Annual Report 2005 | 年報

Recruit

才庫媒體集團有限公司

CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET ("GEM") OF THE STOCK EXCHANGE OF HONG KONG LIMITED ("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 Exchange takes no responsibility for the contents of this annual 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 annual report.

This annual 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 Growth Enterprise Market 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, confirmed that, to the best of their knowledge and belief:- (1) the information contained in this annual 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 annual report misleading; and (3) all opinions expressed in this annual report have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

才庫媒體集團有限公司
Recruit Holdings Limited

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CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. Lau Chuk Kin *(Chairman)*
Ms Ho Suk Yi

Non-Executive Directors

Mr. Lee Ching Ming, Adrian
Mr. Wan Siu Kau
Mr. Peter Stavros Patapios Christofis
Ms Lam Mei Lan

Independent Non-Executive Directors

Mrs. Ling Ching Man, Eleanor
Mr. Cheng Ping Kuen, Franco
Mr. Tyen Kan Hee, Anthony

COMPANY SECRETARY

Ms Ho Suk Yi *CPA, FCCA*

QUALIFIED ACCOUNTANT

Ms Ho Suk Yi *CPA, FCCA*

COMPLIANCE OFFICER

Mr. Lau Chuk Kin

AUTHORISED REPRESENTATIVES

Mr. Lau Chuk Kin
Ms Ho Suk Yi

AUDIT COMMITTEE

Mrs. Ling Ching Man, Eleanor
Mr. Cheng Ping Kuen, Franco
Mr. Tyen Kan Hee, Anthony

WEBSITE

www.recruit.hk

AUDITOR

Grant Thornton
Certified Public Accountants

LEGAL ADVISER

Richards Butler
20th Floor, Alexandra House, 16-20 Chater Road, Hong Kong

PRINCIPAL BANKERS

Standard Chartered Bank (Hong Kong) Limited
The Hongkong and Shanghai Banking Corporation Limited

SHARE REGISTRARS AND TRANSFER OFFICES

Principal Registrar

Butterfield Fund Services (Bermuda) Limited
65 Front Street, Hamilton, Bermuda

Hong Kong Branch Registrar

Computershare Hong Kong Investor Services Limited
46th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong

REGISTERED OFFICE

Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

26th Floor, 625 King's Road, North Point, Hong Kong

STOCK CODE

8073

CHAIRMAN'S STATEMENT

The Group had a satisfactory year in 2005 when our flagship job recruitment magazine, Recruit, continued to consolidate our leadership position in Hong Kong. Our website, recruit.hk, which underwent a complete revamp in late 2004 was rated as the No.1 recruitment website in Hong Kong in a survey conducted by Synovate, an independent market survey company in 2005. Management is confident that we are well positioned to benefit from the growth in job recruitment advertising in Hong Kong in 2006.

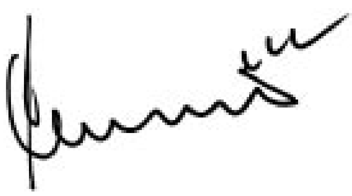
In our effort to reduce our dependence on the contributions from Hong Kong where the growth of job recruitment advertising is slowing, our company set up operations in Shanghai in early 2005 to develop the China market. Initially, we have found the market conditions more difficult than we forecast. In mid 2005, we redesigned our website in China to adapt to local taste and commissioned an international advertising agency to establish our brand. The results, to-date, despite significant start-up costs, have been encouraging, as underscored by the increasing number of readers visiting our website, 1010job.com and positive feedback from corporate users and jobseekers in the city of Shanghai. We aim to expand our service to cover the rest of the country in the near future.

Our inflight magazine advertising business enjoyed healthy growth. In July 2005, we succeeded in signing a multi-year contract with China Southern Airlines, which awarded us the right to represent them as their exclusive advertising sales agent for their inflight magazines. We anticipate steady growth from this business unit in the foreseeable future.

The newly established printing division, 1010 Printing International, which provided high quality printing services to overseas publishers had its full year of operation and turned in a small loss, mainly due to an unexpected delay in the shipment of machinery to our plant in China. The facilities are now fully operational and we are confident that the printing division will be profitable in 2006.

Despite the uncertainty over the changes in regulations which will seriously affect the placement of corporate announcement advertisements by companies listed on the Hong Kong Stock Exchange, SAR Media, our wholly owned subsidiary which holds the exclusive right from China Daily (Hong Kong Edition) had a good year and made solid contributions to the Group's profit.

Overall, Management is optimistic of the prospects from our existing business. Further efforts and investments are needed to turnaround our recruitment advertising business in China. Shareholders will be informed of our progress.



Chairman

Hong Kong, 24th February 2006

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

The Group's profit attributable to shareholders was HK$37.1 million, a 9% increase over last year. Turnover for the year was HK$227 million, a 118% increase over last year. The significant sales growth was mainly due to sales of HK$66.5 million generated from printing business and revenue of HK$39.4 million generated from sale of advertising space in China Southern Airlines inflight magazine, both of which were new income streams for the Group in 2005. The net profit for the year comprised a gain of HK$3.1 million arising from the revaluation of the Group's investment property and an adjusted gain of HK$6 million from the sale of 5% of the Group's interest in recruitment advertising business during the year.

The Group's turnover for the three months ended 31st December 2005 was HK$71.3 million, a 129% increase over last year. The sales growth in the fourth quarter was also driven by inflight magazine advertising income and sales from printing business. The Group's profit attributable to shareholders for the fourth quarter ended 31st December 2005 was HK$11 million, a 20% decline from last year. The decline in profit was mainly due to a trading loss incurred by the Group's newly established recruitment advertising business in Shanghai.

BUSINESS REVIEW

The advertising business of the Group enjoyed continued and steady growth during 2005. Compared to that of 2004, the advertising sales business recorded a 54% increase in revenue.

The flagship "Recruit" magazine/website has consolidated its position as a market leader in Hong Kong in terms of ads pages and number of jobs posted in the magazine whilst online sales are also picking up. The Hong Kong recruitment advertising market has benefited from the continued improvement of the Hong Kong economy during the year.

