



Recruit

Recruit Holdings Limited



Connect

2nd Quarterly Report

2004

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

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

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

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

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

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

FINANCIAL REVIEW

Turnover for the six months ended 30th June 2004 was approximately HK\$44.1 million, an 88% increase over that of HK\$23.5 million in the same period last year. Net profit attributable to shareholders in the first half of 2004 was approximately HK\$11.5 million, an increase of 13 times over that of HK\$0.8 million in same period last year. The Group's encouraging financial performance for the first half of 2004 has been the result of the expansion of its revenue base and success in maintaining operational efficiency.

The Group's turnover for the three months ended 30th June 2004 was approximately HK\$28.1 million, an increase of 151% over that of HK\$11.2 million in same period last year. The significant growth was mainly due to a new source of revenue related to the sale of advertising space in inflight magazines amounting to approximately HK\$8.7 million, which did not exist in the prior year period. A more active recruitment market in 2004 also led to an improvement in advertising revenue of the Recruit magazine. Net profit attributable to shareholders was approximately HK\$7.9 million, an increase of 21 times over that of HK\$0.4 million in same period last year.

BUSINESS REVIEW AND PROSPECTS

In the second quarter of 2004, the Group's revenue from "Recruit" magazine grew by 63% as compared to same quarter last year. This significant growth was mainly attributable to the rebound of the Hong Kong economy in the post-SARS period.

The Group's new business unit in the sale of advertising space in Inflight magazine reported revenue of approximately HK\$8.7 million in the second quarter of 2004. The Group's inflight magazine business unit, which started in April 2004, acts as exclusive agent in selling advertising space in the inflight magazines of China Eastern Airline and Philippine Airline. The Group anticipates that this division will make a significant contribution to the Group in 2004.

The China Daily statutory corporate announcement placement business continued to make progress in the second quarter of 2004, recording a revenue growth of 125% over same period last year. As at 30th June 2004, the Group has signed exclusive contracts with a total of about 170 listed companies in Hong Kong for the placement of their statutory corporate announcement in The China Daily. With these contracts, the Group anticipates a secured contribution from this business unit for the remainder of 2004.

The redevelopment of Recruit's recruitment website, as reported in the 2004 first quarterly report, encountered delays due to technical difficulties. At present the management is making focused efforts to achieve an early resolution of the technical problems with the software developer and is targeting to launch the new website in the fourth quarter of 2004.

Barring any unforeseen downturn in the economies of Hong Kong and the PRC, we are highly confident that the earnings growth reported in the first half of the year can be continued.

INTERIM RESULTS (UNAUDITED)

The Board of Directors (the “Board”) of the Company presents the unaudited results of the Company and its subsidiaries (collectively referred to as the “Group”) for the six months ended 30th June, 2004 together with the comparative unaudited figures for the corresponding period in 2003 as follows:

CONSOLIDATED INCOME STATEMENT

	<i>Note</i>	Three months ended		Six months ended	
		30th June		30th June	
		2004	2003	2004	2003
		<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Turnover	2	28,143	11,216	44,149	23,507
Direct operating costs		(13,055)	(5,487)	(19,314)	(11,475)
Gross profit		15,088	5,729	24,835	12,032
Other income	3	77	1,495	182	1,766
Selling and distribution costs		(3,960)	(2,618)	(7,188)	(5,757)
Administrative expenses		(3,107)	(3,187)	(5,998)	(6,003)
Other operating expenses		(121)	(1,059)	(338)	(1,237)
Profit from operations	5	7,977	360	11,493	801
Taxation	6	(28)	-	(28)	-
Net profit for the period		7,949	360	11,465	801
Earnings per share					
- Basic (<i>restated</i>)	7	HK0.17 cents	HK0.01 cents	HK0.29 cents	HK0.03 cents
- Diluted	7	HK0.16 cents	N/A	HK0.29 cents	N/A

