 中國香港航機雜誌製作有限公司	12th February, 2004	British Virgin Islands, limited liability company	Ordinary	US$100	100%^	Investment holding	*(iv)*
Naturbest Investments Limited	15th August, 2006	British Virgin Islands, limited liability company	Ordinary	US$1	100%^	Investment holding	*(iv)*
Pandacareer.com Company Limited 才庫媒體集團有限公司	14th February, 2001	Hong Kong, limited liability company	Ordinary	HK$10,000	100%^	Inactive	*(i)*
Recruit Advertising Limited 才庫廣告有限公司	23rd April, 1991	Hong Kong, limited liability company	Ordinary	HK$105,000	76%^	Provision of advertising services	*(i)*
Recruit (BVI) Limited	15th March, 2000	British Virgin Islands, limited liability company	Ordinary	US$10,000	100%	Investment holding	*(iv)*
Recruit (China) Holdings Limited 才庫(中國)控股有限公司	3rd November, 2004	British Virgin Islands, limited liability company	Ordinary	US$1	95%^	Investment holding	*(iv)*
Recruit Company Limited 才庫媒體有限公司	18th January, 1994	Hong Kong, limited liability company	Ordinary	HK$213,536	100%^	Investment holding	*(i)*
Recruit Group Limited	8th January, 2007	British Virgin Islands, limited liability company	Ordinary	US$10,000	76%^	Investment holding	*(xi)*
Recruit Human Resources Group Limited 才庫招聘資源有限公司	7th April, 2005	British Virgin Islands, limited liability company	Ordinary	US$2,564,102	95%^	Investment holding	*(iv)*
Recruit Information Technology Limited 才庫資訊科技有限公司	7th November, 2003	Hong Kong, limited liability company	Ordinary	HK$1,000	76%^	Provision of website development and information technology services	*(i)*
Recruit Management Services Limited 才庫管理有限公司	13th April, 2006	Hong Kong, limited liability company	Ordinary	HK$1	100%^	Provision of corporate management services	*(xi)*

Name of company	Date of incorporation/ establishment	Place/Country of incorporation/ establishment and kind of legal entity	Class of shares	Issued and fully paid share capital/ registered capital	Percentage of issued capital held by the Company	Principal activities	*Notes*
Recruit Media Limited (formerly known as Recruit (China Investment) Limited 才庫(中國投資)有限公司)	26th July, 2004	Hong Kong, limited liability company	Ordinary	HK$1	100%^	Provision of advertising services	*(ii)*
Recruit Online Advertising Limited 才庫網絡廣告有限公司 (formerly known as The Recruit Publishing Company Limited 才庫出版有限公司)	30th April, 1999	Hong Kong, limited liability company	Ordinary	HK$52,000,000	76%^	Publishing and advertising business and investment holding	*(i)*
SAR Media Limited 文化特區出版有限公司	4th June, 1997	Hong Kong, limited liability company	Ordinary	HK$10,000	100%^	Provision of advertising services	*(i)*
Southern Inflight Magazine Production Limited 東南航機雜誌製作有限公司	19th April, 2005	Anguilla, limited liability company	Ordinary	US$1	100%^	Investment holding	*(iv)*
Shanghai Haifan Advertising Company Limited* 上海海帆廣告有限公司	23rd November, 2004	PRC, limited liability company	N/A	RMB1,000,000 (registered capital)	N/A**	Advertising business	*(v)*
Shanghai Decai Human Resources Company Limited* 上海德才人力資源有限公司	14th July, 2003	PRC, limited liability company	N/A	RMB1,000,000 (registered capital)	N/A**	Provision of staffing service	*(vi)*
Arabesque Advertising Limited* 廣州海螢廣告有限公司	1st February, 2005	PRC, limited liability company	N/A	HK$1,900,000 (registered capital)	100%^	Provision of advertising services	*(vii)*
Recruit Management Consulting (Shanghai) Company Limited* 才庫企業管理顧問(上海)有限公司	5th January, 2005	PRC, limited liability company	N/A	US$2,000,000 (registered capital)	95%^	Investment holding and provision of corporate management service	*(viii)*
Shanghai Lieying Human Resources Services Limited* 上海獵英人才服務有限公司	27th September, 2006	PRC, limited liability company	N/A	RMB100,000 (registered capital)	N/A**	Inactive	*(ix)*

^ *These subsidiaries are indirectly held by the Company.*

* *The English translation of Chinese names is included for identification only and should not be regarded as their official English translations.*

** *The Group does not have any direct equity interest in these entities. In the opinion of the directors of the Company, these entities are controlled by the Company by way of a series of contractual agreements entered between these entities and their respective shareholders in order to enable the Group to enjoy 95% of the economic benefits of these entities.*

None of the subsidiaries had any debt securities subsisting as at 31st December, 2004, 2005 and 2006 or at any time during the Relevant Periods.

Notes:

(i) The accounts of these companies for the year ended 31st December, 2004 were audited by Deloitte Touche Tohmatsu, Certified Public Accountants, Hong Kong and for each of the two years ended 31st December, 2005 and 2006 were audited by Grant Thornton, Certified Public Accountants, Hong Kong. These accounts were prepared in accordance with accounting principles generally accepted in Hong Kong and in compliance with all applicable Hong Kong Financial Reporting Standards issued by the HKICPA.

(ii) Newly incorporated in 2004. There is no statutory audit requirement for these companies from their dates of incorporation to 31st December, 2004. The accounts of these companies from their dates of incorporation to 31st December, 2005 and for the year ended 31st December, 2006 were audited by Grant Thornton, Certified Public Accountants, Hong Kong. These accounts were prepared in accordance with accounting principles generally accepted in Hong Kong and in compliance with all applicable Hong Kong Financial Reporting Standards issued by the HKICPA.

(iii) Newly incorporated in 2005. The accounts of these companies from their dates of incorporation to 31st December, 2005 and for the year ended 31st December, 2006 were audited by Grant Thornton, Certified Public Accountants, Hong Kong. These accounts were prepared in accordance with accounting principles generally accepted in Hong Kong and in compliance with all applicable Hong Kong Financial Reporting Standards issued by the HKICPA.

(iv) No audited financial statements have been prepared for these companies as there are no statutory or local audit requirements.

(v) Newly established in 2004 but acquired by the Group in 2005. The accounts of this company from its date of incorporation to 31st December, 2005 and for the year ended 31st December, 2006 were audited by certified public accountants registered in the PRC, Shanghai Xiao Tian Cheng Certified Public Accountants Co., Ltd. 上海驍天誠聯合會計師事務所. These accounts were prepared in accordance with the relevant accounting principles and financial regulations applicable to the PRC.

(vi) Newly established in 2003 but acquired by the Group in 2005. The accounts of this company for each of the three years ended 31st December, 2004, 2005 and 2006 were audited by certified public accountants registered in the PRC, Shanghai Xiao Tian Cheng Certified Public Accountants Co., Ltd. 上海驍天誠聯合會計師事務所. These accounts were prepared in accordance with the relevant accounting principles and financial regulations applicable to the PRC.

(vii) Newly established in 2005. The accounts of this company from its date of incorporation to 31st December, 2005 and for the year ended 31st December, 2006 were audited by certified public accountants registered in the PRC, Guangzhou Huijian Certified Public Accountants 廣州華天會計師事務所有限公司. These accounts were prepared in accordance with the relevant accounting principles and financial regulations applicable to the PRC.

(viii) Newly established in 2005. The accounts of this company from its date of incorporation to 31st December, 2005 and for the year ended 31st December, 2006 were audited by certified public accountants registered in the PRC, Shanghai Xiao Tian Cheng Certified Public Accountants Co., Ltd. 上海驍天誠聯合會計師事務所. These accounts were prepared in accordance with the relevant accounting principles and financial regulations applicable to the PRC.

(ix) Newly established in 2006. The accounts of this company from its date of incorporation to 31st December, 2006 were audited by certified public accountants registered in the PRC, Shanghai Xiao Tian Cheng Certified Public Accountants Co., Ltd. 上海驍天誠聯合會計師事務所. These accounts were prepared in accordance with the relevant accounting principles and financial regulations applicable to the PRC.

(x) Newly incorporated in 2007.

(xi) Newly acquired in 2007.

41. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group does not have written risk management policies and guidelines. However, the board of directors meets periodically to analyse and formulate strategies to manage and monitor the Group's exposure to a variety of risks associated with financial instruments. Generally, the Group employs conservative strategies regarding its risk management to ensure appropriate measures are implemented on a timely and effective manner. The risks associated with these financial instruments and the policies on how to mitigate these risks are briefly described as follows:

(a) Credit risk

The Group's maximum exposure to credit risk in the event of the counterparties failure to perform their obligations as at 31st December, 2004, 2005 and 2006 in relation to each class of recognised financial assets is the carrying amount of those assets as stated in the respective consolidated balance sheets. The Group limits its exposure to credit risk by prudently selecting its customers. The Group's trade and other receivables are actively monitored to avoid significant concentrations of credit risk. The Group also continually evaluates the credit risk of its customers to ensure appropriateness of the amount of credit granted. Credit is extended to customers based on the evaluation of individual customer's financial conditions. In addition, the Group reviews the recoverable amount of each individual trade debt at each balance sheet date to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Company consider the Group's credit risk is significantly reduced.

The Group has deposited their cash with various banks and brokers. The credit risk on cash and bank balances is limited because most of the Group's bank deposits are deposited with major banks and financial institutions located in Hong Kong and the PRC.

(b) Currency risk

The sales transactions of the Group are denominated in United States Dollars, Australian Dollars, RMB and Hong Kong Dollars and there are expenses and acquisition of plant and machinery that are required to be settled in United States Dollars, RMB and Hong Kong Dollars. Certain trade receivables and trade payables of the Group are denominated in foreign currencies, mainly United States Dollars, Australian Dollars and RMB. The Group monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

(c) Interest rate risk

The Group does not have any significant exposure to interest rate risk, as the Group has no financial assets and liabilities with floating interest rates except for certain finance lease contracts for each of the two years ended 31st December, 2005 and 2006. The Group adopts centralised treasury policies in cash and financial management and focuses on reducing the Group's overall interest expense. The terms of repayment of obligations under finance leases are set out in Note 26 of Section II to the Financial Information.

(d) Liquidity risk

The Group manages its funds conservatively by maintaining a comfortable level of cash and cash equivalents in order to meet its operational needs.

(e) Other pricing risk

The Group is exposed to commodity price risk such as for paper and ink. The management monitors commodity price exposure and will consider hedging significant commodity price exposure when the need arises.

The Group has invested in listed equity securities and they are measured at fair value at each balance sheet date. Therefore, the Group is exposed to equity price risk. The Group will monitor the price movements and take appropriate actions when it is required.

(f) Fair values

The directors of the Company consider the fair values of the Group's current financial assets and liabilities are not materially different from their carrying amounts because of the immediate or short-term maturity of these financial instruments.

III. SUBSEQUENT EVENTS

The following events took place subsequent to 31st December, 2006:

Subsequent to the year end, the Group entered into a Subscription and Sale and Purchase agreement with Jobstreet Corporation Berhad ("Jobstreet"), a Malaysian listed company, which would acquire a 20% interest in Recruit Group Limited ("RGL"), an indirect non wholly-owed subsidiary of the Company, for a total cash consideration of HK$15,000,000 (the "Acquisition"). The Acquisition comprised two parts: (1) Jobstreet purchased 10% of equity interest of RGL from a subsidiary of the Company at a consideration of HK$7,500,000, and (2) Jobstreet subscribed for 10% share capital of RGL at a subscription price of HK$7,500,000. The net proceeds from the Acquisition was intended to be used as the Group's general working. Upon completion of the Acquisition, effective interest held by the Company in RGL was decreased from 95% to 75.5%. The Acquisition was completed on 15th February, 2007. Further details of the transaction are set out in the Company's announcement dated 7th February, 2007.

IV. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared for the Company nor any of the companies now comprising the Group in respect of any period subsequent to 31st December, 2006.

Yours faithfully,
Grant Thornton
Certified Public Accountants
13th Floor, Gloucester Tower
The Landmark
15 Queen's Road Central
Hong Kong

The following is the text of the unaudited consolidated income statement of the Company for the three months ended 31st March, 2007 and the related notes extracted from the 2007 first quarterly report published by the Company.

UNAUDITED CONSOLIDATED INCOME STATEMENT

		(Unaudited) Three months ended 31st March,	
		2007	**2006**
	Notes	*HK$'000*	*HK$'000*
Revenue and turnover	*2*	73,692	62,748
Direct operating costs		(48,185)	(35,789)
Gross profit		25,507	26,959
Other operating income		13,298	1,324
Selling and distribution costs		(13,013)	(10,933)
Administrative expenses		(8,372)	(7,359)
Other operating expenses		(388)	–
Profit from operations	*3*	17,032	9,991
Finance costs		(255)	(369)
Profit before income tax		16,777	9,622
Income tax expense	*4*	(1,162)	–
Profit for the period		15,615	9,622
Attributable to:			
Equity holders of the Company		15,113	9,066
Minority interests		502	556
		15,615	9,622
Earnings per share for profit attributable to the equity holders of the Company during the period			
– Basic	*5*	HK5.50 cents	HK3.31 cents
– Diluted	*5*	HK5.46 cents	HK3.29 cents

Notes:

1. Basis of preparation

The Group's unaudited consolidated results for the three months ended 31st March, 2007 have been prepared in accordance with Chapter 18 of the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (the "GEM Listing Rules").

The Group's unaudited consolidated results for the three months ended 31st March, 2007 have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards and Interpretations issued by the Hong Kong Institute of Certified Public Accountants, and accounting principles generally accepted in Hong Kong. The accounting policies adopted in preparing these first quarterly results are consistent with those used in the Company's annual audited consolidated financial statements for the year ended 31st December, 2006. The first quarterly results are unaudited but have been reviewed by the Company's audit committee.

2. Revenue and turnover

	(Unaudited) Three months ended 31st March, 2007	2006
	HK$'000	*HK$'000*
Advertising income	53,445	43,010
Printing income	20,247	19,738
	73,692	62,748

3. Profit from operations

Profit from operations has been arrived at after charging/(crediting):

	(Unaudited) Three months ended 31st March, 2007	2006
	HK$'000	*HK$'000*
Amortisation and depreciation	3,176	2,226
Employee benefit expense	11,018	9,213
Gain on financial assets at fair value through profit or loss	(96)	(435)
Gain on partial disposal and dilution of interest in a subsidiary	(9,455)	–
Minimum lease payments paid or payable under operating leases or leases defined under HK(IFRIC) – Int 4 "Determining whether an arrangement contains a lease" in respect of:		
– Rented premises and production facilities	1,645	1,281
– Internet access line	21	21

4. Income tax expense

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

	(Unaudited) Three months ended 31st March, 2007 HK$'000	2006 HK$'000
The charge comprises:		
Profits tax for the period		
– Hong Kong	1,020	–
– Overseas	142	–
	1,162	–

Hong Kong profits tax has been provided at the rate of 17.5% on the Company's estimated assessable profits for the three months ended 31st March, 2007. No Hong Kong profits tax had been provided for the three months ended 31st March, 2006 as the Group had tax deductible losses brought forward from previous years. Taxation on overseas profits has been calculated on the estimated assessable profit for the year at the rates of taxation prevailing in the countries in which the Group operates.

5. Earnings per share

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

	(Unaudited) Three months ended 31st March, 2007 HK$'000	2006 HK$'000
Earnings for the purposes of basic and diluted earnings per share for the period	15,113	9,066

	(Unaudited) Number of shares *('000)* 2007	2006
Weighted average number of ordinary shares for the purposes of basic earnings per share	274,800	274,348
Effect of dilutive potential ordinary shares in respect of share options granted	1,808	1,452
Weighted average number of ordinary shares for the purposes of dilute dearnings per share	276,608	275,800

6. Movements in reserves (Unaudited)

	Share premium *HK$'000*	Employee compen-sation reserve *HK$'000*	Exchange reserve *HK$'000*	Merger reserve *HK$'000*	Contri-buted surplus *HK$'000*	Capital contri-bution *HK$'000*	Proposed final and special dividends *HK$'000*	Retained earnings *HK$'000*	Total *HK$'000*
2007									
At 1st January	54,097	1,283	45	(43,897)	7,925	–	20,610	80,575	120,638
Currency translation	–	–	(33)	–	–	–	–	–	(33)
Profit for the period	–	–	–	–	–	–	–	15,113	15,113
At 31st March	54,097	1,283	12	(43,897)	7,925	–	20,610	95,688	135,718
2006									
At 1st January	54,065	951	65	(43,897)	34,031	521	10,969	25,473	82,178
Shares issued at premium	16	–	–	–	–	–	–	–	16
Shares issue expenses	(3)	–	–	–	–	–	–	–	(3)
Equity-settled share based payment expenses	–	166	–	–	–	–	–	–	166
Currency translation	–	–	(3)	–	–	–	–	–	(3)
Profit for the period	–	–	–	–	–	–	–	9,066	9,066
At 31st March	54,078	1,117	62	(43,897)	34,031	521	10,969	34,539	91,420

The following is the text of a letter with the summary of values and valuation certificate received from CB Richard Ellis Limited, prepared for the purpose of incorporation in this document, in connection with their valuation as at 30th April, 2007 of all the property interests of the Group.

CBRE
CB RICHARD ELLIS
世邦魏理仕

34/F Central Plaza
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Wanchai, Hong Kong
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香港灣仔港灣道十八號中環廣場三十四樓
電話 852 2820 2800 傳真 852 2810 0830

27th June, 2007

The Board of Directors
Recruit Holdings Limited
26th Floor, 625 King's Road,
North Point, Hong Kong

Dear Sirs,

In accordance with your instructions for us to value the property interests held by Recruit Holdings Limited (the "Company") and its subsidiaries (hereinafter together known as the "Group") in the People's Republic of China (the "PRC") and Hong Kong. We confirm that we have carried out inspections, made relevant inquiries and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the capital values of such property interests as at 30th April, 2007 (the "date of valuation").

Our valuation is our opinion of Market Value which is defined to mean "the estimated amount for which a property should exchange on the date of valuation between a willing buyer and a willing seller in an arm's-length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion".

Unless otherwise stated, our valuation is prepared in accordance with the "First Edition 2005 of The HKIS Valuation Standards on Properties" published by The Hong Kong Institute of Surveyors (the "HKIS"). We have also complied with all the requirements contained in Paragraph 34(2),(3) of Schedule 3 of the Companies Ordinance (Cap. 32), Chapter 5, Practice Note 12 and Practice Note 16 of the Rules Governing the Listing of Securities (the "Listing Rules") issued by The Stock Exchange of Hong Kong Limited.

Our valuation has been made on the assumption that the owner sells the properties on the open market without the benefit or burden of a deferred term contract, leaseback, joint venture, management agreement or any similar arrangement, which would serve to affect the values of the property interests.

Under otherwise stated, all the property interests are valued by the comparison method on the assumption that each property can be sold with the benefit of vacant possession. Comparison is based on prices realized on actual transactions or asking prices of comparable properties. Comparable properties with similar sizes, character and locations are analyzed, and carefully weighted against all respective advantages and disadvantages of each property in order to arrive at a fair comparison of value.

For the property interest in Group I, which is held by the Group for occupation in Hong Kong, we have valued that property interests by the direct comparison approach. We have assumed sale of the property interests in its existing state with the benefit of vacant possession and by making reference to comparable sales transactions as available in the relevant market.