The Group has also developed its inflight magazine advertising business into a significant contributor to the profits. Riding on the rapid economic growth in China, the business has continued to expand in both the number of advertisements and client base. Serving the top two airlines in China, China Eastern Airlines and China Southern Airlines, the Group has become a major player in China's inflight magazine advertising industry. Already the Group has benefited from the sharing of resources between our traditional recruitment advertising business and the inflight magazine business.

The corporate announcement business, although overshadowed by the pending change of the announcement regulations set out by the Hong Kong Stock Exchange, has achieved better-than-expected results.

The newly established recruitment advertising business, 1010job in Shanghai has impacted negatively on the Group's operating results in 2005. However, it is encouraging to note that 1010job website registered solid growth in unique visitors and page views in the second half of 2005 and now enjoys a favorable level of recall among local jobseekers and enterprise clients.

Another newly set up business, 1010 Printing International, also completed its first year of operation. Although it recorded a small trading loss, it has already shown promising prospects and the Group is confident that 1010 Printing International will turn profitable in 2006. The establishment of 1010 Printing International is expected to have positive impacts on both the short-term profitability and the long-term diversification and growth of the Group.

MANAGEMENT DISCUSSION AND ANALYSIS

LIQUIDITY AND FINANCIAL RESOURCES

As at 31st December 2005, the Group had bank and cash balances of HK$44.9 million as compared to HK$36.2 million as at 31st December 2004. The Group had finance lease liabilities of HK$20.4 million and loans from minority shareholders of HK$9.5 million.

The finance lease banking facilities are obtained for financing the acquisition of printing machinery and equipments for our production line in China. The finance leases are at floating interest rates. Loans from minority shareholders are interest-free and used as working capital for 1010 Printing International, a non wholly-owned subsidiary of the Company. All the borrowings are denominated in Hong Kong dollars.

The Group's gearing ratio as at 31st December 2005 was 14.9% (2004: Nil), which is calculated on the basis of the Group's total interest bearing debts over the total equity interest as at the reporting date.

In view of the Group's ability to generate cash from its operations, together with HK$44.9 million bank and cash balances, the Group has sufficient financial resources and would invest its surplus cash prudently in listed securities for the coming year.

The Group's trading transactions were mainly denominated in HK dollars, US dollars, Australian dollars and Renminbi. The Group would use forward exchange contracts to hedge its foreign currency exposure in trading activities when considered appropriate. The Group adopts a centralised treasury polices in cash and financial management and would review its liquidity and financing requirements regularly.

PROSPECTS

ADVERTISING SALES

The Hong Kong recruitment advertising market is mature with declining profit margins and intense competition. The Group expects to maintain its leading position in the print market by delivering innovative ideas and first class customer service to enterprise clients. Meanwhile, the Group will place a strong emphasis upon technological development to keep pace with and, eventually, lead the online recruitment trend.

To take advantage of the growing demand for recruitment advertisements in China from multinational companies and privately-owned enterprises, the Group commenced operations under the name of 1010job in Shanghai in early 2005. The Group will continue to invest in 1010job and plans to roll out the currently Shanghai-based operation to the entire nation in 2006. Management expects that the investment in 1010job in China will result in further losses in 2006, though the scale will be less than that in 2005.

The inflight magazine business will continue to enjoy its leading position in the industry and is expected to grow further along with the Chinese economic growth.

It is anticipated that the corporate announcement business will decline in 2006 following the changes of relevant regulations on the requirement for Main Board listed companies to publish corporate announcement in the newspapers.

PRINTING BUSINESS

With its experienced management team and state-of-the-art manufacturing facilities, 1010 Printing International is well positioned to attract business from overseas publishers. The Group is confident that the printing business will turnaround in 2006.

OTHER GROWTH OPPORTUNITIES

Apart from maintaining and consolidating its existing businesses, the Group will continue to seek diversification in areas where we hold competitive edges. We shall also prudently invest our surplus cash in listed securities in Hong Kong.

DIRECTORS AND SENIOR MANAGEMENT PROFILE

EXECUTIVE DIRECTORS

Mr. Lau Chuk Kin, aged 53, was appointed as Chairman and an Executive Director of the Group in October 2002. Mr. Lau was formerly the Managing Director of a leading executive search consultancy in Hong Kong. He also founded a main board listed printing company. 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 38, was appointed as an Executive Director of the Company 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. She has extensive experience in auditing, finance and accounting.

NON-EXECUTIVE DIRECTORS

Mr. Lee Ching Ming, Adrian, aged 54, 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 Holdings Limited and has more than 30 years of experience in banking, finance, investment, marketing and general management.

Mr. Wan Siu Kau, aged 54, joined the Group in January 2003 as a Non-Executive Director. Mr. Wan has over 18 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 and an independent non-executive director of Wai Kee Holdings Limited, a company listed on the Main Board of The Stock Exchange of Hong Kong Limited.

Mr. Peter Stavros Patapios Christofis, aged 61, 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 33 years of advertising sales and general management experience gained in Europe, Africa and South East Asia.

Ms Lam Mei Lan, aged 39, 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 17 years of experience in finance and had held senior financial position in various main board listed companies in Hong Kong. Ms. Lam is now the Financial Administrator of The Salvation Army Hong Kong and Macau Command.

DIRECTORS AND SENIOR MANAGEMENT PROFILE

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mrs. Ling Ching Man, Eleanor, SBS, OBE, JP, aged 58 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 Institute of Chartered Management. 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 a Council Member of the Employers' Federation of Hong Kong and a Vice Patron of the Community Chest.

Mr. Cheng Ping Kuen, Franco, aged 52, was appointed as an Independent Non-Executive Director in January 2003. Mr. Cheng has over 26 years of experience in the management of private banking and investment businesses both in Hong Kong and Canada. Mr. Cheng holds a Master 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 50, 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 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, and a member of the Chinese Institute of Certified Public Accountants. He is currently a practising certified public accountant in Hong Kong and has over 28 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 the Growth Enterprise Market of The Stock Exchange of Hong Kong.

SENIOR MANAGEMENT

Mr. Chan Chin Wah, Edward, aged 49, is the Chief Executive Officer of 1010 Printing International Limited, the printing division of the Group. Mr. Chan has over 29 years of experience in book production and export sales gained with overseas international publishing companies. He joined the Group in April 2005.