CONSOLIDATED BALANCE SHEET

	<i>Note</i>	Unaudited As at 30th June 2004 HK\$'000	Audited As at 31st December 2003 HK\$'000
Non-Current Assets			
Property, plant and equipment	8	2,457	2,508
Interests in an associate		7,351	7,351
		9,808	9,859
Current Assets			
Trade and other receivables	9	16,344	9,470
Bank balances and cash		57,418	21,933
		73,762	31,403
Current Liabilities			
Trade and other payables	10	8,094	8,787
		65,668	22,616
Net Current Assets			
		75,476	32,475
Capital and Reserves			
Share capital	11	54,500	27,250
Share premium and reserves		20,976	5,225
		75,476	32,475

CONDENSED CASH FLOW STATEMENT

	For the six months ended 30th June	
	2004	2003
	<i>HK\$'000</i>	<i>HK\$'000</i>
Net cash generated from/(used in) operating activities	4,581	(3,944)
Net cash (used in)/generated from investing activities	(632)	1,609
Net cash generated from financing activities	31,536	19,950
Net increase in cash and cash equivalents	<u>35,485</u>	<u>17,615</u>
Cash and cash equivalents at the beginning of the period	21,933	3,770
Cash and cash equivalents at the end of the period	<u><u>57,418</u></u>	<u><u>21,385</u></u>
Analysis of balances of cash and cash equivalent		
Bank balances and cash	<u><u>57,418</u></u>	<u><u>21,385</u></u>

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share Capital <i>HK\$'000</i>	Share Premium <i>HK\$'000</i>	Exchange Reserve <i>HK\$'000</i>	Merger Reserve <i>HK\$'000</i>	Contributed Surplus <i>HK\$'000</i>	Goodwill Reserve <i>HK\$'000</i>	Accumulated Losses <i>HK\$'000</i>	Total <i>HK\$'000</i>
2004								
At 1st January	27,250	49,724	5	(43,897)	45,000	13,440	(59,047)	32,475
Issue of rights shares (<i>Note 11</i>)	27,250	5,450	-	-	-	-	-	32,700
Share issuing expenses	-	(1,164)	-	-	-	-	-	(1,164)
Profit for the period	-	-	-	-	-	-	11,465	11,465
At 30th June	<u>54,500</u>	<u>54,010</u>	<u>5</u>	<u>(43,897)</u>	<u>45,000</u>	<u>13,440</u>	<u>(47,582)</u>	<u>75,476</u>
2003								
At 1st January	56,250	40,774	5	(43,897)	-	13,440	(61,530)	5,042
Capital Reorganization	(45,000)	45,000	-	-	-	-	-	-
Issue of shares	16,000	10,400	-	-	-	-	-	26,400
Share issuing expenses	-	(1,450)	-	-	-	-	-	(1,450)
Profit for the period	-	-	-	-	-	-	801	801
At 30th June	<u>27,250</u>	<u>94,724</u>	<u>5</u>	<u>(43,897)</u>	<u>-</u>	<u>13,440</u>	<u>(60,729)</u>	<u>30,793</u>

NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS

1. Basis of preparation

The principal accounting policies adopted in preparing the unaudited consolidated interim financial statements for the six months ended 30th June, 2004, are consistent with those followed in the Group's annual audited consolidated financial statements for the year ended 31st December, 2003.

2. Turnover

	Three months ended 30th June		Six months ended 30th June	
	2004 <i>HK\$'000</i>	2003 <i>HK\$'000</i>	2004 <i>HK\$'000</i>	2003 <i>HK\$'000</i>
Advertising income	28,143	11,216	43,999	23,507
Service income	-	-	150	-
	<u>28,143</u>	<u>11,216</u>	<u>44,149</u>	<u>23,507</u>
	=====	=====	=====	=====

3. Other income

	Three months ended 30th June		Six months ended 30th June	
	2004 <i>HK\$'000</i>	2003 <i>HK\$'000</i>	2004 <i>HK\$'000</i>	2003 <i>HK\$'000</i>
Bank interest	27	35	37	47
Write-back of payable and over- provision in respect of prior years	-	1,412	-	1,412
Sundry income	50	48	145	307
	<u>77</u>	<u>1,495</u>	<u>182</u>	<u>1,766</u>
	=====	=====	=====	=====

4. Segment information

For the six months ended 30th June, 2004, the Group was principally engaged in advertising business in Hong Kong with all the Group's turnover arising from advertising business in Hong Kong. Accordingly, no business or geographical segment information is presented.