For the property interests in Group II and Group III which are rented by the Group in Hong Kong and the PRC, they are considered to have no commercial value due mainly to the prohibition against assignment or sub-letting or otherwise due to the lack of substantial profit rent.

In the course of our valuation for the property interests in the PRC, we have relied on the legal opinion provided by the Group's PRC legal advisor, Zhong Lun Law Firm (the "PRC Legal Opinion"). We have been provided with extracts from title documents relating to such property interests. We have not, however, searched for the original documents to verify ownership or existence of any amendment which do not appear on the copies handed to us. All documents have been used for reference only.

For the property interests in Hong Kong, we have caused searches to be made at the Land Registry. However, we have not examined the original documents to verify ownership or to ascertain the existence of any lease amendment that may not appear on the copies handed to us. All documents have been used for reference only.

We have relied to a considerable extent on information given by the Group, in particular, but not limited to, planning approvals, statutory notices, easements, tenancies, floor areas. No on-site measurement has been taken. Dimensions, measurements and areas included in the valuation certificate are only approximations. We have taken every reasonable care both during inspecting the information provided to us and in making relevant enquiries. We have no reason to doubt the truth and accuracy of the information provided to us by the Group, which is material to the valuation. We were also advised by the Group that no material facts have been omitted from the information provided to us.

We have inspected the properties to such extent as for the purpose of this valuation. In the course of our inspection, we did not notice any serious defects. However, we have not carried out any structural survey nor any tests were made on the building services. Therefore, we are not able to report whether the properties are free of rot, infestation or any other structural defects.

No allowance has been made in our valuation neither for any charges, mortgages or amounts owing on the property interests nor for any expenses or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the property interests are free from encumbrances, restrictions and outgoing of an onerous nature which could affect their values.

Unless otherwise stated, all monetary amounts are stated in Hong Kong Dollars ("HK$").

We enclose herewith a summary of values and our valuation certificate.

Yours faithfully,
For and on behalf of
CB Richard Ellis Limited
Kam Hung YU
BSc (Hons) FHKIS FRICS RPS(GP) FHIREA
Senior Managing Director
Valuation & Advisory Services

Note: Mr. Yu is the Senior Vice President of the Hong Kong Institue of Surveyors. He is a Registered Professional Surveyor (General Practice), a fellow of Royal Institution of Chartered Surveyors, a fellow of the Hong Kong Institute of Surveyors and a fellow of the Hong Kong Institute of Real Estate Administration. He has over 25 years of valuation experience in Hong Kong and the PRC.

SUMMARY OF VALUES

Property interests	Capital value in existing state as at 30th April, 2007 *(HK$)*	Interests attributable to the Group	Capital value attributable to the Group as at 30th April, 2007 *(HK$)*
Group I – Property interests held by the Group for occupation in Hong Kong			
1. Workshop 3 on 9th Floor, Technology Plaza, No. 651 King's Road, North Point, Hong Kong	1,580,000	100%	1,580,000
		Group I Sub-total:	**1,580,000**
Group II – Property interests rented by the Group in Hong Kong			
2. 26th Floor, No. 625 King's Road, North Point, Hong Kong			No commercial value
3. Unit Nos. 2013 – 2016 on 20th Floor, Tsuen Wan Industrial Centre, Nos. 220 – 248 Texaco Road, Tsuen Wan, New Territories, Hong Kong			No commercial value
		Group II Sub-total:	**No commercial value**

Property interests	Capital value in existing state as at 30th April, 2007 *(HK$)*	Interests attributable to the Group	Capital value attributable to the Group as at 30th April, 2007 *(HK$)*
Group III – Property interests rented by the Group in the PRC			
4. Room No. 1001, Wuyang Xincheng Plaza, No. 111 – 115 Si You Xin Ma Road, Yuexiu District, Guangzhou City, Guangdong Province, the People's Republic of China			No commercial value
5. Unit Nos. 701, 702, 705, 706 and 707, 7th Floor, Block 8, Dai Ning International Commercial Plaza, No. 1968 Gong He Xin Road, Zhabei District Shanghai City, the People's Republic of China			No commercial value
6. Room 305, Block 6, No. 68 North Zhangjiabang Road, Shanghai City, the People's Republic of China			No commercial value
	Group III Sub-total:		**No commercial value**
	Grand Total:		**1,580,000**

VALUATION CERTIFICATE

Group I – Property interests held by the Group for occupation in Hong Kong

	Property	Description and tenure	Details of occupancy	Capital value in existing state as at 30th April, 2007
1.	Workshop 3 on 9th Floor, Technology Plaza, No. 651 King's Road, North Point, Hong Kong The property comprises 17/1991 equal undivided shares of and in the Inland Lot No. 7666.	The property comprises a workshop unit on the 9th floor in a 25-storey office building, namely Technology Plaza. The property was completed in about 1995. The gross floor area of the property is approximately 77.48 sq.m. The property is held under the Government Lease for a term of 75 years from 25th May, 1959 with a right of renewal for a further term of 75 years. The Government rent payable is HK$602 per annum.	The property is currently occupied by the Group as a storeroom.	HK$1,580,000 (100% interest attributable to the Group: HK$1,580,000)

Notes:

1. The registered owner of the property is Recruit Advertising Limited.

2. The property is subject to the following encumbrance:

   a. Deed of Mutual Covenant and Management Agreement vide Memorial Number UB6475214.

3. The property lies within an area zoned “Commercial” under the relevant outline zoning plan.

VALUATION CERTIFICATE

Group II – Property interests rented by the Group in Hong Kong

	Property	Description and tenure	Details of occupancy	Capital value in existing state as at 30th April, 2007
2.	26th Floor, No. 625 King's Road, North Point, Hong Kong	The property comprises an office unit on the 26th floor in a 28-storey office building, namely 625 King's Road. The property was completed in about 1998. The gross floor area of the property is approximately 11,821 sq.m. The property is leased by Island Land Development Limited to the Group for a term of 3 years from 27th April, 2006 to 26th April, 2009 at a monthly rental of HK$147,762.5.	The property is currently occupied by the Group as an office.	No commercial value

Notes:

1. The registered owner of the property is Island Land Development Limited.

2. We were advised that the registered owner is an independent third party of the Group.

3. As advised by the Company, the gross floor area of the property is approximately 11,821 sq.m.

4. The property lies within an area zoned "Commercial" under the relevant outline zoning plan.

VALUATION CERTIFICATE

	Property	Description and tenure	Details of occupancy	Capital value in existing state as at 30th April, 2007
3.	Unit Nos. 2013 – 2016 on 20th Floor Tsuen Wan Industrial Centre, Nos. 220 – 248 Texaco Road, Tsuen Wan, New Territories, Hong Kong	The property comprises a combined office unit (Nos. 2013 – 2016) on the 20th floor in a 26-storey office building, namely Tsuen Wan Industrial Centre. The property was completed in about 1980. The gross floor area of the property is approximately 1,009 sq.m. The property is leased by Chiu Wah Logistics Limited to the Group for a term of 3 years from 1st February, 2006 to 31st January, 2009 at a current monthly rental of HK$43,420 with an option to renew for a further term of 2 years at a monthly rent of HK$47,762.	The property is currently occupied by the Group as an office.	No commercial value

Notes:

1. The registered owner of the property is Chiu Wah Logistics Limited.

2. We were advised that the registered owner is an independent third party of the Group.

3. The property is subject to following encumbrance:

   a. Mortgage vide Memorial Number TW1566918 in favour of DBS Bank (Hong Kong) Limited.

4. The property lies within an area zoned “Industrial” under the relevant outline zoning plan.

VALUATION CERTIFICATE

Group III – Property interests rented by the Group in the PRC

	Property	Description and tenure	Details of occupancy	Capital value in existing state as at 30th April, 2007
4.	Room No. 1001, Wuyang Xincheng Plaza, No. 111 – 115 Si You Xin Ma Road, Yuexiu District, Guangzhou City, Guangdong Province, the People's Republic of China.	The property comprises an office unit on the 10th floor in a 29-storey office building, namely Wuyang Xincheng Plaza. The property was completed in about 1996. The gross floor area of the property is approximately 140.74 sq.m. The property is leased to the Group for a term from 29th August, 2006 to 30th August, 2007 at a monthly rental of RMB6,756.	The property is currently occupied by the Group as an office.	No commercial value

Notes:

1. Pursuant to the Realty Title Certificate No. Yue Fang Di Zheng Zi Di C2338656, the owner of the property is 廣州東華實業股份有限公司 (Guangzhou Dong Hua Shiye Share Holding Co.,Ltd.).

2. We were advised that the owner is an independent third party of the Group.

3. Pursuant to a tenancy agreement and a supplemental tenancy agreement both entered into between 廣州東華實業股份有限公司 (Guangzhou Dong Hua Shiye Share Holding Co., Ltd.) (Party A) and the Group (Party B) dated 28th August, 2006, Party A agreed to lease the property to Party B and some of the important terms stipulated in the tenancy agreement are, *inter alia*, as follows:

   i. The lease term is from 29th August, 2006 to 30th August, 2007.

   ii. The rent free-period is from 29th August, 2006 to 12th September, 2006 allowed for interior decoration.

   iii. The monthly rental is RMB6,756.

4. The tenancy agreement has been registered at Guangzhou Yuexiu District State-owned Land Resources and Housing Administrative Bureau.

5. We have been provided with a legal opinion on the property, prepared by the Group's PRC legal advisor, which contains, *inter alia*, the following information:

   a. The tenancy agreement and the supplementary tenancy agreement entered into between Guangzhou Dong Hua Shiye Share Holding Co., Ltd. and the Group dated 28th August, 2006 are legal, valid and legally binding on both parties.

b. The existing use of the property complies with the prescribed uses.

c. The tenancy agreement of the property has been registered.

d. The property has been mortgaged to ICBC Bank Guangzhou City Xi Hua Road Branch (中國工商銀行廣州市西華路支行) by the owner. The negative impact of the mortgage could be remote.

VALUATION CERTIFICATE

	Property	Description and tenure	Details of occupancy	Capital value in existing state as at 30th April, 2007
5.	Unit Nos. 701, 702, 705, 706 and 707, 7th Floor, Block 8, Dai Ning International Commercial Plaza, No. 1968 Gong He Xin Road, Zhabei District, Shanghai City, the People's Republic of China	The property comprises 5 office units on the 7th floor in a 12-storey building with a total gross floor area of approximately 765.16 sq.m. The property was completed in about 2006. The property is leased to the Group for a term of 2 years from 1st October, 2007 to 30th September, 2009 at a monthly rental of RMB104,732.	The property is currently occupied by the Group as offices.	No commercial value

Notes:

1. Pursuant to the following Shanghai Realty Title Certificates, the owner of the property is China Real Estate II Limited.

Unit No.	Shanghai Certificate of Real Estate Ownership No.	Date of Issuance	Gross Floor Area	Date of Expiry
			(sq.m)	
Unit 701	Hu Fang Di Zha Zi (2006) Di No. 019121	24th October, 2006	147.41	23rd November, 2053
Unit 702	Hu Fang Di Zha Zi (2006) Di No. 019120	24th October, 2006	67.74	23rd November, 2053
Unit 705	Hu Fang Di Zha Zi (2006) Di No. 019123	24th October, 2006	152.32	23rd November, 2053
Unit 706	Hu Fang Di Zha Zi (2006) Di No. 019122	24th October, 2006	152.63	23rd November, 2053
Unit 707	Hu Fang Di Zha Zi (2006) Di No. 019059	24th October, 2006	245.06	23rd November, 2053
		Total:	**765.16**	

2. We were advised that the owner is an independent third party of the Group.

3. Pursuant to three tenancy agreements entered into between China Real Estate II Limited (Party A) and the Group (Party B) dated 9th May, 2007, Party A agreed to lease the property to Party B and some of the important terms stipulated in the tenancy agreements are, *inter alia*, as follows:

Unit No.	Rent free period	Monthly Rental	Lease Term
		(RMB)	
Unit 701	15th March, 2007 to 30th September, 2007	20,177	1st October, 2007 to 30th September, 2009
Unit 702 and 705	15th March, 2007 to 30th September, 2007	30,121	1st October, 2007 to 30th September, 2009
Unit 706 and 707	15th March, 2007 to 30th September, 2007	54,434	1st October, 2007 to 30th September, 2009
	Total:	**104,732**	

4. The property has been occupied by the Group since 15th March, 2007.

5. On 25th May, 2007, after the date of valuation, the tenancy agreements of the property have been registered.

6. We have been provided with a legal opinion on the property prepared by the Group's PRC legal advisor, which contains, *inter alia*, the following information:

    a. The three tenancy agreements dated 9th May, 2007 entered into between China Real Estate II Limited as a landlord and the Group as a tenant are legal, valid and legally binding on both parties.

    b. The existing use of the property complies with the prescribed uses.

    c. The property is free from any mortgage.

VALUATION CERTIFICATE

	Property	Description and tenure	Details of occupancy	Capital value in existing state as at 30th April, 2007
6.	Room 305, Block 6, No. 68 North Zhangjiabang Road, Shanghai City, the People's Republic of China	The property comprises an office unit in a 6-storey building with a gross floor area of approximately 58 sq.m. The property was completed in about 1998. The property is leased to the Group for a term of 10 years from 1st December, 2004 to 30th November, 2014 at an annual rental of RMB1,200.	As advised by the Group, the property is currently occupied as an office.	No commercial value

Notes:

1. Pursuant to the Building Ownership Certificate No. Hu Fang Huang Zi Di 19959, the owner of the property is Shanghai Zhongli Elevator Factory.

2. We were advised that the owner is an independent third party of the Group.

3. Pursuant to a tenancy agreement entered into between Shanghai Zhongli Elevator Factory (Party A) and the Group (Party B) dated 30th November, 2004, Party A agreed to lease the property to Party B and some of the important terms stipulated in the tenancy agreement are, as follows:

   i. The lease term is 10 years from 1st December, 2004 to 30th November, 2014.

   ii. The annual rental is RMB1,200.

4. We have been provided with a legal opinion on the property prepared by the Group's PRC legal advisor, which contains, *inter alia*, the following information:

   a. The property is occupied by the Group for office use.

   b. The registration of the property, including its approved usage, is not available.

   c. As the title record of the property is not available, the Group's PRC legal advisers are not able to confirm that Party A is legally entitled to lease the property. The tenancy agreement may be held invalid and relevant negative impact of the invalidity of tenancy agreement could not be material.

Set out below is a summary of certain provisions of the memorandum of continuance (the "Memorandum of Continuance") and bye-laws (the "Bye-laws") of the Company and of certain aspects of the Companies Act.

1. MEMORANDUM OF CONTINUANCE

The Memorandum of Continuance states, *inter alia*, that the liability of members of the Company is limited to the amount, if any, for the time being unpaid on the Shares respectively held by them and that the Company is an exempted company as defined in the Companies Act. The Memorandum of Continuance also sets out the objects for which the Company was formed, including acting as a holding and investment company. As an exempted company, the Company will be carrying on business outside Bermuda from a place of business within Bermuda.

In accordance with and subject to section 42A of the Companies Act, the Memorandum of Continuance empowers the Company to purchase its own shares and pursuant to its Bye-laws, this power is exercisable by the board of Directors (the "board") upon such terms and subject to such conditions as it thinks fit.

2. BYE-LAWS

The Bye-laws were adopted on 16th January, 2003 and amended at the annual general meetings held on 22nd April, 2004, 18th March, 2005 and the special general meeting held on 30th December, 2005. The following is a summary of certain provisions of the Bye-laws:

(a) Directors

(i) Power to allot and issue shares and warrants

Subject to any special rights conferred on the holders of any shares or class of shares, any share may be issued with or have attached thereto such rights, or such restrictions, whether with regard to dividend, voting, return of capital, or otherwise, as the Company may by ordinary resolution determine (or, in the absence of any such determination or so far as the same may not make specific provision, as the board may determine). Subject to the Companies Act, any preference shares may be issued or converted into shares that are liable to be redeemed, at a determinable date or at the option of the Company or, if so authorised by the Memorandum of Continuance, at the option of the holder, on such terms and in such manner as the Company before the issue or conversion may by ordinary resolution determine. The board may issue warrants conferring the right upon the holders thereof to subscribe for any class of shares or securities in the capital of the Company on such terms as it may from time to time determine.

Subject to the provisions of the Companies Act, the Bye-laws, any direction that may be given by the Company in general meeting and, where applicable, the rules of any Designated Stock Exchange (as defined in the Bye-laws) and without prejudice to any special rights or restrictions for the time being attached to any shares or any class of shares, all unissued shares in the Company shall be at the disposal of the board, which may offer, allot, grant options over or otherwise dispose of them to such persons, at such times, for such consideration and on such terms and conditions as it in its absolute discretion thinks fit, but so that no shares shall be issued at a discount.

Neither the Company nor the board shall be obliged, when making or granting any allotment of, offer of, option over or disposal of shares, to make, or make available, any such allotment, offer, option or shares to members or others with registered addresses in any particular territory or territories being a territory or territories where, in the absence of a registration statement or other special formalities, this would or might, in the opinion of the board, be unlawful or impracticable. Members affected as a result of the foregoing sentence shall not be, or be deemed to be, a separate class of members for any purpose whatsoever.

(ii) Power to dispose of the assets of the Company or any of its subsidiaries

There are no specific provisions in the Bye-laws relating to the disposal of the assets of the Company or any of its subsidiaries.

Note: The Directors may, however, exercise all powers and do all acts and things which may be exercised or done or approved by the Company and which are not required by the Bye-laws or the Companies Act to be exercised or done by the Company in general meeting.

(iii) Compensation or payments for loss of office

Payments to any Director or past Director of any sum by way of compensation for loss of office or as consideration for or in connection with his retirement from office (not being a payment to which the Director is contractually entitled) must be approved by the Company in general meeting.

(iv) Loans and provision of security for loans to Directors

There are no provisions in the Bye-laws relating to the making of loans to Directors. However, the Companies Act contains restrictions on companies making loans or providing security for loans to their directors, the relevant provisions of which are summarised in the paragraph headed "Bermuda company law" in this Appendix.

(v) Financial assistance to purchase shares of the Company

Neither the Company nor any of its subsidiaries shall directly or indirectly give financial assistance to a person who is acquiring or proposing to acquire shares in the Company for the purpose of that acquisition whether before or at the same time as the acquisition takes place or afterwards, provided that the Bye-laws shall not prohibit transactions permitted under the Companies Act.

(vi) Disclosure of interests in contracts with the Company or any of its subsidiaries

A Director may hold any other office or place of profit with the Company (except that of auditor of the Company) in conjunction with his office of Director for such period and, subject to the Companies Act, upon such terms as the board may determine, and may be paid such extra remuneration (whether by way of salary, commission, participation in profits or otherwise) in addition to any remuneration provided for by or pursuant to any other Bye-laws. A Director may be or become a director or other officer of, or a member of, any company promoted by the Company or any other company in which the Company may be interested, and shall not be liable to account to the Company or the members for any remuneration, profits or other benefits received by him as a director, officer or member of, or from his interest in, such other company. Subject as otherwise provided by the Bye-laws, the board may also cause the voting power conferred by the shares in any other company held or owned by the Company to be exercised in such manner in all respects as it thinks fit, including the exercise thereof in favour of any resolution appointing the Directors or any of them to be directors or officers of such other company, or voting or providing for the payment of remuneration to the directors or officers of such other company.