Mr. Chan Shu To, Camus, aged 35, is the MIS Manager of the Group. Mr. Chan holds a master degree in E-Commerce and a bachelor degree in Information Engineering from The Chinese University of Hong Kong. He has nearly 10 years of experience in the information technology field. Prior to joining the Group in June 2005, he had worked for three listed companies in Hong Kong.

Ms Choi Ching Kam, Dora, aged 41, is the Chief Editor of the Group and is responsible for the editorial content of Recruit. Ms Choi has over 15 years experience in mainstream publishing having held senior editorial positions in a number of leading newspapers and magazines in Hong Kong. She joined the Group in July 2002.

Ms Chow So Chu, Rita, aged 33, is the General Manager of inflight magazine advertising division of the Group. Ms Chow holds a bachelor degree in Language and Communication from The Hong Kong Polytechnics University and has over 10 years experience in sales and marketing. She joined the Group in March 2004.

Ms Lai Wing Ting, Jacklen, aged 35, 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 1995.

DIRECTORS AND SENIOR MANAGEMENT PROFILE

Ms Shao Yang, Amy, aged 37, joined the Group in May 2004. Ms Shao is the Project Manager of the Group. She has nearly 15 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. Ms Shao holds a master degree in Business Administration and a bachelor degree in English Literature.

Mr. Tsoi Chit Shun, Roger, aged 46, joined the Group in September 2005. Mr. Tsoi is the Chief Operation Officer of 1010 Printing International Limited, the printing division of the Group. Mr. Tsoi has extensive experience in factory management. Prior to joining the Group, he was the General Manager of an ink plant in Mainland China.

Ms Yang Tin Wai, Lydia, aged 43, is the Human Resources Manager of the Group. She is responsible for the human resources and administrative functions of the Group. Ms Yang holds a Postgraduate Diploma in Human Resources Management and has over 15 years of experience in human resources management. She joined the Group in April 2000.

DIRECTORS' REPORT

The Directors present their annual report and the audited financial statements of the Company and the Group for the year ended 31st December 2005.

PRINCIPAL ACTIVITIES

The Company acts as an investment holding company and provides corporate management services. The activities of its principal subsidiaries and associates are set out in notes 39 and 18 respectively to the financial statements.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31st December 2005 are set out in the consolidated income statement on page 23.

The Directors recommended final dividend of HK$0.04 per share for the year ended 31st December 2005 payable to shareholders whose names appear on the Register of Members of the Company at the close of business on 13th April 2006. Subject to the passing of the relevant resolution at the forthcoming annual general meeting, such dividend will be payable on 28th April 2006.

RESERVES

Details of movements in the reserves of the Group and of the Company during the year are set out in the consolidated statement of changes in equity on page 26 and note 31 to the financial statements respectively.

FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the past five financial years is set out on page 68 of the annual report.

PROPERTY, PLANT AND EQUIPMENT

Details of movements during the year in the property, plant and equipment of the Group are set out in note 15 to the financial statements.

INVESTMENT PROPERTIES

The Group revalued its investment properties as at 31st December 2005 on an open market value basis. The net surplus arising on the revaluation, which has been credited directly to consolidated income statement, amounted to approximately HK$3.1 million.

Details of movements during the year in the investment properties of the Group are set out in note 16 to the financial statements.

Particulars of the investment properties are set out on page 69 of the annual report.

SHARE CAPITAL

Details of movements during the year in the share capital of the Company are set out in note 29 to the financial statements.

DIRECTORS' REPORT

DIRECTORS

The Directors of the Company during the year and up to the date of this report were:

EXECUTIVE DIRECTORS

Mr. Lau Chuk Kin
Ms Ho Suk Yi

NON-EXECUTIVE DIRECTORS

Mr. Lee Ching Ming, Adrian
Mr. Peter Stavros Patapios Christofis
Ms. Lam Mei Lan
Mr. Wan Siu Kau

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mrs. Ling Ching Man, Eleanor
Mr. Cheng Ping Kuen, Franco
Mr. Tyen Kan Hee, Anthony

In accordance with No. 87 of the Company's bye-laws, Mr. Lau Chuk Kin, Mr. Lee Ching Ming, Adrian and Mr. Cheng Ping Kuen, Franco will retire at the forthcoming annual general meeting and, being eligible, will offer themselves for re-election.

DIRECTOR'S SERVICES CONTRACT

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.

The Company confirms that it has received from each of its independent non-executive directors a confirmation of his independence pursuant to Rule 5.09 of the Rules Governing the Listing of Securities on the Growth Enterprise Market (the "GEM Listing Rules") of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") and the Company considers the independent non-executive directors to be independent.

None of the directors being proposed for re-election at the forthcoming annual general meeting has any service contract with the Company or any of its subsidiaries which is not determinable by the Group within one year without payment of compensation other than statutory compensation.

DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

No contracts of significance to which the Company or any of its subsidiaries was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

DIRECTORS' REPORT

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN THE SHARES AND UNDERLYING SHARES OF THE COMPANY

As at 31st December, 2005, the interests and short positions of the directors and chief executives of the Company in the shares, underlying shares or debentures of the Company or any associated corporations, within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO"), as recorded in the register maintained by the Company required to be kept under section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the required standard of dealings by the Directors under Rule 5.46 of the GEM Listing Rules, were as follows:

(a) Long Position in the shares of the Company

Name of Directors	Personal Interests (Shares)	Family Interests (Shares)	Corporate Interests (Shares)	Total Interests (Shares)	Percentage to the issued share capital of the Company (%)
Mr. Lau Chuk Kin *(Note 1)*	Nil	Nil	179,314,000	179,314,000	65.39
Mr. Lee Ching Ming, Adrian *(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

(b) Options to subscribe for shares of the Company

	Number of share options				
Name of Director	Outstanding at 1.1.2005	Granted during the year	Exercised during the year	Cancelled/ lapsed during the year	Outstanding at 31.12.2005
Ms Ho Suk Yi *(Note 3)*	500,000	–	–	–	500,000

Notes:

1. Of 179,314,000 shares, 1,360,000 shares and 177,954,000 shares are beneficially owned by ER2 Holdings Limited ("ER2") and City Apex Limited respectively. As at 31st December, 2005, Mr. Lau Chuk Kin beneficially owned 67% of the issued share capital of ER2, which is the ultimate holding company of City Apex Limited. Accordingly, Mr. Lau Chuk Kin is deemed to be interested in the said shares pursuant to Part XV of the SFO.