5. Profit from operations

Profit from operations has been arrived at after charging:

	Three months ended 30th June		Six months ended 30th June	
	2004 <i>HK\$'000</i>	2003 <i>HK\$'000</i>	2004 <i>HK\$'000</i>	2003 <i>HK\$'000</i>
Depreciation	332	362	720	845
Staff costs	4,115	3,470	7,544	7,242
Operating leases rental in respect of				
Rented premises	303	203	606	406
Internet access line	28	37	49	86

6. Taxation

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

	Three months ended 30th June		Six months ended 30th June	
	2004 <i>HK\$'000</i>	2003 <i>HK\$'000</i>	2004 <i>HK\$'000</i>	2003 <i>HK\$'000</i>
Hong Kong Profits Tax – under-provision in prior years	28	-	28	-

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

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

7. Earnings per share

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

	Three months ended 30th June		Six months ended 30th June	
	2004 <i>HK\$'000</i>	2003 <i>HK\$'000</i>	2004 <i>HK\$'000</i>	2003 <i>HK\$'000</i>
Earnings for the purposes of basic and diluted earnings per share for the period	<u>7,949</u>	<u>360</u>	<u>11,465</u>	<u>801</u>
	Number of shares ('000)			
		<i>(Restated)</i>		<i>(Restated)</i>
Weighted average number of ordinary shares for the purposes of basic earnings per share	4,830,447	3,194,828	4,012,637	2,697,361
Effect of dilutive potential ordinary shares in respect of share options granted	10,758	Nil	16,522	Nil
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Weighted average number of ordinary shares for the purposes of diluted earnings per share	<u>4,841,205</u>	N/A	<u>4,029,159</u>	N/A

Following the completion of the rights issue exercise in April 2004, a rights issue on the basis of one rights share for every issued ordinary share of HK\$0.01 each in the share capital of the Company was made at an issue price of HK\$0.012 per share. As such, the comparative figure of basic earnings per share for three months and six months ended 30 June, 2003 were re-calculated based on the adjusted weighted average of 3,194,828,000 shares and 2,697,361,000 shares respectively, as adjusted to reflect the rights issue deemed to be in issue during the period.

8. Property, plant and equipment

	Furniture and fixtures <i>HK\$'000</i>	Office equipment <i>HK\$'000</i>	Leasehold improvements <i>HK\$'000</i>	Computer equipment and systems <i>HK\$'000</i>	Motor vehicles <i>HK\$'000</i>	Total <i>HK\$'000</i>
Cost						
At 1st January 2004	665	1,132	256	24,106	369	26,528
Additions	-	-	-	778	-	778
Disposals/written off	-	-	-	-	(136)	(136)
At 30th June 2004	<u>665</u>	<u>1,132</u>	<u>256</u>	<u>24,884</u>	<u>233</u>	<u>27,170</u>
Accumulated Depreciation						
At 1st January 2004	652	1,067	81	21,962	258	24,020
Provided for the period	3	22	43	650	2	720
Eliminated on disposals	-	-	-	-	(27)	(27)
At 30th June 2004	<u>655</u>	<u>1,089</u>	<u>124</u>	<u>22,612</u>	<u>233</u>	<u>24,713</u>
Net Book Values						
As at 30th June 2004	<u>10</u>	<u>43</u>	<u>132</u>	<u>2,272</u>	<u>-</u>	<u>2,457</u>
As at 31st December 2003	<u>13</u>	<u>65</u>	<u>175</u>	<u>2,144</u>	<u>111</u>	<u>2,508</u>

9. Trade and other receivables

The Group allows a credit period from 7 days to 120 days to its trade customers.