Subject to the Companies Act and to the Bye-laws, no Director or proposed or intending Director shall be disqualified by his office from contracting with the Company, either with regard to his tenure of any office or place of profit or as vendor, purchaser or in any other manner whatsoever, nor shall any such contract or any other contract or arrangement in which any Director is in any way interested be liable to be avoided, nor shall any Director so contracting or being so interested be liable to account to the Company or the members for any remuneration, profit or other benefits realised by any such contract or arrangement by reason of such Director holding that office or the fiduciary relationship thereby established. A Director who to his knowledge is in any way, whether directly or indirectly, interested in a contract or arrangement or proposed contract or arrangement with the Company shall declare the nature of his interest at the meeting of the board at which the question of entering into the contract or arrangement is first taken into consideration, if he knows his interest then exists, or in any other case, at the first meeting of the board after he knows that he is or has become so interested.

A Director shall not vote (nor be counted in the quorum) on any resolution of the board approving any contract or arrangement or other proposal in which he or any of his associates is materially interested but this prohibition shall not apply to any of the following matters, namely:

(aa) any contract or arrangement for giving to such Director or his associate(s) any security or indemnity in respect of money lent by him or any of his associates or obligations incurred or undertaken by him or any of his associates at the request of or for the benefit of the Company or any of its subsidiaries;

(bb) any contract or arrangement for the giving of any security or indemnity to a third party in respect of a debt or obligation of the Company or any of its subsidiaries for which the Director or his associate(s) has himself/themselves assumed responsibility in whole or in part whether alone or jointly under a guarantee or indemnity or by the giving of security;

(cc) any contract or arrangement concerning an offer of shares or debentures or other securities of or by the Company or any other company which the Company may promote or be interested in for subscription or purchase, where the Director or his associate(s) is/are or is/are to be interested as a participant in the underwriting or sub-underwriting of the offer;

(dd) any contract or arrangement in which the Director or his associate(s) is/are interested in the same manner as other holders of shares or debentures or other securities of the Company by virtue only of his/their interest in shares or debentures or other securities of the Company;

(ee) any contract or arrangement concerning any other company in which the Director or his associate(s) is/are interested only, whether directly or indirectly, as an officer or executive or a shareholder or in which the Director and any of his associates are not in aggregate beneficially interested in 5 per cent. or more of the issued shares or of the voting rights of any class of shares of such company (or of any third company through which his interest or that of any of his associates is derived); or

(ff) any proposal or arrangement concerning the adoption, modification or operation of a share option scheme, a pension fund or retirement, death, or disability benefits scheme or other arrangement which relates both to Directors, his associates and employees of the Company or of any of its subsidiaries and does not provide in respect of any Director, or his associate(s), as such any privilege or advantage not accorded generally to the class of persons to which such scheme or fund relates.

(vii) Remuneration

The ordinary remuneration of the Directors shall from time to time be determined by the Company in general meeting, such remuneration (unless otherwise directed by the resolution by which it is voted) to be divided amongst the Directors in such proportions and in such manner as the board may agree or, failing agreement, equally, except that any Director holding office for part only of the period in respect of which the remuneration is payable shall only rank in such division in proportion to the time during such period for which he held office. The Directors shall also be entitled to be prepaid or repaid all travelling, hotel and incidental expenses reasonably incurred or expected to be incurred by them in attending any board meetings, committee meetings or general meetings or separate meetings of any class of shares or of debentures of the Company or otherwise in connection with the discharge of their duties as Directors.

Any Director who, by request, goes or resides abroad for any purpose of the Company or who performs services which in the opinion of the board go beyond the ordinary duties of a Director may be paid such extra remuneration (whether by way of salary, commission, participation in profits or otherwise) as the board may determine and such extra remuneration shall be in addition to or in substitution for any ordinary remuneration provided for by or pursuant to any other Bye-law. A Director appointed to be a managing director, joint managing director, deputy managing director or other executive officer shall receive such remuneration (whether by way of salary, commission or participation in profits or otherwise or by all or any of those modes) and such other benefits (including pension and/or gratuity and/or other benefits on retirement) and allowances as the board may from time to time decide. Such remuneration may be either in addition to or in lieu of his remuneration as a Director.

The board may establish or concur or join with other companies (being subsidiary companies of the Company or companies with which it is associated in business) in establishing and making contributions out of the Company's monies to any schemes or funds for providing pensions, sickness or compassionate allowances, life assurance or other benefits for employees (which expression as used in this and the following paragraph shall include any Director or ex-Director who may hold or have held any executive office or any office of profit with the Company or any of its subsidiaries) and ex-employees of the Company and their dependants or any class or classes of such persons.

The board may pay, enter into agreements to pay or make grants of revocable or irrevocable, and either subject or not subject to any terms or conditions, pensions or other benefits to employees and ex-employees and their dependants, or to any of such persons, including pensions or benefits additional to those, if any, to which such employees or ex-employees or their dependants are or may become entitled under any such scheme or fund as is mentioned in the previous paragraph. Any such pension or benefit may, as the board considers desirable, be granted to an employee either before and in anticipation of, or upon or at any time after, his actual retirement.

(viii) Retirement, appointment and removal

At each annual general meeting, one third of the Directors for the time being (or if their number is not a multiple of three, then the number nearest to but not less than one third) will retire from office by rotation provided that every Director shall be subject to retirement at least once every three years. The Directors to retire in every year will be those who have been longest in office since their last re-election or appointment but as between persons who became or were last re-elected Directors on the same day those to retire will (unless they otherwise agree among themselves) be determined by lot.

Note: There are no provisions relating to retirement of Directors upon reaching any age limit.

The Directors shall have the power from time to time and at any time to appoint any person as a Director either to fill a casual vacancy on the board or, subject to authorisation by the members in general meeting, as an addition to the existing board but so that the number of Directors so appointed shall not exceed any maximum number determined from time to time by the members in general meeting. Any Director so appointed shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election at the meeting. Neither a Director nor an alternate Director is required to hold any shares in the Company by way of qualification.

Subject to any provision to the contrary in the Bye-laws, a Director may be removed by an ordinary resolution of the Company before the expiration of his period of office (but without prejudice to any claim which such Director may have for damages for any breach of any contract between him and the Company) provided that the notice of any such meeting convened for the purpose of removing a Director shall contain a statement of the intention to do so and be served on such Director 14 days before the meeting and, at such meeting, such Director shall be entitled to be heard on the motion for his removal. Unless otherwise determined by the Company in general meeting, the number of Directors shall not be less than two. There is no maximum number of Directors unless otherwise determined from time to time by members of the Company.

The board may from time to time appoint one or more of its body to be managing director, joint managing director, or deputy managing director or to hold any other employment or executive office with the Company for such period (subject to their continuance as Directors) and upon such terms as the board may determine and the board may revoke or terminate any of such appointments (but without prejudice to any claim for damages that such Director may have against the Company or vice versa). The board may delegate any of its powers, authorities and discretions to committees consisting of such Director or Directors and other persons as the board thinks fit, and it may from time to time revoke such delegation or revoke the appointment of and discharge any such committees either wholly or in part, and either as to persons or purposes, but every committee so formed shall, in the exercise of the powers, authorities and discretions so delegated, conform to any regulations that may from time to time be imposed upon it by the board.

(ix) Borrowing powers

The board may from time to time at its discretion exercise all the powers of the Company to raise or borrow money, to mortgage or charge all or any part of the undertaking, property and assets (present and future) and uncalled capital of the Company and, subject to the Companies Act, to issue debentures, bonds and other securities of the Company, whether outright or as collateral security for any debt, liability or obligation of the Company or of any third party.

Note: These provisions, in common with the Bye-laws in general, can be varied with the sanction of a special resolution of the Company.

(b) Alterations to constitutional documents

The Bye-laws may be rescinded, altered or amended by the Directors subject to the confirmation of the Company in general meeting. The Bye-laws state that a special resolution shall be required to alter the provisions of the Memorandum of Continuance, to confirm any such rescission, alteration or amendment to the Bye-laws or to change the name of the Company.

(c) Alteration of capital

The Company may from time to time by ordinary resolution in accordance with the relevant provisions of the Companies Act:

(i) increase its capital by such sum, to be divided into shares of such amounts as the resolution shall prescribe;

(ii) consolidate and divide all or any of its capital into shares of larger amount than its existing shares;

(iii) divide its shares into several classes and without prejudice to any special rights previously conferred on the holders of existing shares as the directors may determine;

(iv) sub-divide its shares or any of them into shares of smaller amount than is fixed by the Memorandum of Continuance;

(v) change the currency denomination of its share capital;

(vi) make provision for the issue and allotment of shares which do not carry any voting rights; and

(vii) cancel any shares which, at the date of passing of the resolution, have not been taken, or agreed to be taken, by any person, and diminish the amount of its capital by the amount of the shares so cancelled.

The Company may, by special resolution, subject to any confirmation or consent required by law, reduce its authorised or issued share capital or, save for the use of share premium as expressly permitted by the Companies Act, any share premium account or other undistributable reserve.

(d) Variation of rights of existing shares or classes of shares

Subject to the Companies Act, all or any of the special rights attached to the shares or any class of shares may (unless otherwise provided for by the terms of issue of that class) be varied, modified or abrogated either with the consent in writing of the holders of not less than three-fourths of the issued shares of that class or with the sanction of a special resolution passed at a separate general meeting of the holders of the shares of that class. To every such separate general meeting the provisions of the Bye-laws relating to general meetings will mutatis mutandis apply, but so that the necessary quorum (other than at an adjourned meeting) shall be two persons (or in the case of a member being a corporation, its duly authorised representative) holding or representing by proxy not less than one-third in nominal value of the issued shares of that class and at any adjourned meeting two holders present in person (or in the case of a member being a corporation, its duly authorised representative) or by proxy whatever the number of shares held by them shall be a quorum. Every holder of shares of the class shall be entitled on a poll to one vote for every such share held by him, and any holder of shares of the class present in person or by proxy may demand a poll.

(e) Special resolution – majority required

A special resolution of the Company must be passed by a majority of not less than three-fourths of the votes cast by such members as, being entitled so to do, vote in person or, in the case of such members as are corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of which not less than 21 clear days' notice, specifying the intention to propose the resolution as a special resolution, has been duly given. Provided that, except in the case of an annual general meeting, if it is so agreed by a majority in number of the members having a right to attend and vote at such meeting, being a majority together holding not less than 95 per cent. in nominal value of the shares giving that right and, in the case of an annual general meeting, if so agreed by all members entitled to attend and vote thereat, a resolution may be proposed and passed as a special resolution at a meeting of which less than 21 clear days' notice has been given.

(f) Voting rights (generally and on a poll) and rights to demand a poll

Subject to any special rights or restrictions as to voting for the time being attached to any shares by or in accordance with the Bye-laws, at any general meeting on a show of hands, every member who is present in person (or being a corporation, is present by its duly authorised representative) or by proxy shall have one vote and on a poll every member present in person or by proxy or, being a corporation, by its duly authorised representative shall have one vote for every fully paid share of which he is the holder but so that no amount paid up or credited as paid up on a share in advance of calls or installments is treated for the foregoing purposes as paid up on the share.

Notwithstanding anything contained in the Bye-laws, where more than one proxy is appointed by a member which is a clearing house (as defined in the Bye-laws) (or its nominee(s)), each such proxy shall have one vote on a show of hands. On a poll, a member entitled to more than one vote need not use all his votes or cast all the votes he uses in the same way.

At any general meeting a resolution put to the vote of the meeting is to be decided on a show of hands unless voting by way of a poll is required by the rules of the Designated Stock Exchange (as defined in the Bye-laws) or (before or on the declaration of the result of the show of hands or on the withdrawal of any other demand for a poll) a poll is demanded by (i) the chairman of the meeting or (ii) at least three members present in person or, in the case of a member being a corporation, by its duly authorised representative or by proxy for the time being entitled to vote at the meeting or (iii) any member or members present in person or, in the case of a member being a corporation, by its duly authorised representative or by proxy and representing not less than one-tenth of the total voting rights of all the members having the right to vote at the meeting or (iv) a member or members present in person or, in the case of a member being a corporation, by its duly authorised representative or by proxy and holding shares in the Company conferring a right to vote at the meeting being shares on which an aggregate sum has been paid equal to not less than one-tenth of the total sum paid up on all the shares conferring that right or (v) any person required by the rules of the Designated Stock Exchange to demand a poll.

If a recognised clearing house (or its nominee(s)) is a member of the Company it may authorise such persons as it thinks fit to act as its representative(s) at any meeting of the Company or at any meeting of any class of members of the Company provided that, if more than one person is so authorised, the authorisation shall specify the number and class of shares in respect of which each such person is so authorised. A person authorised pursuant to this provision shall be deemed to have been duly authorised without further evidence of the facts and be entitled to exercise the same powers on behalf of the recognised clearing house (or its nominee(s)) as if such person was the registered holder of the shares held by that clearing house (or its nominee(s)) in respect of the number and class of shares specified in the relevant authorisation including the right to vote individually on a show of hands.

Where any shareholder is, under the rules of the Designated Stock Exchange (as defined in the Bye-laws), required to abstain from voting on any particular resolution of the Company or restricted to voting only for or only against any particular resolution of the Company, any votes cast by or on behalf of such shareholder in contravention of such requirement or restriction shall not be counted.

(g) Requirements for annual general meetings

An annual general meeting of the Company must be held in each year other than the year in which its statutory meeting is convened at such time (within a period of not more than 15 months after the holding of the last preceding annual general meeting unless a longer period would not infringe the rules of any Designated Stock Exchange (as defined in the Bye-laws)) and place as may be determined by the board.

(h) Accounts and audit

The board shall cause true accounts to be kept of the sums of money received and expended by the Company, and the matters in respect of which such receipt and expenditure take place, and of the property, assets, credits and liabilities of the Company and of all other matters required by the provisions of the Companies Act or necessary to give a true and fair view of the Company's affairs and to explain its transactions.

The accounting records shall be kept at the registered office or, subject to the Companies Act, at such other place or places as the board decides and shall always be open to inspection by any Director. No member (other than a Director) shall have any right of inspecting any accounting record or book or document of the Company except as conferred by law or authorised by the board or the Company in general meeting.

Subject to the Companies Act, a printed copy of the Directors' report, accompanied by the balance sheet and profit and loss account, including every document required by law to be annexed thereto, made up to the end of the applicable financial year and containing a summary of the assets and liabilities of the Company under convenient heads and a statement of income and expenditure, together with a copy of the auditors' report, shall be sent to each person entitled thereto at least 21 days before the date of the general meeting and at the same time as the notice of annual general meeting and laid before the Company in general meeting in accordance with the requirements of the Companies Act provided that this provision shall not require a copy of those documents to be sent to any person whose address the Company is not aware or to more than one of the joint holders of any shares or debentures; however, to the extent permitted by and subject to compliance with all applicable laws, including the rules of the Designated Stock Exchange (as defined in the Bye-laws), the Company may send to such persons a summary financial statement derived from the Company's annual accounts and the directors' report instead provided that any such person may by notice in writing served on the Company, demand that the Company sends to him, in addition to a summary financial statement, a complete printed copy of the Company's annual financial statement and the directors' report thereon.

Subject to the Companies Act, at the annual general meeting or at a subsequent special general meeting in each year, the members shall appoint an auditor to audit the accounts of the Company and such auditor shall hold office until the members appoint another auditor. Such auditor may be a member but no Director or officer or employee of the Company shall, during his continuance in office, be eligible to act as an auditor of the Company. The remuneration of the auditor shall be fixed by the Company in general meeting or in such manner as the members may determine.

The financial statements of the Company shall be audited by the auditor in accordance with generally accepted auditing standards. The auditor shall make a written report thereon in accordance with generally accepted auditing standards and the report of the auditor shall be submitted to the members in general meeting. The generally accepted auditing standards referred to herein may be those of a country or jurisdiction other than Bermuda. If the auditing standards of a country or jurisdiction other than Bermuda are used, the financial statements and the report of the auditor should disclose this fact and name such country and jurisdiction.

(i) Notices of meetings and business to be conducted thereat

An annual general meeting and any special general meeting at which it is proposed to pass a special resolution shall (save as set out in sub-paragraph (e) above) be called by at least 21 clear days' notice in writing, and any other special general meeting shall be called by at least 14 clear days' notice (in each case exclusive of the day on which the notice is given or deemed to be given and of the day for which it is given or on which it is to take effect). The notice must specify the time and place of the meeting and, in the case of special business, the general nature of that business. The notice convening an annual general meeting shall specify the meeting as such.

(j) Transfer of shares

All transfers of shares may be effected by an instrument of transfer in the usual or common form or in a form prescribed by the Designated Stock Exchange or in such other form as the board may approve and which may be under hand or, if the transferor or transferee is a clearing house or its nominee(s), by hand or by machine imprinted signature or by such other manner of execution as the board may approve from time to time. The instrument of transfer shall be executed by or on behalf of the transferor and the transferee provided that the board may dispense with the execution of the instrument of transfer by the transferee in any case in which it thinks fit, in its discretion, to do so and the transferor shall be deemed to remain the holder of the share until the name of the transferee is entered in the register of members in respect thereof. The board may also resolve either generally or in any particular case, upon request by either the transferor or the transferee, to accept mechanically executed transfers.

The board in so far as permitted by any applicable law may, in its absolute discretion, at any time and from time to time transfer any share upon the principal register to any branch register or any share on any branch register to the principal register or any other branch register.

Unless the board otherwise agrees, no shares on the principal register shall be transferred to any branch register nor may shares on any branch register be transferred to the principal register or any other branch register. All transfers and other documents of title shall be lodged for registration and registered, in the case of shares on a branch register, at the relevant registration office and, in the case of shares on the principal register, at the registered office in Bermuda or such other place in Bermuda at which the principal register is kept in accordance with the Companies Act.

The board may, in its absolute discretion, and without assigning any reason, refuse to register a transfer of any share (not being a fully paid up share) to a person of whom it does not approve or any share issued under any share incentive scheme for employees upon which a restriction on transfer imposed thereby still subsists, and it may also refuse to register any transfer of any share to more than four joint holders or any transfer of any share (not being a fully paid up share) on which the Company has a lien.

The board may decline to recognise any instrument of transfer unless a fee of such maximum sum as any Designated Stock Exchange (as defined in the Bye-laws) may determine to be payable or such lesser sum as the Directors may from time to time require is paid to the Company in respect thereof, the instrument of transfer, if applicable, is properly stamped, is in respect of only one class of share and is lodged at the relevant registration office or registered office or such other place at which the principal register is kept accompanied by the relevant share certificate(s) and such other evidence as the board may reasonably require to show the right of the transferor to make the transfer (and if the instrument of transfer is executed by some other person on his behalf, the authority of that person so to do).

The registration of transfers may be suspended and the register closed on giving notice by advertisement in an appointed newspaper and, where applicable, any other newspapers in accordance with the requirements of any Designated Stock Exchange (as defined in the Bye-laws), at such times and for such periods as the board may determine and either generally or in respect of any class of shares. The register of members shall not be closed for periods exceeding in the whole 30 days in any year.

(k) Power for the Company to purchase its own shares

The Bye-laws supplement the Company's Memorandum of Continuance (which gives the Company the power to purchase its own shares) by providing that the power is exercisable by the board upon such terms and conditions as it thinks fit.

(l) Power for any subsidiary of the Company to own shares in the Company

There are no provisions in the Bye-laws relating to ownership of shares in the Company by a subsidiary.