2. Of 150,500 shares, 50,000 shares are beneficially owned by the wife of Mr. Lee Ching Ming, Adrian, who is deemed to be interested in the said shares under Part XV of the SFO.

DIRECTORS' REPORT

3. Details of the share options granted to Ms Ho Suk Yi are set out below:

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

Save as disclosed above, as at 31st December, 2005, to the best knowledge of the Company, none of the directors or chief executives 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 OPTIONS

Details of the movements in the share options of the Company during the year are set out in note 30 to the financial statements.

ARRANGEMENT TO PURCHASE SHARES OR DEBENTURES

Save as disclosed above, at no time during the year 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 executive or their spouses or children under the age of 18, had any right to subscribe for the securities of the Company, or had exercised any such right.

FINANCIAL ASSISTANCE TO AFFILIATED COMPANIES

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

As at 31st December 2005, the Group's advance to PPGI, net of allowance, was approximately HK$5 million (2004: HK$7 million). The Directors believe that no further allowance for the amount due from PPGI is required.

DIRECTORS' REPORT

SUBSTANTIAL SHAREHOLDERS

As at 31st December 2005, so far as is known to any director or chief executive of the Company, other than a director or chief executive of the Company, the following persons had interests or short positions in the shares or underlying shares of the Company, being 5% or more in the issued share capital of the Company as recorded in the register required to be kept by the Company under Section 336 of the SFO:

Name	Number of shares	Percentage to the issued share capital of the Company %
Mr. Lau Chuk Kin *(Note 1)*	179,314,000	65.39
ER2 Holdings Limited *(Note 1)*	179,314,000	65.39
City Apex Limited *(Note 1)*	177,954,000	64.90
Tai Wah Investment Company Limited *(Note 2)*	22,000,000	8.02
Chan Family Investment Corporation Limited *(Note 2)*	26,677,333	9.73
Great Eagle Holdings Limited *(Note 3)*	22,076,000	8.05
Jolly Trend Limited *(Note 3)*	22,076,000	8.05
The Great Eagle Company, Limited *(Note 3)*	22,076,000	8.05
Dr. Lo Ka Shui *(Note 4)*	22,226,000	8.11
JAIC-Somerley Corporate Development Fund Limited *(Note 5)*	16,788,178	6.12
Japan Asia Investment Company Limited *(Note 5)*	16,788,178	6.12
HSBC International Trustee Limited *(Note 6)*	16,788,178	6.12

Notes:

1. Of the 179,314,000 shares, Mr. Lau Chuk Kin is deemed to be interested in the 1,360,000 shares directly held by ER2. Each of Mr. Lau Chuk Kin and ER2 is deemed to be interested in the 177,954,000 shares owned by City Apex Limited.

2. Of these shares, 3,679,333 shares are directly owned by Chan Family Investment Corporation Limited, 998,000 shares and 22,000,000 shares are respectively held by Earnyear Limited and Tai Wah Investment Company Limited. Both Earnyear Limited and Tai Wah Investment Company Limited are wholly-owned subsidiaries of Chan Family Investment Corporation Limited.

3. Each of Great Eagle Holdings Limited and Jolly Trend Limited is deemed to be interested in the 22,076,000 shares owned by The Great Eagle Company, Limited.

4. Of these shares, 22,076,000 shares are duplicated in the interest described in note 3, as The Great Eagle Company, Limited is a wholly-owned subsidiary of Great Eagle Holdings Limited. Dr. Lo Ka Shui was interested and/or deemed to be interested in the issued share capital of Great Eagle Holdings Limited. In addition, Dr. Lo Ka Shui has personal interest in 150,000 shares.

5. Japan Asia Investment Company Limited is deemed to be interested in the 16,788,178 shares owned by JAIC-Somerley Corporate Development Fund Limited.

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

Save as disclosed above, as at 31st December, 2005, the Company had not been notified of any other person (other than a director or chief executive of the Company) who had an interest or short position in the shares, underlying shares or debentures of the Company and was required to be recorded in the register required to be kept by the Company under Section 336 of the SFO.

DIRECTORS' REPORT

MAJOR SUPPLIERS AND CUSTOMERS

The top five suppliers in aggregate and the single largest supplier of the Group accounted for approximately 57% and 15% for the Group's total purchases for the year ended 31st December 2005 respectively.

The top five customers in aggregate and the single largest customer of the Group accounted for approximately 36% and 10% for the Group's total sales for the year ended 31st December 2005 respectively.

At no time during the year did a director, an associate of a director, within the meaning of the GEM Listing Rules, or a shareholder of the Company which to the knowledge of the directors owns more than 5% of the Company's share capital have any interest in the Group's five largest suppliers and five largest customers.

PURCHASE, SALE OR REDEMPTION OF SHARES

During the year ended 31st December 2005, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

COMPETING INTERESTS

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

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

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

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

DIRECTORS' REPORT

CORPORATE GOVERNANCE

A report on the principle corporate governance practices adopted by the Company is set out on pages 18 to 21 of the annual report.

AUDIT COMMITTEE

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

During the year, the audit committee held meetings regularly and performed duties, namely, reviewing the Company's draft annual report and accounts, half-yearly report, quarterly reports and circulars, and providing advice and comments thereon to the Company's board of directors, meeting with external auditors to discuss audit matters of governance interest that arise from the annual audit of the Company's financial statements.

EMPLOYEES AND EMOLUMENT POLICY

As at 31st December 2005, the Group had around 165 employees (2004: 60). The pay scale of the Group's employees is maintained at a competitive level and employees are rewarded on a performance-related basis within the general framework of the Group's salary and bonus system. Other employees benefits include provident fund, insurance and medical cover. Options to subscribe for an aggregate of 3,557,000 shares of the Company pursuant to the Company's share option scheme were outstanding as at 31st December 2005.