The following is an aged analysis of accounts receivable:

	As at 30th June 2004 <i>HK\$'000</i>	As at 31st December 2003 <i>HK\$'000</i>
Aged analysis		
0 - 60 days	9,961	4,743
61 - 120 days	3,733	2,171
> 120 days	89	553
Total trade receivables	<u>13,783</u>	<u>7,467</u>
Other receivables	<u>2,561</u>	<u>2,003</u>
	<u>16,344</u>	<u>9,470</u>

10. Trade and other payables

The following is an aged analysis of accounts payable:

	As at 30th June 2004 HK\$'000	As at 31st December 2003 HK\$'000
Aged analysis		
0 - 60 days	1,556	1,260
61 - 120 days	-	31
Total trade payables	<u>1,556</u>	<u>1,291</u>
Other payables	6,538	7,496
	<u>8,094</u>	<u>8,787</u>

11. Share capital

	No. of shares ('000)	HK\$ '000
Authorised:		
Ordinary shares of HK\$0.01 each	10,000,000	100,000
	<u> </u>	<u> </u>
Issued and fully paid:		
As at 1st January, 2004	2,725,000	27,250
Issue of Right Shares	2,725,000	27,250
	<u> </u>	<u> </u>
As at 30th June, 2004	<u>5,450,000</u>	<u>54,500</u>

Pursuant to a special resolution passed on 6th April, 2004, 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 was made, at an issue price of HK\$0.012 per rights share, resulting in the issue of 2,725,000,000 shares of HK\$0.01 each for a total cash consideration, before share issue expenses of approximately HK\$33 million. The net proceeds of approximately HK\$32 million from the rights issue (after share issue expenses) will be used as to approximately HK\$7 million for working capital and as to approximately HK\$25 million for investment should suitable opportunities arise.

12. Interim Dividend

The Directors do not recommend the payment of an interim dividend for the period (2003: Nil).

13. Related party transactions

The Group received services income of HK\$150,000 for management services rendered to ER2 Holdings Limited (“ER2”), a substantial shareholder of the Company for the six months ended 30th June, 2004. The provision of such services were on normal commercial terms.

The Group also received rental income of HK\$90,000 from ER2 during the period. The amount was charged in accordance with the terms agreed between both parties and by reference to market prices. The transaction was on normal commercial terms.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS IN SECURITIES

As at 30th June, 2004, the interests of the Directors and Chief Executives of the Company in the shares of the Company as recorded in the register required to be kept under section 352 of Part XV of the Securities and Futures Ordinance (the "SFO") were as follows:

Name of Directors	Personal Interests (Shares)	Family Interests (Shares)	Corporate Interests (Shares)	Total Interests (Shares)	Percentage to the issued share capital of the Company (%)
Mr. Lau Chuk Kin (<i>Note 1</i>)	Nil	Nil	3,565,680,000	3,565,680,000	65.43
Mr Lee Ching Ming, Adrian (<i>Note 2</i>)	Nil	1,000,000	Nil	1,000,000	0.02
Mr Peter Stavros Patapios Christofis	13,290,000	Nil	Nil	13,290,000	0.24

Notes:

1. Of 3,565,680,000 shares, 6,600,000 shares and 3,559,080,000 shares are beneficially owned by ER2 Holdings Limited and City Apex Limited respectively. As at 30th June, 2004, Mr. Lau Chuk Kin beneficially owned 79% of the issued share capital of ER2 Holdings Limited, which is the ultimate holding company of City Apex Limited. Accordingly, Mr. Lau Chuk Kin is deemed to be interested in the said shares pursuant to Part XV of the SFO.
2. These shares are beneficially owned by the wife of Mr. Lee Ching Ming, Adrian, who is deemed to be interested in the said shares under Part XV of the SFO.

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

SHARE OPTION SCHEME

The Company has adopted a share option scheme approved by a resolution passed by the shareholders of the Company on 3rd July, 2000, under which it may grant options to full-time employees, including executive directors of the Company or of its subsidiaries, to subscribe for shares in the Company.