(m) Dividends and other methods of distribution

Subject to the Companies Act, the Company in general meeting may declare dividends in any currency to be paid to the members but no dividend shall be declared in excess of the amount recommended by the board. The Company in general meeting may also make a distribution to its members out of contributed surplus (as ascertained in accordance with the Companies Act). No dividend shall be paid or distribution made out of contributed surplus if to do so would render the Company unable to pay its liabilities as they become due or the realisable value of its assets would thereby become less than the aggregate of its liabilities and its issued share capital and share premium account.

Except in so far as the rights attaching to, or the terms of issue of, any share may otherwise provide, (i) all dividends shall be declared and paid according to the amounts paid up on the shares in respect whereof the dividend is paid but no amount paid up on a share in advance of calls shall for this purpose be treated as paid up on the share and (ii) all dividends shall be apportioned and paid pro rata according to the amount paid up on the shares during any portion or portions of the period in respect of which the dividend is paid. The Directors may deduct from any dividend or other monies payable to a member by the Company on or in respect of any shares all sums of money (if any) presently payable by him to the Company on account of calls or otherwise.

Whenever the board or the Company in general meeting has resolved that a dividend be paid or declared on the share capital of the Company, the board may further resolve either (a) that such dividend be satisfied wholly or in part in the form of an allotment of shares credited as fully paid up, provided that the shareholders entitled thereto will be entitled to elect to receive such dividend (or part thereof) in cash in lieu of such allotment, or (b) that shareholders entitled to such dividend will be entitled to elect to receive an allotment of shares credited as fully paid up in lieu of the whole or such part of the dividend as the board may think fit. The Company may also upon the recommendation of the board by an ordinary resolution resolve in respect of any one particular dividend of the Company that it may be satisfied wholly in the form of an allotment of shares credited as fully paid up without offering any right to shareholders to elect to receive such dividend in cash in lieu of such allotment.

Whenever the board or the Company in general meeting has resolved that a dividend be paid or declared the board may further resolve that such dividend be satisfied wholly or in part by the distribution of specific assets of any kind.

All dividends or bonuses unclaimed for one year after having been declared may be invested or otherwise made use of by the board for the benefit of the Company until claimed and the Company shall not be constituted a trustee in respect thereof. All dividends or bonuses unclaimed for six years after having been declared may be forfeited by the board and shall revert to the Company.

(n) Proxies

Any member of the Company entitled to attend and vote at a meeting of the Company is entitled to appoint another person as his proxy to attend and vote instead of him. A member who is the holder of two or more shares may appoint more than one proxy to represent him and vote on his behalf at a general meeting of the Company or at a class meeting. A proxy need not be a member of the Company. In addition, a proxy or proxies representing either a member who is an individual or a member which is a corporation shall be entitled to exercise the same powers on behalf of the member which he or they represent as such member could exercise.

(o) Call on shares and forfeiture of shares

Subject to the Bye-laws and to the terms of allotment, the board may from time to time make such calls upon the members in respect of any monies unpaid on the shares held by them respectively (whether on account of the nominal value of the shares or by way of premium). A call may be made payable either in one lump sum or by installments. If the sum payable in respect of any call or instalment is not paid on or before the day appointed for payment thereof, the person or persons from whom the sum is due shall pay interest on the same at such rate not exceeding 20 per cent. per annum as the board may agree to accept from the day appointed for the payment thereof to the time of actual payment, but the board may waive payment of such interest wholly or in part. The board may, if it thinks fit, receive from any member willing to advance the same, either in money or money's worth, all or any part of the monies uncalled and unpaid or installments payable upon any shares held by him, and upon all or any of the monies so advanced the Company may pay interest at such rate (if any) as the board may decide.

If a member fails to pay any call on the day appointed for payment thereof, the board may serve not less than 14 clear days' notice on him requiring payment of so much of the call as is unpaid, together with any interest which may have accrued and which may still accrue up to the date of actual payment and stating that, in the event of non-payment at or before the time appointed, the shares in respect of which the call was made will be liable to be forfeited.

If the requirements of any such notice are not complied with, any share in respect of which the notice has been given may at any time thereafter, before the payment required by the notice has been made, be forfeited by a resolution of the board to that effect.

Such forfeiture will include all dividends and bonuses declared in respect of the forfeited share and not actually paid before the forfeiture.

A person whose shares have been forfeited shall cease to be a member in respect of the forfeited shares but shall, notwithstanding, remain liable to pay to the Company all monies which, at the date of forfeiture, were payable by him to the Company in respect of the shares, together with (if the board shall in its discretion so require) interest thereon from the date of forfeiture until the date of actual payment at such rate not exceeding 20 per cent. per annum as the board determines.

(p) Inspection of register of members

The register and branch register of members shall be open to inspection between 10:00 a.m. and 12:00 noon on every business day by members without charge, or by any other person upon a maximum payment of five Bermuda dollars, at the registered office or such other place in Bermuda at which the register is kept in accordance with the Companies Act or, upon a maximum payment of $10, at the Registration Office (as defined in the Bye-laws), unless the register is closed in accordance with the Companies Act.

(q) Quorum for meetings and separate class meetings

For all purposes the quorum for a general meeting shall be two members present in person (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy and entitled to vote. In respect of a separate class meeting (other than an adjourned meeting) convened to sanction the modification of class rights the necessary quorum shall be two persons holding or representing by proxy not less than one-third in nominal value of the issued shares of that class.

(r) Rights of the minorities in relation to fraud or oppression

There are no provisions in the Bye-laws relating to rights of minority shareholders in relation to fraud or oppression. However, certain remedies are available to shareholders of the Company under Bermuda law, as summarised in paragraph 4(e) of this Appendix.

(s) Procedures on liquidation

A resolution that the Company be wound up by the court or be wound up voluntarily shall be a special resolution.

If the Company shall be wound up (whether the liquidation is voluntary or by the court) the liquidator may, with the authority of a special resolution and any other sanction required by the Companies Act, divide among the members in specie or kind the whole or any part of the assets of the Company whether the assets shall consist of property of one kind or shall consist of properties of different kinds and the liquidator may, for such purpose, set such value as he deems fair upon any one or more class or classes of property to be divided as aforesaid and may determine how such division shall be carried out as between the members or different classes of members. The liquidator may, with the like authority, vest any part of the assets in trustees upon such trusts for the benefit of members as the liquidator, with the like authority, shall think fit, but so that no contributory shall be compelled to accept any shares or other property in respect of which there is a liability.

(t) Untraceable members

The Company may sell any of the shares of a member who is untraceable if (i) all cheques or warrants (being not less than three in total number) for any sum payable in cash to the holder of such shares have remained uncashed for a period of 12 years; (ii) upon the expiry of the 12 year period, the Company has not during that time received any indication of the existence of the member; and (iii) the Company has caused an advertisement to be published in accordance with the rules of the Designated Stock Exchange (as defined in the Bye-laws) giving notice of its intention to sell such shares and a period of three months, or such shorter period as may be permitted by the Designated Stock Exchange (as defined in the Bye-laws), has elapsed since such advertisement and the Designated Stock Exchange (as defined in the Bye-laws) has been notified of such intention. The net proceeds of any such sale shall belong to the Company and upon receipt by the Company of such net proceeds, it shall become indebted to the former member of the Company for an amount equal to such net proceeds.

(u) Other provisions

The Bye-laws provide that to the extent that it is not prohibited by and is in compliance with the Companies Act, if warrants to subscribe for shares have been issued by the Company and the Company does any act or engages in any transaction which would result in the subscription price of such warrants being reduced below the par value of a share, a subscription rights reserve shall be established and applied in paying up the difference between the subscription price and the par value of a share on any exercise of the warrants.

The Bye-laws also provide that the Company is required to maintain at its registered office a register of directors and officers in accordance with the provisions of the Companies Act and such register is open to inspection by members of the public without charge between 10:00 a.m. and 12:00 noon on every business day.

3. VARIATION OF MEMORANDUM OF CONTINUANCE AND BYE-LAWS

The Memorandum of Continuance may be altered by the Company in general meeting. The Bye-laws may be amended by the Directors subject to the confirmation of the Company in general meeting. The Bye-laws state that a special resolution shall be required to alter the provisions of the Memorandum of Continuance or to confirm any amendment to the Bye-laws or to change the name of the Company. For these purposes, a resolution is a special resolution if it has been passed by a majority of not less than three-fourths of the votes cast by such members of the Company as, being entitled to do so, vote in person or, in the case of such members as are corporations, by their respective duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of which not less than 21 clear days' notice specifying the intention to propose the resolution as a special resolution has been duly given. Except in the case of an annual general meeting, the requirement of 21 clear days' notice may be waived by a majority in number of the members having the right to attend and vote at the relevant meeting, being a majority together holding not less than 95 per cent. in nominal value of the shares giving that right.

4. BERMUDA COMPANY LAW

The Company was incorporated in the Cayman Islands and redomiciled to Bermuda and, therefore, operates subject to Bermuda law. Set out below is a summary of certain provisions of Bermuda company law, although this does not purport to contain all applicable qualifications and exceptions or to be a complete review of all matters of Bermuda company law and taxation, which may differ from equivalent provisions in jurisdictions with which interested parties may be more familiar:

(a) Share capital

The Companies Act provides that where a company issues shares at a premium, whether for cash or otherwise, a sum equal to the aggregate amount or value of the premiums on those shares shall be transferred to an account, to be called the "share premium account", to which the provisions of the Bermuda company law relating to a reduction of share capital of a company shall apply as if the share premium account were paid up share capital of the company except that the share premium account may be applied by the company:

(i) in paying up unissued shares of the company to be issued to members of the company as fully paid bonus shares;

(ii) in writing off:

(aa) the preliminary expenses of the company; or

(bb) the expenses of, or the commission paid or discount allowed on, any issue of shares or debentures of the company; or

(iii) in providing for the premiums payable on redemption of any shares or of any debentures of the company.

In the case of an exchange of shares the excess value of the shares acquired over the nominal value of the shares being issued may be credited to a contributed surplus account of the issuing company.

The Companies Act permits a company to issue preference shares and subject to the conditions stipulated therein to convert those preference shares into redeemable preference shares.

The Companies Act includes certain protections for holders of special classes of shares, requiring their consent to be obtained before their rights may be varied. Where provision is made by the memorandum of association or bye-laws for authorising the variation of rights attached to any class of shares in the company, the consent of the specified proportions of the holders of the issued shares of that class or the sanction of a resolution passed at a separate meeting of the holders of those shares is required, and where no provision for varying such rights is made in the memorandum of association or bye-laws and nothing therein precludes a variation of such rights, the written consent of the holders of three-fourths of the issued shares of that class or the sanction of a resolution passed as aforesaid is required.

(b) Financial assistance to purchase shares of a company or its holding company

A company is prohibited from providing financial assistance for the purpose of an acquisition of its own or its holding company's shares unless there are reasonable grounds for believing that the company is, and would after the giving of such financial assistance be, able to pay its liabilities as they become due. In certain circumstances, the prohibition from giving financial assistance may be excluded such as where the assistance is only an incidental part of a larger purpose or the assistance is of an insignificant amount such as the payment of minor costs.

(c) Purchase of shares and warrants by a company and its subsidiaries

A company may, if authorised by its memorandum of association or bye-laws, purchase its own shares. Such purchases may only be effected out of the capital paid up on the purchased shares or out of the funds of the company otherwise available for dividend or distribution or out of the proceeds of a fresh issue of shares made for the purpose. Any premium payable on a purchase over the par value of the shares to be purchased must be provided for out of funds of the company otherwise available for dividend or distribution or out of the company's share premium account. Any amount due to a shareholder on a purchase by a company of its own shares may (i) be paid in cash; (ii) be satisfied by the transfer of any part of the undertaking or property of the company having the same value; or (iii) be satisfied partly under (i) and partly under (ii). Any purchase by a company of its own shares may be authorised by its board of directors or otherwise by or in accordance with the provisions of its bye-laws. Such purchase may not be made if, on the date on which the purchase is to be effected, there are reasonable grounds for believing that the company is, or after the purchase would be, unable to pay its liabilities as they become due. The shares so purchased may either be cancelled or held as treasury shares. Any purchased shares that are cancelled will, in effect, revert to the status of authorised but unissued shares. If shares of the company are held as treasury shares, the company is prohibited to exercise any rights in respect of those shares, including any right to attend and vote at meetings, including a meeting under a scheme of arrangement, and any purported exercise of such a right is void. No dividend shall be paid to the company in respect of shares held by the company as treasury shares; and no other distribution (whether in cash or otherwise) of the company's assets (including any distribution of assets to members on a winding up) shall be made to the company in respect of shares held by the company as treasury shares. Any shares allotted by the company as fully paid bonus shares in respect of shares held by the company as treasury shares shall be treated for the purposes of the Companies Act as if they had been acquired by the company at the time they were allotted.

A company is not prohibited from purchasing and may purchase its own warrants subject to and in accordance with the terms and conditions of the relevant warrant instrument or certificate. There is no requirement under Bermuda law that a company's memorandum of association or its bye-laws contain a specific provision enabling such purchases.

Under Bermuda law, a subsidiary may hold shares in its holding company and in certain circumstances, may acquire such shares. The holding company is, however, prohibited from giving financial assistance for the purpose of the acquisition, subject to certain circumstances provided by the Companies Act. A company, whether a subsidiary or a holding company, may only purchase its own shares if it is authorised to do so in its memorandum of association or bye-laws pursuant to section 42A of the Companies Act.

(d) Dividends and distributions

A company may not declare or pay a dividend, or make a distribution out of contributed surplus, if there are reasonable grounds for believing that (i) the company is, or would after the payment be, unable to pay its liabilities as they become due; or (ii) the realisable value of the company's assets would thereby be less than the aggregate of its liabilities and its issued share capital and share premium accounts. Contributed surplus is defined for purposes of section 54 of the Companies Act to include the proceeds arising from donated shares, credits resulting from the redemption or conversion of shares at less than the amount set up as nominal capital and donations of cash and other assets to the company.

(e) Protection of minorities

Class actions and derivative actions are generally not available to shareholders under the laws of Bermuda. The Bermuda courts, however, would ordinarily be expected to permit a shareholder to commence an action in the name of a company to remedy a wrong done to the company where the act complained of is alleged to be beyond the corporate power of the company or is illegal or would result in the violation of the company's memorandum of association and bye-laws. Furthermore, consideration would be given by the court to acts that are alleged to constitute a fraud against the minority shareholders or, for instance, where an act requires the approval of a greater percentage of the company's shareholders than actually approved it.

Any member of a company who complains that the affairs of the company are being conducted or have been conducted in a manner oppressive or prejudicial to the interests of some part of the members, including himself, may petition the court which may, if it is of the opinion that to wind up the company would unfairly prejudice that part of the members but that otherwise the facts would justify the making of a winding up order on just and equitable grounds, make such order as it thinks fit, whether for regulating the conduct of the company's affairs in future or for the purchase of shares of any members of the company by other members of the company or by the company itself and in the case of a purchase by the company itself, for the reduction accordingly of the company's capital, or otherwise. Bermuda law also provides that the company may be wound up by the Bermuda court, if the court is of the opinion that it is just and equitable to do so. Both these provisions are available to minority shareholders seeking relief from the oppressive conduct of the majority, and the court has wide discretion to make such orders as it thinks fit.

Except as mentioned above, claims against a company by its shareholders must be based on the general laws of contract or tort applicable in Bermuda.

A statutory right of action is conferred on subscribers of shares in a company against persons, including directors and officers, responsible for the issue of a prospectus in respect of damage suffered by reason of an untrue statement therein, but this confers no right of action against the company itself. In addition, such company, as opposed to its shareholders, may take action against its officers including directors, for breach of their statutory and fiduciary duty to act honestly and in good faith with a view to the best interests of the company.

(f) Management

The Companies Act contains no specific restrictions on the power of directors to dispose of assets of a company, although it specifically requires that every officer of a company, which includes a director, managing director and secretary, in exercising his powers and discharging his duties must do so honestly and in good faith with a view to the best interests of the company and exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances. Furthermore, the Companies Act requires that every officer should comply with the Companies Act, regulations passed pursuant to the Companies Act and the bye-laws of the company. The directors of a company may, subject to the bye-laws of the company, exercise all the powers of the company except those powers that are required by the Companies Act or the bye-laws to be exercised by the members of the company.

(g) Accounting and auditing requirements

The Companies Act requires a company to cause proper records of accounts to be kept with respect to (i) all sums of money received and expended by the company and the matters in respect of which the receipt and expenditure takes place; (ii) all sales and purchases of goods by the company and (iii) the assets and liabilities of the company.

Furthermore, it requires that a company keeps its records of account at the registered office of the company or at such other place as the directors think fit and that such records shall at all times be open to inspection by the directors or the resident representative of the company. If the records of account are kept at some place outside Bermuda, there shall be kept at the office of the company in Bermuda such records as will enable the directors or the resident representative of the company to ascertain with reasonable accuracy the financial position of the company at the end of each three month period, except that where the company is listed on an appointed stock exchange, there shall be kept such records as will enable the directors or the resident representative of the company to ascertain with reasonable accuracy the financial position of the company at the end of each six month period.

The Companies Act requires that the directors of the company must, at least once a year, lay before the company in general meeting financial statements for the relevant accounting period. Further, the company's auditor must audit the financial statements so as to enable him to report to the members. Based on the results of his audit, which must be made in accordance with generally accepted auditing standards, the auditor must then make a report to the members. The generally accepted auditing standards may be those of a country or jurisdiction other than Bermuda or such other generally accepted auditing standards as may be appointed by the Minister of Finance of Bermuda under the Companies Act; and where the generally accepted auditing standards used are other than those of Bermuda, the report of the auditor shall identify the generally accepted auditing standards used. All members of the company are entitled to receive a copy of every financial statement prepared in accordance with these requirements, at least five days before the general meeting of the company at which the financial statements are to be tabled. A company the shares of which are listed on an appointed stock exchange may send to its members summarized financial statements instead. The summarized financial statements must be derived from the company's financial statements for the relevant period and contain the information set out in the Companies Act. The summarized financial statements sent to the company's members must be accompanied by an auditor's report on the summarized financial statements and a notice stating how a member may notify the company of his election to receive financial statements for the relevant period and/or for subsequent periods.

The summarized financial statements together with the auditor's report thereon and the accompanied notice must be sent to the members of the company not less than 21 days before the general meeting at which the financial statements are laid. Copies of the financial statements must be sent to a member who elects to receive the same within 7 days of receipt by the company of the member's notice of election.

(h) Auditors

At each annual general meeting, a company must appoint an auditor to hold office until the close of the next annual general meeting; however, this requirement may be waived if all of the shareholders and all of the directors, either in writing or at the general meeting, agree that there shall be no auditor.

A person, other than an incumbent auditor, shall not be capable of being appointed auditor at an annual general meeting unless notice in writing of an intention to nominate that person to the office of auditor has been given not less than 21 days before the annual general meeting. The company must send a copy of such notice to the incumbent auditor and give notice thereof to the members not less than 7 days before the annual general meeting. An incumbent auditor may, however, by notice in writing to the secretary of the company waive the requirements of the foregoing.

Where an auditor is appointed to replace another auditor, the new auditor must seek from the replaced auditor a written statement as to the circumstances of the latter's replacement. If the replaced auditor does not respond within 15 days, the new auditor may act in any event. An appointment as auditor of a person who has not requested a written statement from the replaced auditor is voidable by a resolution of the shareholders at a general meeting. An auditor who has resigned, been removed or whose term of office has expired or is about to expire, or who has vacated office is entitled to attend the general meeting of the company at which he is to be removed or his successor is to be appointed; to receive all notices of, and other communications relating to, that meeting which a member is entitled to receive; and to be heard at that meeting on any part of the business of the meeting that relates to his duties as auditor or former auditor.