RETIREMENT BENEFITS SCHEMES

The Group participates in both a defined contribution scheme which is registered under the Occupational Retirement Schemes Ordinance (the "ORSO Scheme") and a Mandatory Provident Fund Scheme (the "MPF Scheme") established under the Mandatory Provident Fund Ordinance in December 2000. The assets of the schemes are held separately from those of the Group, in funds under the control of trustees. Employees who were members of the ORSO Scheme prior to the establishment of the MPF Scheme were offered a choice of staying within the ORSO Scheme or switching to the MPF Scheme, whereas all new employees joining the Group on or after 1st October 2000 are required to join the MPF Scheme.

The retirement benefits cost charged to income statement represents contributions payable to the schemes by the Group at rates specified in the rules of the schemes. For members of the MPF Scheme, the Group contributes 5% of the relevant payroll costs to the Scheme, which contribution is matched by the employee. The ORSO Scheme is funded by monthly contributions from both employees and the Group at rates ranging from 5% to 7.5% of the employee's basic salary, depending on the length of service with the Group.

Where there are employees who leave the ORSO Scheme prior to vesting fully in the contributions, the contributions payable by the Group are reduced by the amount of forfeited contributions.

The employees of the Group's subsidiaries which operates in the PRC are required to participate in a central pension scheme operated by the local municipal governments. These PRC subsidiaries are required to contribute 31.5% to 45.6% of its payroll costs to the central pension scheme. The contributions are charged to the income statement as they become payable in accordance with the rules of the central pension scheme.

DIRECTORS' REPORT

Details of the amount of retirement benefits contributions for the Group are set out in note 36 to the financial statement.

AUDITORS

On 5th December 2005, the Company announced that Messrs. Deloitte Touche Tohmatsu ("DTT") had resigned as auditors of the Company with effect from 22nd November 2005. Following the resignation of DTT, the Directors resolved to propose to the shareholders of the Company to appoint Messrs. Grant Thornton as the new auditors of the Company. Pursuant to an ordinary resolution passed at the special general meeting held on 30th December 2005, Messrs. Grant Thornton had been appointed as the auditors of the Company to fill the vacancy following the resignation of DTT and to hold the office until the conclusion of the next annual general meeting of the Company. A resolution will be proposed at the forthcoming annual general meeting to re-appoint Messrs. Grant Thornton as auditors of the Company.

On behalf of the Board

Lau Chuk Kin
Chairman

Hong Kong, 24th February 2006

CORPORATE GOVERNANCE REPORT

The Group has complied with most of the code provisions on Corporate Governance Practices as set out in the GEM Listing Rules ("CG Code"). This report describes its corporate governance practices, explains the applications of the principles of the CG Code and deviations, if any.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the rules set out in Rules 5.48 to 5.67 of the GEM Listing Rules as the code for dealing in securities of the Company by the Directors. Having made specific enquiry of all directors, the Company was not aware of any non-compliance with the required standard as set out in the code of conduct regarding securities transactions by the directors throughout the year ended 31st December 2005.

BOARD OF DIRECTORS

The Board comprises nine directors, of whom two are executive directors, four are non-executive directors and three are independent non-executive directors. The participation of non-executive directors in the Board brings independent judgement on issues relating to the Group's strategy, performance, conflicts of interest and management process to ensure that the interests of all shareholders of the Company have been duly considered.

Each of the non-executive directors has entered into a service contract with the Company for a term of two years and is subject to termination by either party giving not less than one month's prior written notice to the other.

The Board considers that all of the independent non-executive directors are independent and has received from each of them the annual confirmation of independence required by the GEM Listing Rules.

The Board members for the year ended 31st December 2005 were:

Chairman

Mr. Lau Chuk Kin

Executive directors

Mr. Lau Chuk Kin
Ms Ho Suk Yi

Non-executive directors

Mr. Lee Ching Ming, Adrian
Mr. Wan Siu Kau
Mr. Peter Stavros Patapios Christofis
Ms Lam Mei Lan

Independent non-executive directors

Mrs. Ling Ching Man, Eleanor
Mr. Cheng Ping Kuen, Franco
Mr. Tyen Kan Hee, Anthony

The Board is responsible to the approval and monitoring of the Group's overall strategies and policies; approval of business plans; evaluating the performance of the Group and oversight of management. It is also responsible for promoting the success of the Company and its businesses by directing and supervising the Company's affairs.

The Board focuses on overall strategies and policies with particular attention paid to the growth and financial performance of the Group.

The Board delegates day-to-day operations of the Group to executive directors and senior management, while reserving certain key matters for its approval. Decisions of the Board are communicated to the management through executive directors who have attended at Board meetings.

The Board held a board meeting for each quarter. Details of the attendance of the Board are as follows:

Directors	Attendance
Mr. Lau Chuk Kin	4/4
Ms Ho Suk Yi	4/4
Mr. Lee Ching Ming, Adrian	4/4
Mr. Wan Siu Kau	2/4
Mr. Peter Stavros Patapios Christofis	0/4
Ms Lam Mei Lan	4/4
Mrs. Ling Ching Man, Eleanor	4/4
Mr. Cheng Ping Kuen, Franco	4/4
Mr. Tyen Kan Hee, Anthony	4/4

CHAIRMAN AND THE CHIEF EXECUTIVE OFFICER

Mr. Lau Chuk Kin assumes the role of both the chairman and the chief executive officer of the Company. While serving as the chairman of the Group, Mr. Lau leads the Board and is responsible for the proceedings and workings of the Board. He ensures that:

- the Board acts in the best interests of the Group; and
- the Board functions effectively, and that all key and appropriate issues are properly briefed and discussed by the Board.

The role of chairman and chief executive officer of the Group rests on the same individual which deviates from the code provision in the CG Code of not having a clear division of responsibilities. The Board is of the view that this has not compromised accountability and independent decision making for the following reasons:

- the non-executive directors form the majority of the Board of which three out of seven are independent; and
- Audit Committee composed exclusively of independent non-executive directors;
- The independent directors have free and direct access to the Company's external auditors and independent professional advice when considered necessary.

CORPORATE GOVERNANCE REPORT

Mr. Lau, the executive chairman, is a substantial shareholder of the Group and has considerable industry experience. He is motivated to contribute to the growth and profitability of the Group. The Board is of the view that it is in the best interests of the Group to have an executive chairman so that the Board can have the benefit of a chairman who is knowledgeable about the business of the Group and is most capable to guide discussions and brief the Board in a timely manner on pertinent issues and developments to facilitate open dialogue between the Board and the management.