The following table discloses movements in the share options of the Company during the period:

Director	Share option type	Share Outstanding at 1.1.2004	Number of share options			Outstanding at 30.6.2004
			Granted during the period	Exercised during the period	Cancelled/lapsed during the period	
Ms. Ho Suk Yi	2004	-	5,000,000	-	-	5,000,000
Employees						
In aggregate	2003	22,500,000	-	-	-	22,500,000
In aggregate	2004	-	55,000,000	-	-	55,000,000
Total		<u>22,500,000</u>	<u>60,000,000</u>	<u>-</u>	<u>-</u>	<u>82,500,000</u>

Details of the share options are as follows:

Share option type	Date of grant	Vesting period	Exercisable period	Exercise price per share (HK\$)
2003	2.7.2003	2.7.2003 to 1.7.2004	2.7.2004 to 2.7.2013	0.012
2004	17.5.2004	17.5.2004 to 16.5.2005	17.5.2005 to 2.7.2013	0.014

Notes:

- (i) Options granted in the year of 2003 and 2004 were granted under the Share Option Scheme pursuant to the resolution passed on 3rd July, 2000.
- (ii) Consideration paid for each grant of options was HK\$1.00.
- (iii) The closing price of the shares of HK\$0.01 each of the Company quoted on the Growth Enterprise Market of the Stock Exchange on 30th June, 2003 and 14th May, 2004, being the business date immediately before the date on which share options were granted in 2003 and 2004, was HK\$0.012 and HK\$0.014 respectively.
- (iv) The fair values of options granted under the relevant Share Option Scheme in 2003 and 2004, measured at the date of grant, were approximately HK\$170,000 and HK\$509,000 respectively. The following significant assumptions were used to derive the fair values, using the Black-Scholes option pricing model:

	2004	2003
Expected volatility (based on the annualized historical volatility of the closing price of the shares in the Company from 1 July 2000 to the date of grant)	80.52%	74.33%
Expected life (in years)	5	5
Risk-free interest rate (being the approximate yield of 5-year Exchange Fund on the grant date)	3.77%	2.95%
Expected dividend yield	Nil	Nil

The Black-Scholes option pricing model (the “Model”) was developed to estimate the fair value of traded options which do not have vesting restrictions and are fully transferable. The Model is only one of the commonly used models to estimate the fair value of an option. The value of an option varies with different variables of certain subjective assumptions, including the volatility of the share price. Any change in the variables so adopted may materially affect the estimation of the fair value of an option.

All the options forfeited before expiry of the options will be treated as lapsed options under the relevant share options scheme.

Based on the closing price of the Company’s share on the date of grant and the above assumptions, the computed fair values under the options granted during 2003 and 2004 were approximately HK\$0.008 and HK\$0.009 per option share respectively.

Save as disclosed above, at no time during the period, was the Company or any of its subsidiaries a party to any arrangements to enable the directors of the Company to acquire benefits by means of the acquisition of shares in, or debt securities, including debentures, of the Company or any other body corporate, and none of the directors, chief executives or their respective associates (which has the meaning ascribed to it under the GEM Listing Rules), had any right to subscribe for the securities of the Company, or had exercised any such rights during the period.

MAJOR SUBSEQUENT EVENTS

On 19th July, 2004, the Company announced a share consolidation proposal pursuant to which every twenty issued and unissued ordinary shares of HK\$0.01 each in the share capital of the Company will be consolidated into one consolidated share. The authorized share capital of the Company will be divided into 500,000,000 shares of HK\$0.2 each and the number of issued share capital of the Company will become 272,500,000 consolidated shares. The consolidated shares will be traded in board lots of 6,000 consolidated shares and rank equal in all respects with each other. The share consolidation proposal is subject to approval by the Company’s shareholders in a special general meeting to be held on 26th August, 2004.

SUBSTANTIAL SHAREHOLDERS

As at 30th June, 2004, in addition to those interests as disclosed above in respect of the Directors, pursuant to Part XV of the SFO, the Company had been notified of the following interests, being 5% or more in the issued share capital of the Company:

Name	Number of shares	Percentage to the issued share capital of the Company %
Mr. Lau Chuk Kin (<i>Note 1</i>)	3,565,680,000	65.43
ER2 Holdings Limited (<i>Note 1</i>)	3,565,680,000	65.43
City Apex Limited (<i>Note 1</i>)	3,559,080,000	65.30
Tai Wah Investment Company Limited (<i>Note 2</i>)	440,000,000	8.07
Chan Family Investment Corporation Limited (<i>Note 2</i>)	533,546,666	9.79
Shui Sing Holdings Limited (<i>Note 3</i>)	441,520,000	8.10
Shui Sing (BVI) Limited (<i>Note 3</i>)	441,520,000	8.10
Great Eagle Holdings Limited (<i>Note 3</i>)	441,520,000	8.10
Jolly Trend Limited (<i>Note 3</i>)	441,520,000	8.10
The Great Eagle Company, Limited (<i>Note 3</i>)	441,520,000	8.10
Dr. Lo Ka Shui (<i>Note 4</i>)	444,520,000	8.16
JAIC-Somerley Corporate Development Fund Limited (<i>Note 5</i>)	335,763,568	6.16
Japan Asia Investment Company Limited (<i>Note 5</i>)	335,763,568	6.16
HSBC International Trustee Limited (<i>Note 6</i>)	335,763,568	6.16

Notes:

1. Of the 3,565,680,000 shares, Mr. Lau Chuk Kin is deemed to be interested in the 6,600,000 shares directly held by ER2 Holdings Limited. Each of Mr. Lau Chuk Kin and ER2 Holdings Limited is deemed to be interested in the 3,559,080,000 shares owned by City Apex Limited.
2. Of these shares, 73,586,666 shares are directly owned by Chan Family Investment Corporation Limited, 19,960,000 shares and 440,000,000 shares are respectively held by Earnyear Limited and Tai Wah Investment Company Limited. Both Earnyear Limited and Tai Wah Investment Company Limited are wholly-owned subsidiaries of Chan Family Investment Corporation Limited.
3. Each of Shui Sing Holdings Limited, Shui Sing (BVI) Limited, Great Eagle Holdings Limited and Jolly Trend Limited is deemed to be interested in the 441,520,000 shares owned by The Great Eagle Company, Limited.
4. Of these shares, 441,520,000 shares are duplicated in the interest described in note 3, as The Great Eagle Company, Limited is a wholly-owned subsidiary of Great Eagle Holdings Limited. Dr. Lo Ka Shui was interested and/or deemed to be interested in the issued share capital of Great Eagle Holdings Limited. In addition, Dr. Lo Ka Shui has personal interest in 3,000,000 shares.
5. Japan Asia Investment Company Limited is deemed to be interested in the 335,763,568 shares owned by JAIC-Somerley Corporate Development Fund Limited.

6. 335,763,568 shares relate to the same block of shares as described in note 5. HSBC International Trustee Limited, in which the corporations mentioned in note 5 are the beneficiaries, is interested and/or deemed to be interested in the said 335,763,568 shares.

FINANCIAL ASSISTANCE

As previously reported, the Group had provided financial assistance to PPG Investments Limited (“PPGI”) of approximately HK\$16 million, which was proportional to the Group’s 20 per cent equity interest in PPGI. The financial assistance is unsecured, interest free and there is no fixed term of repayment. As at 30th June, 2004, the Group’s advance to PPGI, net of allowance, was approximately HK\$7 million (2003: HK\$7 million). The Directors believe that no further allowance for the amount due from PPGI is required as PPGI is currently holding a 50% stake in a Hong Kong printing company which was at net current asset position throughout the period. The latest unaudited balance sheet of PPGI as at 30th September, 2003 is as follows:

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

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

PURCHASE, SALE OR REDEMPTION OF SHARES

During the six months ended 30th June, 2004, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company’s listed securities.

COMPETING INTERESTS

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

BOARD PRACTICES AND PROCEDURES

During the six months ended 30th June, 2004, the Company was in compliance with Board Practices and Procedures as set out in Rules 5.34 to 5.45 of the GEM Listing Rules.

CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted a code of conduct regarding directors' securities transactions on terms no less exactly than the required standard of dealings as set out in Rules 5.48 to 5.67 of the GEM Listing Rules throughout the six months ended 30th June, 2004. The Company also had made specific enquiry of all directors and the Company was not aware of any non-compliance with the required standard of dealings and its code of conduct regarding securities transactions by directors.

AUDIT COMMITTEE

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

The audit committee had met with the management to review the Company's interim report for the six months ended 30th June, 2004 and had the opinion that such report was complied with the applicable accounting standards and adequate disclosures had been made.

By Order of the Board
Ho Suk Yi
Executive Director

Hong Kong, 6th August 2004