(i) Exchange control

An exempted company is usually designated as "non-resident" for Bermuda exchange control purposes by the Bermuda Monetary Authority. Where a company is so designated, it is free to deal in currencies of countries outside the Bermuda exchange control area which are freely convertible into currencies of any other country. The permission of the Bermuda Monetary Authority is required for the issue of shares and securities by the company and the subsequent transfer of such shares and securities. In granting such permission, the Bermuda Monetary Authority accepts no responsibility for the financial soundness of any proposals or for the correctness of any statements made or opinions expressed in any document with regard to such issue. Before the company can issue or transfer any further shares and securities in excess of the amounts already approved, it must obtain the prior consent of the Bermuda Monetary Authority.

The Bermuda Monetary Authority has granted general permission for the issue and transfer of shares and securities to and between persons regarded as resident outside Bermuda for exchange control purposes without specific consent for so long as any equity securities, including shares, are listed on an appointed stock exchange (as defined in the Companies Act). Issues to and transfers involving persons regarded as "resident" for exchange control purposes in Bermuda will be subject to specific exchange control authorisation.

(j) Taxation

Under present Bermuda law, no Bermuda withholding tax on dividends or other distributions, nor any Bermuda tax computed on profits or income or on any capital asset, gain or appreciation will be payable by an exempted company or its operations, nor is there any Bermuda tax in the nature of estate duty or inheritance tax applicable to shares, debentures or other obligations of the company held by non-residents of Bermuda. Furthermore, a company may apply to the Minister of Finance of Bermuda for an assurance, under the Exempted Undertakings Tax Protection Act 1966 of Bermuda, that no such taxes shall be so applicable until 28th March, 2016, although this assurance will not prevent the imposition of any Bermuda tax payable in relation to any land in Bermuda leased or let to the company or to persons ordinarily resident in Bermuda.

(k) Stamp duty

An exempted company is exempt from all stamp duties except on transactions involving "Bermuda property". This term relates, essentially, to real and personal property physically situated in Bermuda, including shares in local companies (as opposed to exempted companies). Transfers of shares and warrants in all exempted companies are exempt from Bermuda stamp duty.

(l) Loans to directors

Bermuda law prohibits the making of loans by a company to any of its directors or to their families or companies in which they hold more than a 20 per cent. interest, without the consent of any member or members holding in aggregate not less than nine-tenths of the total voting rights of all members having the right to vote at any meeting of the members of the company. These prohibitions do not apply to (a) anything done to provide a director with funds to meet the expenditure incurred or to be incurred by him for the purposes of the company, provided that the company gives its prior approval at a general meeting or, if not, the loan is made on condition that it will be repaid within six months of the next following annual general meeting if the loan is not approved at or before such meeting, (b) in the case of a company whose ordinary business includes the lending of money or the giving of guarantees in connection with loans made by other persons, anything done by the company in the ordinary course of that business, or (c) any advance of moneys by the company to any officer or auditor under Section 98(2)(c) of the Companies Act which allows the company to advance moneys to an officer or auditor of the company for the costs incurred in defending any civil or criminal proceedings against them, on condition that the officer or auditor shall repay the advance if any allegation of fraud or dishonesty is proved against them. If the approval of the company is not given for a loan, the directors who authorised it will be jointly and severally liable for any loss arising therefrom.

(m) Inspection of corporate records

Members of the general public have the right to inspect the public documents of a company available at the office of the Registrar of Companies in Bermuda which will include the company's certificate of incorporation, its memorandum of association (including its objects and powers) and any alteration to the company's memorandum of association. The members of the company have the additional right to inspect the bye-laws of a company, minutes of general meetings and the company's audited financial statements, which must be presented to the annual general meeting. Minutes of general meetings of a company are also open for inspection by directors of the company without charge for not less than two hours during business hours each day. The register of members of a company is open for inspection by members of the public without charge. The company is required to maintain its share register in Bermuda but may, subject to the provisions of the Companies Act, establish a branch register outside Bermuda. Any branch register of members established by the company is subject to the same rights of inspection as the principal register of members of the company in Bermuda. Any person may on payment of a fee prescribed by the Companies Act require a copy of the register of members or any part thereof which must be provided on payment of a fee prescribed by the Companies Act within fourteen days of a request. Bermuda law does not, however, provide a general right for members to inspect or obtain copies of any other corporate records.

A company is required to maintain a register of directors and officers at its registered office and such register must be made available for inspection for not less than two hours in each day by members of the public without charge. If summarized financial statements are sent by a company to its members pursuant to section 87A of the Companies Act, a copy of the summarized financial statements must be made available for inspection by the public at the registered office of the company in Bermuda.

(n) Winding up

A company may be wound up by the Bermuda court on application presented by the company itself, its creditors or its contributors. The Bermuda court also has authority to order winding up in a number of specified circumstances including where it is, in the opinion of the Bermuda court, just and equitable that such company be wound up.

A company may be wound up voluntarily when the members so resolve in general meeting, or, in the case of a limited duration company, when the period fixed for the duration of the company by its memorandum expires, or the event occurs on the occurrence of which the memorandum provides that the company is to be dissolved. In the case of a voluntary winding up, such company is obliged to cease to carry on its business from the time of passing the resolution for voluntary winding up or upon the expiry of the period or the occurrence of the event referred to above. Upon the appointment of a liquidator, the responsibility for the company's affairs rests entirely in his hands and no future executive action may be carried out without his approval.

Where, on a voluntary winding up, a majority of directors make a statutory declaration of solvency, the winding up will be a members' voluntary winding up. In any case where such declaration has not been made, the winding up will be a creditors' voluntary winding up.

In the case of a members' voluntary winding up of a company, the company in general meeting must appoint one or more liquidators within the period prescribed by the Companies Act for the purpose of winding up the affairs of the company and distributing its assets. If the liquidator at any time forms the opinion that such company will not be able to pay its debts in full, he is obliged to summon a meeting of creditors.

As soon as the affairs of the company are fully wound up, the liquidator must make up an account of the winding up, showing how the winding up has been conducted and the property of the company has been disposed of, and thereupon call a general meeting of the company for the purposes of laying before it the account and giving an explanation thereof. This final general meeting requires at least one month's notice published in an appointed newspaper in Bermuda.

In the case of a creditors' voluntary winding up of a company, the company must call a meeting of creditors of the company to be summoned on the day following the day on which the meeting of the members at which the resolution for winding up is to be proposed is held. Notice of such meeting of creditors must be sent at the same time as notice is sent to members. In addition, such company must cause a notice to appear in an appointed newspaper on at least two occasions.

The creditors and the members at their respective meetings may nominate a person to be liquidator for the purposes of winding up the affairs of the company provided that if the creditors nominate a different person, the person nominated by the creditors shall be the liquidator. The creditors at the creditors' meeting may also appoint a committee of inspection consisting of not more than five persons.

If a creditors' winding up continues for more than one year, the liquidator is required to summon a general meeting of the company and a meeting of the creditors at the end of each year to lay before such meetings an account of his acts and dealings and of the conduct of the winding up during the preceding year. As soon as the affairs of the company are fully wound up, the liquidator must make an account of the winding up, showing how the winding up has been conducted and the property of the company has been disposed of, and thereupon shall call a general meeting of the company and a meeting of the creditors for the purposes of laying the account before such meetings and giving an explanation thereof.

5. GENERAL

Conyers Dill & Pearman, the Company's legal advisers on Bermuda law, have sent to the Company a letter of advice summarising certain aspects of Bermuda company law. This letter, together with a copy of the Companies Act, is available for inspection as referred to in the paragraph headed "Documents available for inspection" in Appendix VI to this document. Any person wishing to have a detailed summary of Bermuda company law or advice on the differences between it and the laws of any jurisdiction with which he is more familiar is recommended to seek independent legal advice.

A. FURTHER INFORMATION ABOUT THE COMPANY

1. Incorporation

The Company was incorporated in the Cayman Islands in the name of Panda-Recruit Limited under the companies law of the Cayman Islands on 13th March, 2000 and was registered in Hong Kong as an oversea company in Hong Kong under Part XI of the Companies Ordinance. On 16th January, 2003, the Company changed its name to Recruit Holdings Limited and redomiciled to Bermuda on 29th January, 2003. The Company operates subject to the Companies Act and its constitution which comprises the memorandum of continuance and Bye-laws. A summary of various provisions of the Company's constitution and certain relevant aspects of the Companies Act are set out in Appendix IV to this document.

The Group's principal place of business in Hong Kong is at 26th Floor, 625 King's Road, North Point, Hong Kong. Mr. Lau and Ms. Ho Suk Yi are the authorised representatives of the Company for acceptance of service of process and notices on behalf of the Company in Hong Kong. Their business address is the same as the Group's aforesaid principal place of business in Hong Kong.

2. Changes in share capital of the Company

As at the Latest Practicable Date, the authorised share capital of the Company was HK$100,000,000 divided into 500,000,000 Shares and the issued share capital of the Company was HK$55,088,400 divided into 275,442,000 Shares fully paid or credited as fully paid, with 224,558,000 Shares remaining unissued.

The following changes in the issued share capital of the Company have taken place within the two years preceding the Latest Practicable Date:

(i) For the year ended 31st December, 2005, 1,718,000 Shares were issued upon the exercise of share options pursuant to the GEM Share Option Scheme.

(ii) For the year ended 31st December 2006, 582,000 Shares were issued upon the exercise of share options pursuant to the GEM Share Option Scheme.

(iii) From 1st January, 2007 to the Latest Practicable Date, 642,000 Shares were issued upon the exercise of share options pursuant to the GEM Share Option Scheme.

3. Changes in the share capital or registered capital of subsidiaries and associated companies of the Company

The Company's subsidiaries are referred to in the accountants' report contained in Appendix I to this document.

The following changes in share capital or registered capital of the subsidiaries and associated companies of the Company have been taken place within two years preceding the date of this document.

(i) On 22nd November, 2005, Oriental Touch China with an authorised share capital of US$50,000 divided into 50,000 shares of US$1 each, was incorporated in the BVI with limited liability whereby 45 shares, 50 shares and five shares in Oriental Touch China were allotted and issued to Recruit (BVI), Oriental Touch Limited and Fung Hon Hung respectively on 20th January, 2006. 45 shares in Oriental Touch were transferred from Recruit (BVI) to Naturbest on 1st December, 2006 at an aggregate consideration of US$45.

(ii) On 12th April, 2006, the registered capital of RMCSC was increased from US$500,000 to US$2,000,000. RMCSC is wholly-owned by RCH.

(iii) On 13th April, 2006, RMS with an authorised share capital of HK$10,000 divided into 10,000 shares of HK$1 each, was incorporated in Hong Kong with limited liability whereby one share in RMS was allotted and issued to Recruit (BVI). on 2nd January, 2007.

(iv) On 5th July, 2006, Chinavantage with an authorised share capital of US$50,000 divided into 50,000 shares of US$1 each, was incorporated in the BVI with limited liability whereby one share in Chinavantage was allotted and issued to Recruit (BVI) on 1st August, 2006.

(v) On 15th August, 2006, Naturbest with an authorised share capital of US$50,000 divided into 50,000 shares of US$1 each, was incorporated in the BVI with limited liability whereby one share in Naturbest was allotted and issued to Recruit (BVI) on 1st December, 2006.

(vi) On 27th September, 2006, Shanghai Lieying was established as a company with limited liability in the PRC with a registered capital of RMB100,000 and legally owned by two employees of the Group. The Group has entered into a series of contractual agreements with Shanghai Lieying and its shareholders to enable the Group enjoy the economic benefits of Shanghai Lieying.

(vii) On 18th October, 2006, Recruit (BVI) acquired 300 shares of HK$1 each of 1010 Group from a minority shareholder of 1010 Group, at an aggregate consideration of HK$300. As a result, the Group's equity interest in 1010 Group increased from 70% to 73%.

(viii) On 29th December, 2006, the authorised share capital of 1010 Group was increased by 49,990,000 shares of HK$1 each from 10,000 shares to 50,000,000 shares and the issued share capital was increased by 32,990,000 shares of HK$1 each from 10,000 shares to 33,000,000 shares, whereby 23,992,700 shares, 1,999,400 shares, 999,700 shares, 999,700 shares and 4,998,500 shares in 1010 Group were allotted to Recruit (BVI), Tsoi Chit Shun, Cheung Ning, Pang Tak Hung and GRS, respectively.

(ix) On 2nd January, 2007, 1010 Printing (UK) with an authorised share capital of GBP1,000 divided into 1,000 shares of GBP1 each, was incorporated in the United Kingdom with limited liability whereby 740 shares, 245 shares and 15 shares in 1010 Printing (UK) were allotted and issued to 1010 Group, Simon Hodson and Andrew Law respectively on 2nd January, 2007.

(x) On 8th January, 2007, RGL with an authorised share capital of US$5,000,000 divided into 5,000,000 shares of US$1 each, was incorporated in the BVI with limited liability whereby 8,550 shares and 450 shares in RGL were allotted and issued to Recruit (BVI) and an Independent Third Party respectively on 8th January, 2007.

(xi) Pursuant to a subscription agreement entered into among the Company, Recruit (BVI), RGL and Jobstreet dated 7th February, 2007, 1,000 new shares of RGL of US$1 each were allotted and issued to Jobstreet at an aggregate consideration of HK$7.5 million on 15th February, 2007. Total issued share capital of RGL were increased from 9,000 shares to 10,000 shares. On 15th February, 2007, another 1,000 shares in RGL were transferred from Recruit (BVI) to Jobstreet at an aggregate consideration of HK$7.5 million.

Save as disclosed herein, there has been no change in the share capital or registered capital of the subsidiaries and associated companies of the Company within two years preceding the date of this document.

B. FURTHER INFORMATION ABOUT THE BUSINESS

Summary of material contracts

The following contracts (not being contracts entered into in the ordinary course of business) have been entered into by members of the Group within the two years preceding the date of this document and are or may be material:

(i) Two contracts both dated 17th March, 2006 entered into between ROA and 1010 Printing both as purchasers, and the vendor of the machinery who is an Independent Third Party regarding the purchase of a total of six sets of machinery designed for upgrading the automatic production line in the printing operation, details of which are set out in the circular of the Company dated 10th April, 2006.

(ii) The sale and purchase agreement dated 3rd August, 2006, entered into between Easking as the seller and an Independent Third Party as the purchaser, regarding the disposal of property interests of the Group in respect of offices 2601 and 2602 on 26th Floor, K. Wah Centre, No. 191 Java Road, Hong Kong, for a consideration of HK$52,283,020, details of which are set out in the circular of the Company dated 8th August, 2006.

(iii) The share sale agreement dated 1st December, 2006 entered into between RCL as the purchaser and two shareholders of PPGI in respect of the acquisition of an aggregate of 30% equity interest in PPGI for an aggregate consideration of HK$18 million, details of which are set out in the circular of the Company dated 27th December, 2006.

(iv) The sale and purchase agreement dated 19th November, 2005, entered into between an Independent Third Party as seller, and Recruit Advertising Limited at the purchaser, regarding the acquisition of property interests in respect of workshop 3 on 9th Floor, Technology Plaza, No. 651 King's Road, North Point, Hong Kong, for a consideration of HK$1,473,000.

(v) The agreement dated 7th February, 2007 entered into between Jobstreet, Recruit (BVI), RGL and the Company for the acquisition of 10% and subscription of 10% of the issued shares in RGL, details of which are set out in the circular of the Company dated 27th February, 2007.

Summary of the Contractual Arrangements in respect of certain PRC entities within the Group

(1) Shanghai Decai

(i) Pursuant to a framework agreement dated 21st January, 2005 (as subsequently amended by two supplemental agreements dated 26th May, 2005 and 19th September, 2005, entered into among parties including RMCSC, Shanghai Decai, Chen Kangli (the then shareholder of Shanghai Decai), Chen Yingjie (owner of 2% of the registered capital of Shanghai Decai) and Liu Yazhen (owner of 98% of the registered capital of Shanghai Decai), among other things, that:

(a) RMCSC agreed to procure ROA and RCH to advance all registered capital of Shanghai Decai;

(b) RMCSC, ROA and RCH were granted an option to acquire 100% of Shanghai Decai for a consideration of RMB1 or the lowest price allowed under PRC laws;

(c) Shanghai Decai would obtain consulting services from RMCSC; and

(d) RMCSC agreed to license the trademarks "Corner Office" and "1010job" to Shanghai Decai.

(ii) Pursuant to a human resources service agreement entered into between RMCSC and Shanghai Decai dated 21st January, 2005, RMCSC agreed to provide Shanghai Decai human resources consulting services in consideration of a fee equal to 50% of Shanghai Decai's after-tax profits.

(iii) Pursuant to an enterprise development consulting agreement entered into between RMCSC and Shanghai Decai dated 21st January, 2005, RMCSC agreed to provide Shanghai Decai enterprise development consulting services in consideration of a fee equal to 30% of Shanghai Decai's after-tax profits.

(iv) Pursuant to a trademark license agreement between RMCSC and Shanghai Decai dated 21st January, 2005 amended by a supplemental agreement dated 19th September, 2005, among other things, RMCSC agreed to license to Shanghai Decai a non-exclusive and non-transferable right to use the trademarks "Corner Office" and "1010job" in consideration of a fee equal to 20% of Shanghai Decai's after-tax profits.

(v) Pursuant to irrevocable warranties executed by Chen Yingjie in favour of RCH and RMCSC dated 21st January, 2005 and amended on 16th June, 2005, and by Liu Yazhen in favour of RCH and RMCSC dated 20th April, 2005 and amended on 16th June, 2005, Chen Yingjie and Liu Yazhen undertook, among other things, not to dispose or pledge any interests in Shanghai Decai without prior written consent of RCH or RMCSC; and to waive the pre-emptive right to acquire the remaining equity interests in Shanghai Decai held by another shareholder. Each also agreed that all directors, supervisors, the general manager and other senior managers of Shanghai Decai would be nominated by RCH or RMCSC; and all material business operations of Shanghai Decai would be supervised by RCH or RMCSC.

(vi) Pursuant to an equity pledge agreement entered into by RMCSC, Liu Yazhen, Chen Yingjie and Shanghai Decai dated 12th December, 2006, Liu Yazhen and Chen Yingjie pledged 100% of their equity interests in Shanghai Decai to RMCSC to guarantee their performance of the agreements mentioned above.

(2) Shanghai Haifan

(ii) Pursuant to a framework agreement dated 21st January, 2005 amended by two supplemental agreements dated 26th May, 2005 and 19th September, 2005, entered into among parties including RMCSC, Shanghai Haifan, Chen Kangli (the then shareholder of Shanghai Haifan), Chen Yingjie (owner of 40% of the registered capital of Shanghai Haifan) and Liu Yazhen (owner of 60% of the registered capital of Shanghai Haifan), among other things:

(a) RMCSC agreed to procure ROA and RCH to advance all registered capital of Shanghai Haifan;

(b) RMCSC, ROA and RCH were granted an option to acquire 100% of the equity interest in Shanghai Haifan for a consideration of RMB1 or the lowest price allowed under PRC laws;

(c) Shanghai Haifan would obtain consulting services from RMCSC; and

(d) RMCSC would license the trademarks "Corner Office" and "1010job" to Shanghai Haifan.

(ii) Pursuant to an advertisement services consulting agreement entered into between RMCSC and Shanghai Haifan dated 21st January, 2005, RMCSC agreed to provide Shanghai Haifan consulting services on advertisement services in consideration of a fee equal to 50% of Shanghai Haifan's after-tax profits.