REMUNERATION COMMITTEE

The Remuneration committee is established and comprising three independent non-executive directors, namely Mrs. Ling Ching Man, Eleanor, Mr. Cheng Ping Kuen, Franco and Mr. Tyen Kan Hee, Anthony.

The terms of reference of the Remuneration committee are posted on the Company's website. The principal functions include:

– to recommend to the Board on the Company's policies and structure for the remuneration of the directors and senior management of the Group;
– to determine the remuneration packages of all executive directors and senior management of the directors and senior management of the Group;
– to review and approve their performance-based remuneration.

The principal elements of executive remuneration package include basic salary, discretionary bonus and share option. The emoluments of executive directors are based on skill, knowledge and involvement in the Company's affairs of each director and are determined by reference to the Company's performance and profitability, as well as remuneration benchmark in the industry and the prevailing market conditions.

The Remuneration committee consults the chairman and chief executive officer about its proposals relating to the remuneration of other executive directors. During the year, no meeting was held and the remuneration committee decisions were approved by way of written resolutions passed by all the committee members. A resolution in writing signed by all the committee members shall be as valid and effectual as if it had been passed at a meeting of the Remuneration committee duly convened and held. A meeting of the Remuneration committee will be convened in 2006.

NOMINATION OF DIRECTORS

The Board is empowered under the Company's Bye Laws to appoint any person as a director either to fill a casual vacancy on or, subject to authorization by the shareholders of the Company in general meeting, as an additional member of the Board. Qualified candidates will be proposed to the Board for consideration and the selection criteria are mainly based on the assessment of their professional qualifications and experience. The Board selects and recommends candidates for directorship having regard to the balance of skills and experience appropriate to the Group's business.

There was no nomination of directors during the year.

AUDITORS' REMUNERATION

An amount of approximately HK$0.5 million (2004: HK$0.3 million) was charged to the Group's income statement for the year ended 31st December 2005. There was no significant non-audit service assignment undertaken by the auditors during the year.

CORPORATE GOVERNANCE REPORT

AUDIT COMMITTEE

The Audit Committee was established in April 2000 to review the Group's financial reporting, internal controls and make relevant recommendations to the Board. The terms of reference of the Audit Committee are posted on the Company's website.

The Audit Committee comprises three independent non-executive directors, namely Mrs. Ling Ching Man, Eleanor, Mr. Cheng Ping Kuen, Franco and Mr. Tyen Kan Hee, Anthony. The chairman of the Audit Committee is Mr. Tyen Kan Hee, Anthony.

The Audit Committee held four meetings in 2005, which were attended by all members. The Group's 2005 quarterly report, 2005 half-yearly report and 2004 annual report have been reviewed by the Audit Committee, which was of the opinion that such reports were prepared in accordance with the applicable accounting standards and requirements. For 2004 annual report, the Audit Committee met with the external auditors to discuss auditing, internal control, statutory compliance and financial reporting matters before recommending it to the Board for approval. The committee also monitored the Company's progress in implementing the code provisions on corporate governance practices as required under the GEM Listing Rules.

AUDITORS' REPORT

Certified Public Accountants
Member of Grant Thornton International

Grant Thornton
均富會計師行

TO THE MEMBERS OF RECRUIT HOLDINGS LIMITED
才庫媒體集團有限公司

(Incorporated in Cayman Islands and redomiciled to Bermuda with limited liability)

We have audited the financial statements on pages 23 to 67 which have been prepared in accordance with accounting principles generally accepted in Hong Kong.

Respective responsibilities of directors and auditors

The Company's directors are responsible for the preparation of financial statements which give a true and fair view. In preparing financial statements which give a true and fair view it is fundamental that appropriate accounting policies are selected and applied consistently.

It is our responsibility to form an independent opinion, based on our audit, on those financial statements and to report our opinion solely to you, as a body, in accordance with section 90 of The Bermuda Companies Act, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Basis of opinion

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Company's and the Group's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance as to whether the financial statements are free from material misstatement. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements. We believe that our audit provides a reasonable basis for our opinion.

Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the Company and the Group as at 31 December 2005 and of the Group's profit and cash flows for the year then ended and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Grant Thornton
Certified Public Accountants
Hong Kong

24 February 2006

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2005

	Notes	2005 HK$'000	(Restated) 2004 HK$'000
Revenue and turnover	5	227,103	103,995
Direct operating costs		(136,496)	(48,598)
Gross profit		90,607	55,397
Other operating income		11,633	4,418
Selling and distribution costs		(34,943)	(14,067)
Administrative expenses		(27,732)	(11,444)
Other operating expenses		(698)	(290)
Operating profits		38,867	34,014
Finance costs	7	(539)	–
Profit before income tax	8	38,328	34,014
Income tax expense	11	(1,060)	(28)
Profit for the year	12	37,268	33,986
Attributable to:			
Equity holders of the Company		37,094	33,986
Minority interests		174	–
Profit for the year		37,268	33,986
Dividends	13	10,969	–
Earnings per share for profit attributable to the equity holders of the Company during the year	14		
Basic		HK13.57 cents	HK14.54 cents
Diluted		HK13.46 cents	HK14.47 cents

CONSOLIDATED BALANCE SHEET

As at 31 December 2005

	Notes	2005 HK$'000	(Restated) 2004 HK$'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	15	41,971	3,407
Investment properties	16	39,800	36,660
Interests in associates	18	–	7,351
Deposit paid for acquisition of property, plant and equipment		–	2,001
		81,771	49,419
Current assets			
Inventories	21	8,599	–
Trade and other receivables and deposits	22	77,746	21,472
Financial assets at fair value through profit or loss	23	162	–
Advances to associates	18	5,365	–
Cash and cash equivalents	24	44,934	36,245
		136,806	57,717
Current liabilities			
Trade and other payables	25	50,446	8,797
Finance lease liabilities	26	3,808	–
		54,254	8,797
Net current assets		82,552	48,920
Total assets less current liabilities		164,323	98,339
Non-current liabilities			
Finance lease liabilities	26	16,586	–
Loans from minority shareholders	27	9,476	–
Deferred tax liabilities	28	1,060	–
		27,122	–
Net assets		137,201	98,339
EQUITY			
Equity attributable to Company's equity holders			
Share capital	29	54,844	54,500
Reserves	31	71,209	43,839
Proposed final dividend	13	10,969	–
		137,022	98,339
Minority interests		179	–
Total equity		137,201	98,339