(iii) Pursuant to an enterprise development consulting agreement entered into between RMCSC and Shanghai Haifan dated 21st January, 2005, RMCSC agreed to provide Shanghai Haifan enterprise development consulting services in consideration of a fee equal to 30% of Shanghai Haifan's after-tax profits.

(iv) Pursuant to a trademark license agreement between RMCSC and Shanghai Haifan dated 21st January, 2005 amended by a supplemental agreement dated 19th September, 2005, among other things, RMCSC agreed to license to Shanghai Haifan a non-exclusive and non-transferable right to use the trademarks "Corner Office" and "1010job" in consideration of a fee equal to 20% of Shanghai Haifan's after-tax profits.

(v) Pursuant to irrevocable warranties executed by Chen Yingjie in favour of RCH and RMCSC dated 21st January, 2005, and by Liu Yazhen in favour of RCH and RMCSC dated 2nd February, 2005, both Chen Yingjie and Liu Yazhen undertook, among other things, not to dispose or pledge any interests in Shanghai Haifan without prior written consent of RCH or RMCSC; and to waive the pre-emptive right to acquire the remaining equity interests in Shanghai Haifan held by another shareholder. Each also agreed that all directors, supervisors, the general manager and other senior managers of Shanghai Haifan would be nominated by RCH or RMCSC; and all material business operations of Shanghai Haifan would be supervised by RCH or RMCSC.

(vi) Pursuant to an equity pledge agreement entered into by RMCSC, Liu Yazhen, Chen Yingjie and Shanghai Haifan dated 12th December, 2006, Liu Yazhen and Chen Yingjie pledged 100% of their equity interests in Shanghai Haifan to RMCSC to guarantee their performance of the agreements mentioned above.

(3) Shanghai Lieying

(i) Pursuant to a framework agreement dated 27th September, 2006 entered into between RMCSC, Shanghai Lieying, Wu Jun (owner of 95% of the registered capital of Shanghai Lieying) and Su Leigang (owner of 5% of the registered capital of Shanghai Lieying), among other things:

(a) RMCSC agreed to procure ROA and RCH to advance all registered capital of Shanghai Lieying;

(b) RMCSC, ROA and RCH were granted an option to acquire 100% equity interest in Shanghai Lieying for a consideration of RMB1 or the lowest price allowed under PRC laws;

(c) Shanghai Lieying would obtain consulting services from RMCSC; and

(d) RMCSC would license the trademarks “Corner Office” and “1010job” to Shanghai Lieying.

(ii) Pursuant to a human resources consulting agreement entered into between RMCSC and Shanghai Lieying dated 27th September, 2006, RMCSC agreed to provide Shanghai Lieying human resources consulting services in consideration of a fee equal to 50% of Shanghai Lieying’s total after-tax profits.

(iii) Pursuant to an enterprise development consulting agreement entered into between RMCSC and Shanghai Lieying dated 27th September, 2006, RMCSC agreed to provide Shanghai Lieying enterprise development consulting services in consideration of a fee equal to 30% of Shanghai Lieying's total after-tax profits.

(iv) Pursuant to a trademark license agreement entered into between RMCSC and Shanghai Lieying dated 27th September, 2006, among other things, RMCSC agreed to license to Shanghai Lieying a non-exclusive and non-transferable right to use the trademarks "Corner Office" and "1010job" in consideration of a fee equal to 20% of Shanghai Lieying's total after-tax profits.

(v) Pursuant to irrevocable warranties executed by Su Leigang and Wu Jun in favour of RCH and RMCSC, both dated 27th September, 2006, Su Leigang and Wu Jun undertook, among other things, not to dispose or pledge any interests in Shanghai Lieying without prior written consent of RCH or RMCSC; and to waive the pre-emptive right to acquire the remaining equity interests in Shanghai Lieying held by another shareholder. Each also agreed that all directors, supervisors, the general manager and other senior managers of Shanghai Lieying would be nominated by RCH or RMCSC; and all material business operations of Shanghai Lieying would be supervised by RCH or RMCSC.

(vi) Pursuant to an equity pledge agreement entered into by RMCSC, Wu Jun, Su Leigang and Shanghai Lieying dated 12th December, 2006, Wu Jun and Su Leigang pledged 100% of their equity interests in Shanghai Lieying to RMCSC to guarantee their performance of the agreements mentioned above.

Service contracts

Each of the non-executive Directors has entered into a service contract with the Company for a term of two years commencing on 1st January, 2006 and is subject to termination by either party giving not less than one month's prior written notice to the other.

Save as disclosed above, none of the Directors has entered into any service contracts with any member of the Group which is not determinable by the Group within one year without payment of compensation other than statutory compensation.

Intellectual properties

(i) Trademarks

As at the Latest Practicable Date, the Group was the registered owner of the following trademarks which are material to its business:

Trademark	Place of registration	Expiry date	Class	Products and services covered	Registration number
	Hong Kong	10th April, 2017	16	Recruitment newspapers.	2003B00123AA
	Hong Kong	10th April, 2017	35	Advertising services relating to job vacancies.	2003B00123AA
	Hong Kong	27th June, 2007	16	Paper and paper products, printed matter publications, periodicals, journals, newspapers and magazines.	200112310
宇宙熊貓網	Hong Kong	27th June, 2007	16	Paper and paper products, printed matter publications, periodicals, journals, newspapers and magazines.	200112669
	Hong Kong	27th June, 2007	35	Advertising services, advertising agency services, dissemination of advertising matter, employment agency services; business management consulting, business management services, marketing studies, providing information relating to recruitment of personnel, employment, employment advertising and recruitment services.	200208222
	Hong Kong	27th June, 2007	38	Telecommunication services, delivery of information in electronic datastyle through a computer on-line link.	200208223

Trademark	Place of registration	Expiry date	Class	Products and services covered	Registration number
	Hong Kong	27th June, 2007	41	Education and training services; publication of books, magazines and periodicals; organising events for cultural purposes.	200208224
	Hong Kong	27th June, 2007	42	Creation, hosting, development, operation and design of website; computer services; computer network services.	200208225
RECRUIT	The PRC	27th November, 2015	35	Advertising services, advertising agency services, dissemination of advertising matter, employment agency services; business management consulting, business management services, marketing studies, providing information relating to recruitment of personnel, employment, employment advertising and recruitment services.	795802
Pandaplanet.com	The PRC	27th July, 2011	16	Paper and paper products, printed matter publications, periodicals, journals, newspapers and magazines.	1608676
PandaPlanet	The PRC	27th July, 2011	16	Paper and paper products, printed matter publications, periodicals, journals, newspapers and magazines.	1608679
PANDA-RECRUIT	The PRC	27th July, 2011	16	Paper and paper products, printed matter publications, periodicals, journals, newspapers and magazines.	1608680
宇宙熊貓網	The PRC	27th July, 2011	16	Paper and paper products, printed matter publications, periodicals, journals, newspapers and magazines.	1608681
PANDA-RECRUIT	The PRC	27th August, 2011	36	Insurance; insurance consultancy; banking; real estate; real estate management; agency; warranty; fundraising; trustee.	1627810
PANDA-RECRUIT	The PRC	27th September, 2011	41	Education and training services; publication of books, magazines and periodicals; organising events for cultural purposes.	1643832

Trademark	Place of registration	Expiry date	Class	Products and services covered	Registration number
PandaPlanet	The PRC	27th September, 2011	41	Education and training services; publication of books, magazines and periodicals; organising events for cultural purposes.	1643834
熊猫- RECRUIT	The PRC	20th October, 2011	16	Typewriter; educational material; construction model.	1652712
PANDA-RECRUIT	The PRC	27th January, 2012	38	Telecommunication services, delivery of information in electronic datastyle through a computer on-line link.	1707909
PandaPlanet	The PRC	27th January, 2012	38	Telecommunication services, delivery of information in electronic datastyle through a computer on-line link.	1707910
Pandaplanet.com	The PRC	6th February, 2012	38	Telecommunication services, delivery of information in electronic datastyle through a computer on-line link.	1711468
宇宙熊貓網	The PRC	20th February, 2012	41	Education and training services; publication of books, magazines and periodicals; organising events for cultural purposes.	1719808
Pandaplanet.com	The PRC	20th February, 2012	41	Education and training services; publication of books, magazines and periodicals; organising events for cultural purposes.	1719812
宇宙熊貓網	The PRC	20th March, 2012	38	Telecommunication services, delivery of information in electronic datastyle through a computer on-line link.	1735509
Pandaplanet.com	The PRC	20th April, 2012	35	Advertising services, advertising agency services, dissemination of advertising matter, employment agency services; business management consulting, business management services, marketing studies, providing information relating to recruitment of personnel, employment, employment advertising and recruitment services.	1754316

Trademark	Place of registration	Expiry date	Class	Products and services covered	Registration number
RECRUIT	The PRC	20th April, 2012	41	Publication of books; entertainment.	1754650
RECRUIT	The PRC	20th April, 2012	35	Employment agency services; business management consulting, business management services, marketing studies, providing information relating to recruitment of personnel, employment, employment advertising and recruitment services.	1754721
PandaPlanet	The PRC	27th April, 2012	35	Advertising services, advertising agency services, dissemination of advertising matter, employment agency services; business management consulting, business management services, marketing studies, providing information relating to recruitment of personnel, employment, employment advertising and recruitment services.	1759337
PANDA-RECRUIT	The PRC	27th April, 2012	35	Advertising services, advertising agency services, dissemination of advertising matter, employment agency services; business management consulting, business management services, marketing studies, providing information relating to recruitment of personnel, employment, employment advertising and recruitment services.	1759348
Pandacareer.com	The PRC	13th May, 2012	16	Paper and paper products, printed matter publications, periodicals, journals, newspapers and magazines.	1765824
Pandaplanet.com	The PRC	13th June, 2012	42	Creation, hosting, development, operation and design of website; computer services; computer network services.	1789870

Trademark	Place of registration	Expiry date	Class	Products and services covered	Registration number
PandaPlanet	The PRC	13th June, 2012	42	Creation, hosting, development, operation and design of website; computer services; computer network services.	1789871
PANDA-RECRUIT	The PRC	13th June, 2012	42	Creation, hosting, development, operation and design of website; computer services; computer network services.	1789893
熊猫- RECRUIT	The PRC	20th June, 2012	42	Creation, hosting, development, operation and design of website; computer services; computer network services.	1794985
Pandacareer.com	The PRC	27th June, 2012	38	Telecommunication services, delivery of information in electronic datastyle through a computer on-line link.	1799208
宇宙熊貓網	The PRC	6th July, 2012	42	Creation, hosting, development, operation and design of website; computer services; computer network services.	1804404
宇宙熊貓網	The PRC	6th July, 2012	35	Advertising services, advertising agency services, dissemination of advertising matter, employment agency services; business management consulting, business management services, marketing studies, providing information relating to recruitment of personnel, employment, employment advertising and recruitment services.	1804486
Pandacareer.com	The PRC	6th December, 2012	35	Employment agency services; business management consulting, management services, marketing studies, providing information relating to recruitment of personnel, employment, employment advertising and recruitment services.	1947056
Pandacareer.com	The PRC	27th November, 2013	42	Creation, hosting, development, operation and design of website; computer services; computer network services.	1969320

As at the Latest Practicable Date, the Group has applied for the following trademarks which are material to its business:

Trademark	Place of application	Application date	Class	Products and services covered	Application number
Corner Office	The PRC	21st January, 2005	16	Paper and paper products, printed matter publications, periodicals, journals, newspapers and magazines.	4474893
Corner Office	The PRC	21st January, 2005	35	Advertising services, advertising agency services, dissemination of advertising matter, employment agency services; business management consulting, business management services, marketing studies, providing information relating to recruitment of personnel, employment, employment advertising and recruitment services.	4474894
	The PRC	21st January, 2005	16	Paper and paper products, printed matter publications, periodicals, journals, newspapers and magazines.	4474895
	The PRC	21st January, 2005	35	Advertising services, advertising agency services, dissemination of advertising matter, employment agency services; business management consulting, business management services, marketing studies, providing information relating to recruitment of personnel, employment, employment advertising and recruitment services.	4474896
1010job	The PRC	19th September, 2005	35	Advertising services, advertising agency services, dissemination of advertising matter, employment agency services; business management consulting, business management services, marketing studies, providing information relating to recruitment of personnel, employment, employment advertising and recruitment services.	4904084

(ii) Domain names

As at the Latest Practicable Date, the Group was the registered owner of the following domain names which are material to the Group's business:

Domain Name	**Expiry date**
1010printing.com	21st June, 2008
recruitonline.com	2nd September, 2008
mvpjob.com	18th August, 2008
1010jobs.com	18th August, 2008
wowjob.com	12th August, 2007
1010job.com	17th August, 2008
recruit.hk	30th March, 2011
recruit.com.hk	12th December, 2010
4results.com.hk	3rd October, 2008
central.com.hk	Not applicable
bigfishnet.com.hk	3rd November, 2008
bigfishnet.hk	3rd November, 2008
recruitonline.hk	11th May, 2009
recruitonline.com.hk	13th May, 2009
recruitmagazine.hk	11th May, 2009
recruitmagazine.com.hk	11th May, 2009
merchandisersonline.com.hk	21st September, 2007
merchandisersonline.hk	21st September, 2007
merchandiserjob.com.hk	21st September, 2007
merchandiserjob.hk	21st September, 2007
merchandiserjobs.com.hk	27th September, 2007
merchandiserjobs.hk	27th September, 2007
recruitgroup.cn	10th January, 2008
recruitgroup.com.cn	11th January, 2008
corneroffice.cn	30th December, 2007
corneroffice.com.cn	30th December, 2007
dcmconsultants.cn	18th March, 2008
parcomedia.com.cn	7th September, 2007
parcomedia.cn	7th September, 2007

C. FURTHER INFORMATION ABOUT THE GROUP'S DIRECTORS, SENIOR MANAGEMENT AND STAFF

1. Directors' and chief executives' interests and short positions in the shares and underlying shares of the Company

As at the Latest Practicable Date, the interests and short positions of the Directors and chief executives of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which would have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions), or which would be required, pursuant to section 352 of the SFO, to be entered in the register required to be kept therein, or which are required pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers in the Listing Rules, to be notified to the Company and the Stock Exchange, were as follows:

(i) Long position in Shares

(a) Interests in the Shares

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 *(Note 1)*	Nil	Nil	178,894,000	178,894,000	64.95
Mr. Lee *(Note 2)*	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

Notes:

1. Of 178,894,000 Shares, 940,000 Shares and 177,954,000 Shares are beneficially owned by ER2 and City Apex respectively. As at the Latest Practicable Date, Mr. Lau beneficially owned 67% of the issued share capital of ER2, which is the ultimate holding company of City Apex. Accordingly, Mr. Lau 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, who is deemed to be interested in the said Shares under Part XV of the SFO.

(ii) Long position of share options granted pursuant to the GEM Share Option Scheme

(b) Options to subscribe for the Shares

Name of Director	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	17th May, 2004	0.28	17th May, 2004 to 16th May, 2005	17th May, 2005 to 2nd July, 2013	250,000	0.09
Ms. Ho Suk Yi	9th December, 2004	0.43	9th December, 2004 to 8th December, 2005	9th December, 2005 to 2nd July, 2013	250,000	0.09

Saved as disclosed above, as at the Latest Practicable Date, to the knowledge of the Company, none of the Directors or chief executives 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 the Model Code for Securities Transactions by Directors of Listed Issuers in the Listing Rules to be notified to the Company and the Stock Exchange relating to securities transactions by the Directors to be notified to the Company and the Stock Exchange.

2. Directors' interest in competing business

As at the Latest Practicable Date, save as disclosed below and in the section headed "Relationship with controlling shareholders and the Directors" in this document, none of the Directors nor their respective associates was considered to have an interest in a business which competes or is likely to compete, either directly or indirectly, with the business of the Group.

Name of Directors	Name of companies	Nature of competing business	Nature of interest
Mr. Lau	IRG	Executive search business in the UK	As a director and shareholder
	SWPL (with the trading name of "Amrop Hever")	Executive search business in Hong Kong and the PRC	As a shareholder
Mr. Wan	SWPL (with the trading name of "Amrop Hever")	Executive search business in Hong Kong and the PRC	As a director and shareholder

Mr. Lau and Mr. Wan are considered as having an interest in the executive search business which may potentially compete with the job matching service (a service for linking up job seekers with employers) provided by the Group in Shanghai. The job matching service is a service ancillary to the Group's principal activities, including recruitment and non-recruitment advertising. Revenue generated from the job matching service is minimal as compared to the Group's total turnover. Having considered the different nature and size of Mr. Lau and Mr. Wan's business, the Directors believe that they are unlikely to cause any significant competitions to the businesses of the Group.

The Group is capable of carrying on its businesses independently of, and at arm's length from the competing businesses as mentioned above.

3. Directors' remuneration

Aggregate Directors' remuneration, including directors' fee, salaries, allowances, retirement benefit scheme contributions, and the value of share options granted to certain Directors under the GEM Share Option Scheme, amounted to HK$623,000, HK$1,299,000 and HK$4,412,000 were paid by the Group for each of the three years ended 31st December, 2006, respectively. No Director has waived or agreed to waive any emoluments for each of the three financial years immediately preceding the issue of this document.

Under the current arrangements, the aggregate emoluments to the Directors for the year ending 31st December, 2007 is expected to be approximated HK$4.0 million, excluding value of share options and discretionary bonuses.

Save as disclosed in note 9 of section II of the accountants' report contained in Appendix I to this document, none of the Directors received any remuneration or benefits in kind from the Group for each of the three years ended 31st December, 2006.

D. GEM SHARE OPTION SCHEME

A summary of the principal terms of the GEM Share Option Scheme (which will be terminated and replaced by the Proposed Share Option Scheme subject to the approval of the Shareholders at the SGM) is set out below.

(a) Purpose

The purpose of the GEM Share Option Scheme is to reward full-time employees who have contributed to the Group and to encourage them to work towards enhancing the value of the Company and its Shares for the benefit of the Company and the Shareholders as a whole.

(b) Who may join

The committee of the board of Directors constituted to administer the GEM Share Option Scheme (the "GEM Option Scheme Committee") may, at its discretion, offer full-time employees, including executive directors in the full time employment of the Company and/or any of its subsidiaries, options to subscribe for such number of new Shares as the GEM Option Scheme Committee may determine at an exercise price determined in accordance with paragraph (c) below.

Any offer of the grant of an option shall remain open for acceptance by the employee concerned for a period as determined by the GEM Option Scheme Committee, which period shall not be more than 3 days from the date of the offer. Upon acceptance of the option, the grantee shall pay HK$1.00 to the Company by way of consideration for the grant and the option shall be deemed to have been granted and to have taken effect with retrospective effect from the date on which the option is offered.

(c) Price of Shares

The subscription price of a Share in respect of any particular option granted under the GEM Share Option Scheme shall be such price as the Option Scheme Committee in its absolute discretion shall determine, save that such price will not be less than the highest of (i) the closing price of the Shares on GEM as stated in the Stock Exchange's daily quotations sheet on the date of offer of the option; (ii) the average of the closing prices of the Shares on GEM as stated in the Stock Exchange's daily quotations sheets for the five days on which the Stock Exchange is open for the business of dealing in securities immediately preceding the date of offer of the option; and (iii) the nominal value of a Share.

(d) Maximum number of Shares

(i) The maximum number of Shares in respect of which options may be granted (including Shares in respect of which options, whether exercised or still outstanding, have already been granted) under the GEM Share Option Scheme will not, subject to the conditions set out below, when aggregated with any Shares subject to any other scheme, exceed such number which shall represent 30 per cent. of the issued ordinary share capital of the Company from time to time, excluding for this purpose (aa) Shares issued and allotted upon the exercise of options granted pursuant to the GEM Share Option Scheme or any other scheme and (bb) any pro rata entitlements to further Shares issued in respect of those Shares mentioned in (aa) above:

(1) the total number of Shares available for issue under options which may be granted under the GEM Share Option Scheme and any other scheme must not, in aggregate, exceed 10 per cent. of the issued share capital of the Company as at the date of the listing of the Shares on GEM unless shareholders' approval has been obtained pursuant to paragraph (2) or (3) below;

(2) the GEM Option Scheme Committee may seek approval by shareholders in general meeting to refresh the 10 per cent. limit. However, the total number of Shares available for issue under options which may be granted under the GEM Share Option Scheme and any other schemes in these circumstances must not exceed 10 per cent. of the issued share capital of the Company at the date of approval of the refreshing of the limit; and

(3) the GEM Option Scheme Committee may seek separate shareholders' approval in general meeting to grant options beyond the 10 per cent limit provided that (i) the total number of Shares subject to the GEM Share Option Scheme and any other schemes does not in aggregate exceed 30 per cent. of the total issued share capital of the Company and (ii) the options in excess of the 10 per cent limit are granted only to participants specified by the GEM Option Scheme Committee before such approval is sought.

(ii) No option may be granted to any one person which if exercised in full would result in the total number of Shares already issued and issuable to him under all the options previously granted to him and the said option exceeding 25 per cent. of the number of Shares issued and issuable under all the options which may be granted under the GEM Share Option Scheme at the time it is proposed to grant the relevant option to that person.

(e) Restrictions on grant of options

(i) No option shall be granted after a price sensitive development has occurred or a price sensitive matter has been the subject of a decision, until such price sensitive information has been announced pursuant to the relevant requirements of the GEM Listing Rules and, in particular, no option shall be granted during the period of one month immediately preceding the preliminary announcement of the annual results of the Company or the publication of the interim results of the Company until such information has been announced pursuant to the relevant requirements of the GEM Listing Rules.

(ii) Any grant of options to a connected person (as defined in the GEM Listing Rules) must be approved by the independent non-executive directors of the Company.

(iii) Where options are proposed to be granted to a connected person who is also a substantial shareholder (as defined in the GEM Listing Rules) or an independent non-executive director of the Company or any of their respective associates, and the proposed grant of options, when aggregated with the options already granted to that connected person in the past 12-month period, would entitle him to receive more than 0.1 per cent. of the total issued shares of the Company for the time being and the value of which, based on the closing price of the Shares at the proposed date of grant, is in excess HK$5 million, the proposed grant must be subject to the approval of shareholders of the Company in general meetings. The connected person involved and all other connected persons of the Company must abstain from voting in such general meeting (except where any connected person intends to vote against the proposed grant). A shareholders' circular must be prepared by the Company explaining the proposed grant, disclosing the number and terms of the options to be granted and containing a recommendation from the independent directors on whether or not to vote in favour of the proposed grant.

(f) Time of exercise of option

An option may be exercised in accordance with the terms of the GEM Share Option Scheme at any time during a period ("Option Period") to be notified by the Option Scheme Committee to each grantee, such period not to be less than 3 years and not to exceed 10 years from the date on which the option is offered in accordance with the terms of the GEM Share Option Scheme. There is neither any performance target that needs to be achieved before the options can be exercised nor any minimum period for which an option must be held before it can be exercised.

(g) Rights are personal to grantee

An option may not be transferred and is personal to the grantee and may be exercised or treated as exercised, as the case may be, in whole or in part.

(h) Rights on cessation of employment by death

If the grantee of an option ceases to be an employee of the Company or its subsidiaries by reason of death, his personal representatives may exercise the option (to the extent not already exercised) within a period of twelve months thereafter (or such longer period as the GEM Option Scheme Committee may determine), failing which it will lapse.

(i) Rights on cessation of employment by dismissal

If the grantee of an option ceases to be an employee of the Company or its subsidiaries on the grounds that he has been guilty of serious misconduct, or has committed any act of bankruptcy or has become insolvent or has made any arrangements or composition with his creditors generally, or has been convicted of any criminal offence involving his integrity or honesty or on any other ground on which an employer would be entitled to terminate his employment at common law or pursuant to any applicable laws or under the grantee's service contract with the Company or the relevant subsidiary, his option will lapse and not be exercisable on the date of termination of his employment.

(j) Rights on cessation of employment for other reasons

If the grantee of an option leaves the service of the Company or its subsidiaries for any other reason, his option may be exercised within three months following the date of such cessation, which date shall be the last actual working date with the Company or the relevant subsidiary, whether salary is paid in lieu of notice or not.

(k) Effects of alterations to share capital

In the event of any alteration in the capital structure of the Company whilst any option remains exercisable, such corresponding alterations (if any) shall be made in the number of Shares subject to outstanding options so far as unexercised and/or the subscription price per Share of each outstanding option and/or the method of exercise of the option as the auditors of the Company shall certify in writing to the GEM Option Scheme Committee to be in their opinion fair and reasonable. Any such alterations will be made on the basis that the proportion of the issued share capital of the Company to which a grantee is entitled to subscribe pursuant to the option after such alteration shall remain the same as that to which he was entitled before such alteration. No such alteration will be made the effect of which would be to enable a Share to be issued at less than its nominal value. The issue of Shares as consideration in a transaction is not to be regarded as a circumstance requiring any such alterations.

(l) Rights on a general offer

In the event that a general offer is made to all the holders of Shares (or all such holders other than the offeror and/or any person controlled by the offeror and/ or any person acting in concert with the offeror) and such offer becomes or is declared unconditional prior to the expiry date of the option, the Company shall give notice thereof to the grantee, whereupon the grantee (or his personal representatives) shall be entitled to exercise the option in full (to the extent not already exercised) at any time within 14 days after the date of such notice.

(m) Rights on winding up

In the event that a notice is given by the Company to its shareholders to convene a general meeting for the purpose of considering and, if thought fit, approving a resolution to voluntarily wind up the Company, the Company shall forthwith give notice thereof to the grantee (or his personal representatives), who may by notice in writing to the Company (such notice to be received by the Company not later than two business days prior to the proposed general meeting) exercise the option (to the extent not already exercised) either to its full extent or to the extent specified in such notice and the Company shall as soon as possible and in any event no later than the day immediately prior to the date of the proposed general meeting, allot and issue such number of Shares to the grantee which falls to be issued on such exercise.

(n) Rights on compromise or arrangement

In the event of a compromise or arrangement between the Company and its members or creditors being proposed in connection with the scheme for the reconstruction or amalgamation of the Company, the Company shall give notice thereof to all grantees on the same day as it gives notice of the meeting to its members or creditors to consider such a scheme or arrangement and the grantee (or his personal representatives) may by notice in writing to the Company accompanied by the remittance for the exercise price in respect of the relevant option (such notice to be received by the Company not later than two business days prior to the proposed meeting) exercise the option (to the extent not already exercised) either to its full extent or to the extent specified in such notice and the Company shall as soon as possible and in any event no later than the day immediately prior to the date of the proposed meeting, allot and issue such number of Shares to the grantee which falls to be issued on such exercise credited as fully paid and register the grantee as holder thereof.

(o) Ranking of Shares

Shares allotted and issued on the exercise of options will rank pari passu with the other fully paid Shares in issue on the date of issue, save that they will not rank for any dividend or other distribution declared or recommended or resolved to be paid or made by reference to a record date falling before the date of issue.

(p) Lapse of option

An option shall lapse automatically (to the extent not already exercised) on the earliest of:

(i) subject to paragraphs (q) and (t) below, the expiry of the option period;

(ii) the expiry of any of the periods referred to in paragraphs (f), (h) and (j) above;

(iii) subject to the High Court of Hong Kong not making an order prohibiting the offeror to acquire the remaining Shares in the offer, the expiry of the period referred to in paragraph (m) above;

(iv) subject to the scheme of arrangement becoming effective, the expiry of the period referred to in paragraph (n) above;

(v) the date of the commencement of the winding-up of the Company;

(vi) the date on which the grantee ceases to be an employee by reason of the termination of his or her employment referred to in paragraph (i) above; and

(vii) the date on which the grantee in any way sells, transfers, charges, mortgages, encumbers or creates any interest in favour of any third party over or in relation to any option.

(q) Period of the GEM Share Option Scheme

Subject to earlier termination by the Company in general meeting, the GEM Share Option Scheme shall be valid and effective for a period of ten years from 3rd July, 2000, the date on which the GEM Share Option Scheme was conditionally adopted by the Company. Options which are granted during the life of the GEM Share Option Scheme may continue to be exercisable in accordance with their terms of issue within 3 years after the end of the life of the GEM Share Option Scheme.

(r) Alterations to the GEM Share Option Scheme

The GEM Share Option Scheme may be altered in any respect by a resolution of the GEM Option Scheme Committee save that the provisions of the GEM Share Option Scheme as to the definitions of “Employee”, “Grantee” and “Option Period”, the duration of the GEM Share Option Scheme, the grant of options, the subscription price, the exercise of options, the lapse of options, the maximum number of shares available for subscription, the reorganisation of the capital structure of the Company and the alteration of the GEM Share Option Scheme cannot be altered to the advantage of grantees or prospective grantees of options except with the prior sanction of an ordinary resolution of the Company in general meeting (with all grantees, prospective grantee and their associates (as defined in the GEM Listing Rules) abstaining from voting).

(s) Administration of the GEM Share Option Scheme

The GEM Share Option Scheme shall be administered by the GEM Option Scheme Committee whose members will include the independent non-executive Directors and, if applicable, the independent non-executive directors of any holding company of the Company which is also listed on the Main Board or on GEM.

(t) Termination of GEM Share Option Scheme

The Company by ordinary resolution in general meeting may at any time terminate the operation of the GEM Share Option Scheme and in such event no further options will be offered but the provisions of the GEM Share Option Scheme shall remain in full force and effect in all other respects. Options complying with the provisions of Chapter 23 of the GEM Listing Rules which are granted during the life of the GEM Share Option Scheme and remain unexpired immediately prior to the termination of the operation of the GEM Share Option Scheme shall continue to be exercisable in accordance with their terms of issue within one month after the termination of the operation of the GEM Share Option Scheme.

(u) Cancellation of options

Any cancellation of options granted but not exercised shall require approval of shareholders of the Company in general meeting, and the relevant grantees and their respective associates (as defined in the GEM Listing Rules) shall abstain from voting. Any vote taken at the general meeting for approving such cancellation shall be taken by poll. Cancelled options may be re-issued after such cancellation has been approved, provided that re-issued options shall only be granted in compliance with the terms of the GEM Share Option Scheme.

Present status of the GEM Share Option Scheme

As at the Latest Practicable Date, options to subscribe for 2,332,000 Shares (including options to subscribe for 500,000 Shares granted to Ms. Ho Suk Yi as disclosed above in the paragraph headed “C. Further information about the Group’s Directors, senior management and staff”) granted under the GEM Share Option Scheme at a consideration of HK$1.00 per grant were outstanding.

Particulars of such outstanding options under the GEM Share Option Scheme granted are set out below:

Grantee	Date of grant	Number of Shares subject to outstanding options as at the Latest Practicable Date	Exercise Price *(HK$)*	% of shareholding	Exercise period
Employees (number of employee(s))					
1	2nd July, 2003	25,000	0.24	0.01%	2nd July, 2004 to 2nd July, 2013
10	17th May, 2004	999,000	0.28	0.36%	17th May, 2005 to 2nd July, 2013
6	7th July, 2005	808,000	0.80	0.29%	7th July, 2006 to 2nd July, 2013
Director					
Ms. Ho Suk Yi *(Note)*	17th May, 2004	250,000	0.28	0.09%	17th May, 2005 to 2nd July, 2013
Ms. Ho Suk Yi *(Note)*	9th December, 2004	250,000	0.43	0.09%	9th December, 2005 to 2nd July, 2013
		2,332,000			

Note: The address of Ms. Ho Suk Yi is Room 1304, Ka Wui House, Ka Keung Court, 3 Fu Mei Street, Kowloon, Hong Kong.

If the above options are exercised in full, the Shares to be issued would represent approximately 0.8% of the issued Share capital of the Company as at the Latest Practicable Date. If the options granted under the GEM Share Option Scheme as at 31st December, 2006 (including the options granted over an aggregate of 2,332,000 Shares above), the audited diluted earnings per Share for the year ended 31st December, 2006 will be approximately HK$0.1984, the amount of which is not significantly different when compared with the audited basic earnings per Share for the year ended 31st December, 2006 of approximately HK$0.2007 without taking into account of the exercise of the options granted under the GEM Share Option Scheme.

E. PROPOSED SHARE OPTION SCHEME

The following is a summary of the principal terms of the rules of the Proposed Share Option Scheme proposed to be adopted by the Shareholders at the SGM to replace the GEM Share Option Scheme:

For the purpose of this section only, unless the context otherwise requires the following words shall have the following meanings:

"Adoption Date"	13th July, 2007, the date on which the Proposed Share Option Scheme was conditionally adopted by resolutions of the Shareholders;
"Board"	the board of directors of the Company for the time being or a duly authorised committee thereof;
"Business Day"	any day (excluding a Saturday and Sunday) on which banks are generally open for business in Hong Kong;
"Date of Grant"	in respect of an Option, the Business Day on which the Board resolves to make an Offer to a Participant whether or not the Offer is subject to Shareholders' approval on the terms of the Proposed Share Option Scheme;
"Grantee"	any Participant who accepts an Offer in accordance with the terms of the Proposed Share Option Scheme or (where the context so permits) a person entitled to any such Option in consequence of the death of the original Grantee or the legal personal representative of such person;
"Group"	the Company and its Subsidiaries;
"Offer"	the offer of the grant of an Option;
"Option"	an option to subscribe for Shares pursuant to the Proposed Share Proposed Option Scheme and for the time being subsisting;
"Option Period"	in respect of any particular Option, the period to be determined and notified by the Board to the Grantee at the time of making an Offer which shall not expire later than 10 years from the Date of Grant;

"Participants"	directors (including executive directors, non-executive directors and independent non-executive directors) and employees of any member of the Group and any advisors, consultants, distributors, contractors, suppliers, agents, customers, business partners, joint venture business partners, promotors and service providers to any member of the Group who the Board considers, in its sole discretion, have contributed or will contribute to the Group;
"Shareholder(s)"	holder(s) of the Shares;
"Shares"	ordinary shares of HK$0.20 each in the share capital of the Company, or, if there has been a sub-division, reduction, consolidation, reclassification or reconstruction of the share capital of the Company, the shares forming part of the ordinary equity share capital of the Company or such nominal amount as shall result from any such sub-division, reduction, consideration, reclassification or reconstruction; and
"Subsidiary"	the meaning ascribed to it under the Listing Rules.

The Proposed Share Option Scheme contains the following terms:

(a) Purpose

The purpose of the Proposed Share Option Scheme is to reward Participants who have contributed to the Group and to encourage Participants to work towards enhancing the value of the Company and its Shares for the benefit of the Company and its Shareholders as a whole.

(b) Who may join

The Directors may, at their discretion, invite Participants to take up Options at a price calculated in accordance with paragraph (d) below. An offer of Option shall remain open for acceptance by the Participant concerned for a period of 28 days from the Date of Grant provided that no such Offer shall be open for acceptance after the expiry of the Option Period or after the Proposed Share Option Scheme is terminated or after the Participant for whom the Offer is made has ceased to be a Participant. An Offer is deemed to be accepted when the Company receives from the Grantee the Offer letter signed by the Grantee specifying the number of Shares in respect of which the Offer is accepted and a remittance to the Company of HK$1.00 as consideration for the grant of Option. Such remittance is not refundable in any circumstances. The Offer shall specify the terms on which the Option is to be granted. Such terms may at the discretion of the Board, include, among other things, (i) the minimum period for which an Option must be held before it can be exercised; and/or (ii) a performance target that must be reached before an Option can be exercised in whole or in part; and (iii) any other terms, all of which may be imposed (or not imposed) either on a case-by-case basis or generally.

(c) Grant of Options to connected persons or any of their associates

Any grant of Options to any director, chief executive or substantial shareholder (as such term is defined in the Listing Rules) of the Company, or any of their respective associates under the Proposed Share Option Scheme or any other share option schemes of the Company or any of its Subsidiaries shall be subject to the prior approval of the independent non-executive directors of the Company (excluding independent non-executive directors who are the proposed Grantees of the Options in question). Where any grant of Options to a substantial shareholder or an independent non-executive director of the Company, or any of their respective associates, would result in the Shares issued and to be issued upon exercise of all Options already granted and to be granted (including Options exercised, cancelled or outstanding) to such person in the 12-month period up to and including the date of such grant:

(a) representing in aggregate over 0.1% of the Shares in issue on the date of such grant; and

(b) having an aggregate value, based on the closing price of the Shares as stated in the daily quotations sheets issued by the Stock Exchange on the Date of Grant, in excess of HK$5 million,

such further grant of Options shall be subject to prior approval by resolution of the Shareholders (voting by way of poll) on which all connected persons of the Company abstain from voting in favour. The Company shall send a circular to the Shareholders in accordance with the Listing Rules.

(d) Subscription price

The subscription price for the Options shall be determined by the Board in its absolute discretion but in any event shall not be less than the higher of:

(1) the closing price of the Shares as stated in the daily quotations sheets issued by the Stock Exchange on the Date of Grant which must be a Business Day;

(2) the average closing price of the Shares as stated in the daily quotations sheets issued by the Stock Exchange for the five Business Days immediately preceding the Date of Grant; and

(3) the nominal value of the Shares.

(e) Maximum number of Shares

(1) The maximum number of Shares which may be issued upon exercise of all Options to be granted under the Proposed Share Option Scheme and any other share option schemes of the Company shall not, in the absence of Shareholders' approval, in aggregate exceed 10% in nominal amount of the aggregate of Shares in issue on the Listing Date (the "Scheme Mandate Limit") on the basis of 275,442,000 Shares in issue on the Listing Date. Options lapsed in accordance with the terms of the GEM Share Option Scheme and (as the case may be) such other GEM Share Option Schemes of the Company will not be counted for the purpose of calculating the Scheme Mandate Limit.

The Scheme Mandate Limit may be renewed at any time with prior Shareholders' approval but in any event, the total number of Shares which may be issued upon exercise of all Options to be granted under the Proposed Share Option Scheme and any other share option schemes of the Company under the limit as refreshed must not exceed 10% of the Shares in issue as at the date of approval of the renewal of the Scheme Mandate Limit. Options previously granted under the Proposed Share Option Scheme and any other share option scheme(s) of the Company (including those outstanding, cancelled, lapsed in accordance with the terms or exercised options) will not be counted for the purpose of calculating the refreshed Scheme Mandate Limit.

(2) Notwithstanding the foregoing, the Company may grant Options beyond the Scheme Mandate Limit to Participants if:

(i) separate Shareholders' approval has been obtained for granting Options beyond the Scheme Mandate Limit to Participants specifically identified by the Company before such Shareholders' approval is sought; and

(ii) the Company, in connection with the seeking of such separate Shareholders' approval, has first sent a circular to the Shareholders containing such information as may be required by the Listing Rules then prevailing to be included in such circular.