Director *Director*

BALANCE SHEET

As at 31 December 2005

	Notes	2005 HK$'000	(Restated) 2004 HK$'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	–
Advance to an associate	18	70	–
Other receivables		683	226
Cash and cash equivalents	24	226	3,923
		127,473	4,149
Current liabilities			
Other payables		55	13
Amounts due to subsidiaries	20	188	45
		243	58
Net current assets		127,230	4,091
Net assets		127,230	87,632
EQUITY			
Equity attributable to Company's equity holders			
Share capital	29	54,844	54,500
Reserves	31	61,417	33,132
Proposed final dividend	13	10,969	–
Total equity		127,230	87,632

Director *Director*

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2005

	Equity attributable to equity holders of the Company										Minority interests	Total
	Share capital HK$'000	Share premium HK$'000	Employee compensation reserve HK$'000	Exchange reserve HK$'000	Merger reserve HK$'000	Contributed surplus HK$'000	Goodwill reserve HK$'000	Capital contribution HK$'000	Proposed final dividend HK$'000	Accumulated losses HK$'000	HK$'000	HK$'000
At 1 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)
Effect of changes in accounting policies: – Initial adoption of HKFRS 2	–	–	382	–	–	–	–	–	–	–	–	382
At 31 December 2004, as restated	54,500	53,970	382	5	(43,897)	45,000	13,440	–	–	(25,061)	–	98,339
At 1 January 2005, as previously reported	54,500	53,970	–	5	(43,897)	45,000	13,440	–	–	(24,679)	–	98,339
Effect of changes in accounting policies:												
– Initial adoption of HKFRS 2	–	–	382	–	–	–	–	–	–	(382)	–	–
– Initial adoption of HKFRS 3	–	–	–	–	–	–	(13,440)	–	–	13,440	–	–
At 1 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
Proposed final dividend (Note 13)	–	–	–	–	–	(10,969)	–	–	10,969	–	–	–
Net results recognised directly in equity	–	–	–	60	–	(10,969)	–	521	10,969	–	5	586
Profit for the year	–	–	–	–	–	–	–	–	–	37,094	174	37,268
Total recognised income and expense for the year	–	–	–	60	–	(10,969)	–	521	10,969	37,094	179	37,854
Shares issued at premium	344	116	–	–	–	–	–	–	–	–	–	460
Share issue expenses	–	(21)	–	–	–	–	–	–	–	–	–	(21)
Equity-settled share based payment expenses	–	–	569	–	–	–	–	–	–	–	–	569
At 31 December 2005	54,844	54,065	951	65	(43,897)	34,031	–	521	10,969	25,473	179	137,201

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.

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 December 2005

	2005	(Restated) 2004
	HK$'000	HK$'000
Cash flows from operating activities		
Profit before income tax	38,328	34,014
Adjustments for:		
Depreciation	4,946	1,360
Dividend income from equity investments	(18)	–
Equity-settled share based payment expenses *(note 10)*	569	382
Gain from changes in fair value of investment properties	(3,140)	(1,945)
Gain on partial disposal of investments in subsidiaries	(6,000)	–
Impairment of receivables	698	290
Interest element of finance lease payments	539	–
Interest income	(405)	(222)
Loss on disposal and write off of property, plant and equipment	226	1
Realised and unrealised gains on financial assets at fair value through profit or loss	(239)	–
Operating profit before working capital change	35,504	33,880
Increase in inventories	(8,599)	–
Increase in trade and other receivables and deposits	(56,972)	(12,292)
Increase in trade and other payables	41,655	10
Cash generated from operations	11,588	21,598
Income taxes paid	–	(28)
Net cash generated from operating activities	11,588	21,570
Cash flows from investing activities		
Dividend income received	18	–
Interest received	405	222
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	–
Proceeds on partial disposal of investments in subsidiaries	6,000	–
Proceeds on disposal of property, plant and equipment	–	110
Purchase of property, plant and equipment	(17,842)	(2,370)
Purchase of financial assets at fair value through profit or loss	(2,775)	–
Repayment of advances to associates	1,986	–
Net cash used in investing activities	(9,356)	(38,754)

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 December 2005

	2005 HK$'000	(Restated) 2004 HK$'000
Cash flows from financing activities		
Capital element of finance lease liabilities paid	(3,440)	–
Increase in loans from minority shareholders	9,997	–
Interest element of finance lease payments	(539)	–
Proceeds from shares issued on exercise of share options	460	–
Proceeds on issue of rights shares	–	32,700
Share issue expenses paid	(21)	(1,204)
Net cash from financing activities	6,457	31,496
Net increase in cash and cash equivalents	8,689	14,312
Cash and cash equivalents at 1 January	36,245	21,933
Cash and cash equivalents at 31 December	44,934	36,245

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2005

1. GENERAL INFORMATION

The Company was incorporated in Cayman Islands as an exempted company in 2000 and redomiciled to Bermuda by way of de-registration in Cayman Islands and continuation as an exempted company under the laws of Bermuda, with limited liability in 2003. The address of the Company's registered office is 26/F, 625 King's Road, North Point, Hong Kong. The Company's shares are listed on the Growth Enterprise Market ("GEM") of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The Company acts as an investment holding company, provides corporate management services and is engaged in investment trading activities. Details of principal activities of its principal subsidiaries are set out in note 39 to the financial statements.

As at 31 December, 2005, the Company's ultimate holding company is ER2 Holdings Limited, which was incorporated in Hong Kong.

The consolidated financial statements of the Group on pages 23 to 67 have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS") as published by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), the disclosure requirements of the Hong Kong Companies Ordinance and the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules").

The financial statements for the year ended 31 December 2005 were approved by the board of directors on 24 February 2006.