(3) Subject to paragraph (4) below, the maximum number of Shares issued and to be issued upon exercise of the Options granted to each Grantee under the Proposed Share Option Scheme (including both exercised and outstanding Options) in any 12-month period shall not (when aggregated with any Shares subject to options granted during such period under any other share option scheme(s) of the Company other than those options granted pursuant to specific approval by the Shareholders in a general meeting) exceed 1% of the Shares in issue for the time being (the "Individual Limit").

(4) Where any further grant of Options to a Participant would result in the Shares issued and to be issued upon exercise of all Options granted and to be granted to such person (including exercised, cancelled and outstanding Options) in the 12-month period up to and including the date of such further grant representing in aggregate over 1% of the Shares in issue, such further grant must be separately approved by Shareholders in general meeting with such Participant and his associates abstaining from voting. The Company must send a circular to the Shareholders disclosing the identity of the Participant in question, the number and terms of the Options to be granted (and Options previously granted to such Participant) and such other information required under the Listing Rules.

(f) Maximum number of Options to any one individual

At any time, the maximum number of Shares which may be issued upon exercise of all Options which then have been granted and have yet to be exercised under the Proposed Share Option Scheme and any other share option scheme(s) of the Company shall not exceed 30% of the Shares in issue from time to time (the "Scheme Limit").

(g) Time of exercise of option

An Option may be exercised in accordance with the terms of the Proposed Share Option Scheme at any time during the period to be determined and notified by the Board to each Grantee, at the time of making an Offer which shall not expire later than 10 years from the Date of Grant.

(h) Rights are personal to grantees

An Option shall be personal to the Grantee and shall not be assignable or transferable and no Grantee shall in any way sell, transfer, charge, mortgage, encumber or create any interest in favour of any other person over or in relation to any Option.

(i) (1) Rights on termination of employment by dismissal

(i) If the Grantee ceases to be a Participant by reason of the termination of his employment or directorship on the grounds that he has been guilty of serious misconduct, bankruptcy or is unable to pay his debts when they fall due, insolvency, making any arrangement or compromise with his creditors generally, conviction of any criminal offence involving his integrity or honesty or on any other ground on which an employer would be entitled to terminate his employment summarily, his Option (to the extent not already exercised) shall lapse automatically and shall not be exercisable on or after the date of termination of his employment.

(ii) If the Grantee who is an employee or a director of the Company or another member of the Group ceases to be a Participant for any reason other than his death or termination of his employment or directorship or one or more of the grounds specified in (i)(1)(i) above, the Option (to the extent not already exercised) shall lapse on the date of cessation or termination of his employment and shall on that day cease to be exercisable.

(2) Rights on death

If the Grantee ceases to be a Participant by reason of his death before exercising his Option in full and none of the events which would be a ground for termination of his employment as described in paragraph (i)(1)(i) above have arisen, his personal representative(s) may exercise the Option up to the Grantee's entitlement as at the date of death (to the extent not already exercised) until the earlier of (i) the period of 12 months following his death or (ii) the last day of the original Option Period as specified in the letter containing the Offer concerned.

(3) Rights on cessation to be a participant

If the Grantee who is not an employee or a director of the Company ceases to be a Participant as and when determined by the Board by resolution for any reason other than his death, the Board may by written notice to such Grantee within one month from the date of such cessation determine the period within which the Option (or such remaining part thereof) shall be exercisable following the date of such cessation.

(j) Effect of alterations to share capital

In the event of an alteration in the capital structure of the Company whilst any Option remains exercisable by way of capitalisation of profits or reserves, bonus issue, rights issue, open offer, subdivision or consolidation of shares, or reduction of the share capital of the Company in accordance with legal requirements and requirements of the Stock Exchange (other than any alteration in the capital structure of the Company as a result of an issue of Shares as consideration in a transaction to which the Company is a party), corresponding adjustments (if any) shall be made to:

(1) the number or nominal amount of Shares subject to the Option so far as unexercised; or

(2) the subscription price for the Option,

or any combination thereof, provided that:

(i) any such adjustments give a Grantee the same proportion of the equity capital of the Company as that to which that Grantee was previously entitled; and

(ii) notwithstanding paragraph (j)(i) above, any adjustments as a result of an issue of securities with a price-dilutive element, such as a rights issue, open offer or capitalisation issue, shall be made in accordance with the Supplementary Guidance on the Listing Rule 17.03(13) issued by the Stock Exchange on 5th September, 2005 and all, such other relevant guidelines or supplementary guidance as may be issued by the Stock Exchange from time to time

but no such adjustments shall be made to the extent that a Share would be issued at less than its nominal value.

In respect of any such adjustments, an auditor of the Company for the time being or a financial adviser or the Company's auditors must confirm to the Directors in writing that the adjustments satisfy the requirements set out in paragraphs (j)(i) and (j)(ii) above.

(k) Rights on a general offer by way of takeover

In the event of a general offer by way of takeover or otherwise (other than by way of scheme of arrangement) being made to all the Shareholders (or all such Shareholders other than the offeror and/or any person controlled by the offeror and/or any person acting in association or concert with the offeror) and such offer becomes or is declared unconditional prior to the expiry date of the relevant Option, the Company shall forthwith notify all the Grantees and any Grantee (or his legal personal representative) shall be entitled to exercise the Option in full (to the extent not already exercised) or to the extent as notified by the Company at any time within such period as shall be notified by the Company.

(l) Rights on a general offer by way of scheme of arrangement

In the event of a general offer for Shares by way of scheme of arrangement being made to all the Shareholders and has been approved by the necessary number of Shareholders at the requisite meetings, the Company shall forthwith notify all the Grantees and any Grantee (or his legal personal representative) may at any time thereafter (but before such time as shall be notified by the Company) exercise the Option either to its full extent or to the extent notified by the Company.

(m) Rights on winding up

In the event a notice is given by the Company to the Shareholders to convene a Shareholders' meeting for the purpose of considering and, if thought fit, approving a resolution to voluntarily wind up the Company, the Company shall forthwith give notice thereof to the Grantee and the Grantee (or his legal personal representative) may at any time thereafter (but before such time as shall be notified by the Company) exercise the Option either to its full extent or to the extent notified by the Company and the Company shall as soon as possible and in any event no later than three days prior to the date of the proposed Shareholders' meeting, allot, issue and register in the name of the Grantee such number of fully paid Shares to the Grantee which fall to be issued on exercise of such Option.

(n) Rights on a compromise or arrangement

In the event of a compromise or arrangement (other than a scheme of arrangement) between the Company and its members or creditors is proposed in connection with a scheme for the reconstruction of the Company or its amalgamation with any other company or companies, the Company shall give notice to all the Grantees on the same date as it gives notice of the meeting to its members or creditors to consider such a compromise or arrangement, and any Grantee (or his legal personal representative) may at any time thereafter but before such time as shall be notified by the Company exercise the Option either to its full extent or to the extent notified by the Company, and the Company shall as soon as possible and in any event no later than three days prior to the date of the proposed Shareholders' meeting, allot, issue and register in the name of the Grantee such number of fully paid Shares which fall to be issued on exercise of such Option.

(o) Ranking of Shares

The Shares to be allotted upon the exercise of an Option shall be subject to all the provisions of the memorandum of continuance and bye-laws of the Company for the time being in force and shall rank pari passu in all respects with the existing fully paid Shares in issue on the date on which those Shares are allotted on exercise of the Option and accordingly shall entitle the holders to participate in all dividends or other distributions paid or made after the date on which the Shares are allotted other than any dividend or distribution previously declared or recommended or resolved to be paid or made if the record date thereof shall be on or before the date on which the Shares are allotted.

(p) Period of the Proposed Share Option Scheme

The Proposed Share Option Scheme was adopted for a period of 10 years commencing on Adoption Date. The Company may, by ordinary resolution in general meeting or such date as the Board determines, terminate the Proposed Share Option Scheme at any time without prejudice to the exercise of Options granted prior to such termination.

(q) Alterations to the Proposed Share Option Scheme

Those specific provisions of the Proposed Share Option Scheme which relate to the matters set out in Rule 17.03 of the Listing Rules cannot be altered to the advantage of the Participants, and changes to the authority of the Board in relation to any alteration of the terms of the Proposed Share Option Scheme shall not be made, in either case, without the prior approval of Shareholders in general meeting. Any alterations to the terms and conditions of the Proposed Share Option Scheme which are of a material nature, or any change to the terms of Options granted, must also, to be effective, be approved by the Shareholders in general meeting, except where the alterations take effect automatically under the existing terms of the Proposed Share Option Scheme. The Proposed Share Option Scheme so altered must comply with Chapter 17 of the Listing Rules.

(r) Conditions of the Proposed Share Option Scheme

The Proposed Share Option Scheme shall take effect subject to:

(1) the passing of ordinary resolution(s) by the Shareholders at the SGM to approve and adopt the Proposed Share Option Scheme and to authorise the Board to grant Options thereunder and to allot and issue Shares pursuant to the exercise of any Options;

(2) the Listing Committee (as defined in the Listing Rules) of the Stock Exchange granting the approval of the listing of, and permission to deal in, the Shares which fall to be issued pursuant to the exercise of any Options (subject to an initial limit of 10% of the aggregate number of Shares in issue on the date of the SGM (assuming that there is no change in the total issued share capital of the Company from the Latest Practicable Date to the Listing Date, shall be 27,544,200 Shares)); and

(3) the commencement of dealings in Shares on the Main Board.

(s) Lapse of Option

An Option shall lapse automatically and shall not be exercisable (to the extent not already exercised) on the earliest of:

(1) the expiry of the Option Period;

(2) the expiry of the periods referred to in paragraph (g), (i)(2) or (i)(3) above respectively;

(3) the expiry of the period referred to in paragraph (k) above, subject to any court of competent jurisdiction not making an order to prohibit the offeror from acquiring the remaining Shares in the Offer;

(4) subject to the scheme of arrangement becoming effective, the expiry of the period referred to in paragraph (l) above;

(5) the date of commencement of the winding-up of the Company;

(6) the date on which the Grantee ceases to be a Participant as referred to in paragraph (i)(1) above;

(7) the date on which the Grantee commits a breach by selling, transferring, charging, mortgaging, encumbering or creating any interest in favour of any third party over or in relation to any Option; and

(8) subject to paragraph (i)(1)(i) above, the date the Grantee ceases to be a Participant for any other reason.

(t) Termination of the Proposed Share Option Scheme

The Company by ordinary resolution in general meeting or the Board may at any time terminate the Proposed Share Option Scheme and in such event no further Options will be offered or granted but in all other respects the provisions of the Proposed Share Option Scheme shall remain in full force and effect in respect of Options which are granted during the life of the Proposed Share Option Scheme and which remain unexpired immediately prior to termination of the operation of the Proposed Share Option Scheme.

(u) Restriction on Grant of Option

In addition, a grant of Options may not be made after a price sensitive event has occurred or a price sensitive matter has been the subject of a decision until such price sensitive information has been published in the newspapers pursuant to Rule 17.05 of the Listing Rules, in particular, during the period commencing one month immediately preceding the earlier of:

(1) the date of the board meeting of the Company (as such date is first notified to the Stock Exchange in accordance with the Listing Rules) for the approval of the Company's results for any year, half-year, or quarterly or any other interim period (whether or not required under the Listing Rules); and

(2) the deadline for the Company to publish an announcement of its results for any year or half-year under the Listing Rules, or quarterly or any other interim period (whether or not required under the Listing Rules);

and ending on the date of the results announcement, no Option may be granted.

(v) Cancellation

Any Options granted but not exercised may be cancelled if the Grantee so agrees.

F. OTHER INFORMATION

Related party transactions

During the Track Record Period, the Group had engaged in the related party transactions as mentioned in note 38 of section II of the accountants' report set out in Appendix I to this document.

Personal guarantees

The Directors have not provided any guarantees in favour of banks for debts and liabilities due by members of the Group.

Estate duty and tax indemnity

Pursuant to a deed of indemnity dated 10th July, 2000, Mr. Chow Yung, Century Faith Investment Limited, Publi Promotion Network Asia Holdings Limited, and JC Decaux Pearl & Dean Limited, the substantial shareholders of the Company at the time when the Company was listed on GEM in 2000, gave joint and several indemnities in connection with, inter alia, any liability for Hong Kong estate duty which might be payable by any member of the then Group, by reason of any transfer of property (within the meaning of section 35 of the Estate Duty Ordinance (Chapter 111 of the Laws of Hong Kong)) to any member of the then Group and any other tax liabilities of the then Group on or before 20th July, 2000 except in certain circumstances including:

(a) where such liability would not have arisen but for any act or omission by any member of the then Group voluntarily effected other than any such act, omission or transaction:

(i) carried out or effected in the ordinary course of business or in the ordinary course of acquiring and disposing of capital assets; or

(ii) carried out, made or entered into pursuant to a legally binding commitment created on or before 31st December, 1999 or pursuant to any statement of intention made in the prospectus of the Company dated 11th July, 2000; or

(iii) consisting of any member of the then Group ceasing, or being deemed to cease, to be a member of any group of companies or being associated with any other company;

(b) to the extent that adequate provision had been made in the audited accounts of the Company as at 31st December, 1999; or

(c) to the extent of any provisions or reserve made in the audited accounts of the Company as at 31st December, 1999 which is finally established to be an over-provision or an excessive reserve, provided that the amount of any such provision or reserve applied to reduce the indemnifiers' liability shall not be available in respect of any such liability arising thereafter.

Such indemnities will continue to be effective after the commencement of trading of the Shares on the Main Board.

Litigation

As at Latest Practicable Date, no member of the Group was engaged in any litigation or arbitration of material importance and no litigation or claim of material importance is known to the Directors to be pending or threatened against any member of the Group.

The Sponsor

The Sponsor has made an application on behalf of the Company to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, on the Main Board, the Shares in issue and any Shares which may fall to be allotted and issued pursuant to the exercise of any options which have been granted under the GEM Share Option Scheme prior to its termination and the Proposed Share Option Scheme.

The Sponsor's interest in the Company

The Sponsor will receive sponsorship fees.

JAIC-Somerley Corporate Development Fund Limited (the "Fund"), of which the Sponsor held a 20% shareholding, acquired 8,150,000 Shares (then 163,000,000 shares before the Company's share consolidation in August 2004 (the "Share Consolidation")) by way of a share placement in February 2003. The Fund further acquired 8,638,178 Shares (172,763,568 shares before the Share Consolidation) in the rights issue of the Company in March 2004. In April 2005, the Fund disposed of 12,000 Shares. As at the Latest Practicable Date, none of the Sponsor or any of its associates was interested in the issued share capital of the Company.

Save as disclosed above, none of the Sponsor or any of its associates has any shareholding interest in the Company or any member of the Group or the right (whether legally enforceable or not) to subscribe for or, to nominate persons to subscribe for, securities in any member of the Group during the Track Record Period.

Promoter

There is no promoter of the Company.

Qualification of experts

The qualification of the experts who have given opinion or advice in this document are as follows:

Expert	Qualification
Somerley	Licensed under the SFO to conduct Type 1 (dealing in securities), Type 4 (advising on securities), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities
Grant Thornton	Certified Public Accountants
Conyers Dill & Pearman	Legal advisers on Bermuda law
Zhong Lun	Legal advisers on PRC law
CB Richard Ellis Limited	Professional surveyors and valuers

Consents of experts

Each of Somerley, Grant Thornton, Conyers Dill & Pearman, Zhong Lun, CB Richard Ellis Limited, has given and has not withdrawn its written consent to the issue of this document with the inclusion of its report and/or letter and/or valuation and/or the reference to its name included in the form and context in which they are respectively included.

Expenses for listing

The estimated total amount of the expenses for the Introduction is approximately HK$5 million and is payable by the Company.

Disclaimers

Save as disclosed in this document, as at the Latest Practicable Date:

(i) none of the Directors nor any of the persons whose names are listed in the paragraph headed "Qualification of experts" in this appendix was materially interested in any contract or arrangement subsisting at the date of this document which is significant in relation to the business of the Group;

(ii) none of the Directors nor any of the parties listed in the paragraph headed "Consents of experts" in this appendix is interested in the promotion of the Company in any assets which have within the two years immediately preceding the issue of this document been 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;

(iii) none of the persons whose names are listed in the paragraph headed "Consents of experts" in this appendix had any shareholding an any member of the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group;

(iv) so far as is known to the Directors, none of the Directors, their respective associates or Shareholders who are interested in 5% or more of the issued share capital of the Company have any interests in the five largest customers or the five largest suppliers of the Group; and

(v) without taking into account of any Shares to be issued pursuant to the exercise of any options which may be granted under the GEM Share Option Scheme, the Directors are not aware of any person (not being a Director or chief executive of the Company) who will, immediately after completion of the Introduction be interested, directly or indirectly, 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 member of the Group.

Miscellaneous

(a) Within the two years immediately preceding the date of this document:

(i) no share or loan capital of the Company or any of its subsidiaries has been issued or agreed to be issued fully or partly paid either for cash or for a consideration other than cash;

(ii) no share or loan capital of the Company or any of its subsidiaries is under option or is agreed conditionally or unconditionally to be put under option;

(iii) no commissions, discounts, brokerages or other special terms have been granted in connection with the issue or sale of any capital of the Company or any of its subsidiaries; and

(iv) none of the Directors nor any of the persons whose name are listed in the paragraph headed "Qualification of experts" in this appendix had any direct or indirect interest in any assets which have been acquired or disposed of by or leased to any member of the Group.

(b) No founders or management or deferred shares of the Company or any of its subsidiaries have been issued or agreed to be issued.

(c) No security of the Group is presently listed or proposed to be listed on any stock exchange or traded on any stock exchange other than the Stock Exchange.

(d) All necessary arrangements have been made to enable the Shares to continue to be accepted by CCASS as eligible securities for clearing and settlement.

(e) The English text of this document shall prevail over the Chinese text.

DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the office of the Company at 26th Floor, 625 King's Road, North Point, Hong Kong during normal business hours up to and including 10th July, 2007:

(i) the memorandum of continuance and bye-laws of the Company;

(ii) the accountants' report of the Group, the text of which is set out in Appendix I to this document and the related statement of adjustment;

(iii) the letter, a summary of values and valuation certificate relating to the Group's property interests prepared by CB Richard Ellis Limited, the text of which is set out in Appendix III to this document;

(iv) the letter of advice summarising certain aspects of Bermuda company law prepared by Conyers Dill & Pearman, the text of which is set out in Appendix IV to this document;

(v) the Companies Act;

(vi) a legal opinion prepared by Zhong Lun in respect of the establishment and operation of the PRC subsidiaries of the Company;

(vii) the material contracts referred to in the paragraph headed "Material contracts" in Appendix V to this document;

(viii) the written consents referred to in the paragraph headed "Consents of experts" in Appendix V to this document;

(ix) the annual reports of the Company for each of the three years ended 31st December, 2006 and the quarterly report of the Company for the three months ended 31st March, 2007;

(x) the audited financial statements of each of the companies comprising the Group for the Track Record Period (or for the period since their respective dates of incorporation or establishment where it is shorter), if any;

(xi) the rules of the GEM Share Option Scheme and the Proposed Share Option Scheme; and

(xii) the shareholders' circular dated 27th June, 2007 issued by the Company for, among other things, the proposed voluntary withdrawal of listing on GEM, waiver for minimum notice period in respect of the proposed withdrawal of listing on GEM, the proposed adoption of Proposed Share Option Scheme, the proposed termination of the GEM Share Option Scheme, grant of new general mandates and revocation of existing general mandates to issue and repurchase shares.