2. ADOPTION OF NEW AND REVISED HKFRS

From 1 January 2005, the Group has adopted the new and revised standards and interpretations of HKFRS, which are relevant to its operations. This includes the following new, revised and renamed standards:

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 14	Segment Reporting
HKAS 16	Property, Plant and Equipment
HKAS 21	The Effects of Changes in Foreign Exchange Rates
HKAS 24	Related Party Disclosures
HKAS 27	Consolidated and Separated Financial Statements
HKAS 28	Investments 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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2005

2. ADOPTION OF NEW AND REVISED HKFRS – continued

All the standards have been applied retrospectively except where specific transitional provisions require a different treatment and accordingly the 2004 financial statements and their presentation have been amended where necessary in accordance with HKAS 8. Due to the change in accounting policies, some of the 2004 comparatives contained in these financial statements differ from those published in the financial statements for the year ended 31 December 2004.

Significant effects on current, prior or future periods arising from the first-time application of the standards listed above with respect to presentation, recognition and measurement of accounts are described in the following notes:

2.1 Adoption of HKAS 1

The application of HKAS 1 led to an update of the presentation of 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 owners of the parent company is now presented as an allocation of the net result of the year.

2.2 Adoption of HKAS 39

On the adoption of HKAS 39, the Group classified its investments into fair value through profit or loss and measured its financial assets at fair value. Loans from minority shareholders are measured at amortised cost using the effective interest method.

2.3 Adoption of HKFRS 2

Prior to the adoption of HKFRS 2 on 1 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 the income statement.

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

2.4 Adoption of HKFRS 3

Negative goodwill represents the excess of the Group's interest in the fair value of the identifiable assets and liabilities of a subsidiary or an associate at the date of acquisition over the cost of acquisition.

The carrying amount of negative goodwill brought forward at the beginning of the first annual period beginning on or after 1 January 2005 has been derecognised at the beginning of that period, with a corresponding adjustment to the opening balance of (accumulated losses)/retained earnings.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2005

2. ADOPTION OF NEW AND REVISED HKFRS – continued

2.5 Other standards adopted

The adoption of HKAS 2, 7, 8, 10, 14, 16, 21, 24, 27, 28, 32, 33, 36 and 37 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 other standards did not result in any changes to the amounts or disclosures in these financial statements.

2.6 The effect of changes in the accounting policies on the consolidated income statement are summarised below:

	Year ended 31 December 2005			Year ended 31 December 2004		
	Effect of adopting			Effect of adopting		
	HKFRS 2	HKFRS 3	Total	HKFRS 2	HKFRS 3	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Increase in staff costs	569	–	569	382	–	382
Total decrease in profit for the year	(569)	–	(569)	(382)	–	(382)
Decrease in basic and diluted earnings per share	(0.21 cents)	–	(0.21 cents)	(0.16 cents)	–	(0.16 cents)

2.7 The effect of changes in the accounting policies on consolidated balance sheet are summarised below:

		Effect of adopting	
	HKFRS 2	HKFRS 3	Total
	HK$'000	HK$'000	HK$'000
At 31 December 2004			
Increase/(decrease) in equity:			
Employee compensation reserve	382	–	382
Accumulated losses	(382)	–	(382)
At 1 January 2005			
Increase/(decrease) in equity:			
Employee compensation reserve	382	–	382
Goodwill reserve	–	(13,440)	(13,440)
Accumulated losses	(382)	13,440	13,058
At 31 December 2005			
Increase/(decrease) in equity:			
Employee compensation reserve	951	–	951
Goodwill reserve	–	(13,440)	(13,440)
Accumulated losses	(951)	13,440	12,489

2. ADOPTION OF NEW AND REVISED HKFRS – continued

2.8 New Standards or interpretations that have been issued but are not yet effective

The Group has not early adopted the following Standards or interpretations that have been issued but are not yet effective. The directors of the Company anticipate that the application of these standards or interpretations will have no or any material impact on the financial statements of the Group.

HKAS 1 (Amendment)	Capital Disclosures [1]
HKAS 19 (Amendment)	Employee Benefits – Actuarial Gains and Losses, Group Plans and Disclosures [2]
HKAS 21 (Amendment)	The Effects of Changes in Foreign Exchange Rates – Net Investment in a Foreign Operation [2]
HKAS 39 (Amendment)	Cash Flow Hedge Accounting of Forecast Intragroup Transactions [2]
HKAS 39 (Amendment)	The Fair Value Option [2]
HKAS 39 & HKFRS 4 (Amendment)	Financial Guarantee Contracts [2]
HKFRS 6	Exploration for and Evaluation of Mineral Resources [2]
HKFRS 7	Financial Instruments: Disclosures [1]
HK(IFRIC) – Int 4	Determining whether an Arrangement contains a lease [2]
HK(IFRIC) – Int 5	Rights to Interests Arising from Decommissioning, Restoration and Environmental Rehabilitation Funds [2]
HK(IFRIC) – Int 6	Liabilities arising from Participating in a Specific Market – Waste Electrical and Electronic Equipment [3]
HK(IFRIC) – Int 7	Applying the Restatement Approach under HKAS 29 Financial Reporting in Hyperinflationary Economies [4]

[1] Effective for annual periods beginning on or after 1 January 2007.
[2] Effective for annual periods beginning on or after 1 January 2006.
[3] Effective for annual periods beginning on or after 1 December 2005.
[4] Effective for annual periods beginning on or after 1 March 2006.

3. SUMMARY OF ACCOUNTING POLICIES

3.1 Basis of preparation

The significant accounting policies that have been used in the preparation of these consolidated financial statements are summarised below.

The financial statements 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 statements. Although these estimates are based on management's best knowledge of current events and actions, actual results may ultimately differ from those estimates.

3. SUMMARY OF ACCOUNTING POLICIES – continued

3.2 Basis of consolidation

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

3.3 Subsidiaries

Subsidiaries are all entities over which the Company has the power to control the financial and operating policies. 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 Group. 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.

In the Company's balance sheet, 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.

3.4 Associates

Associates are those entities over which the Group is able to exert significant influence but which are not subsidiaries. Investments in associates are initially recognised at cost and subsequently accounted for using the equity method.

Acquired investments in associates are also subject to purchase accounting. Any goodwill or fair value adjustment attributable to the share in the associate is included in the amount recognised as investments in associates.

All subsequent changes to the share of interest in the equity of the associate are recognised in the Group's carrying amount of the investment. Changes resulting from net results generated by the associate are charged against "share of results from associates" in the consolidated income statement and therefore affect net results of the Group. These changes include subsequent depreciation or impairment of the fair value adjustments of assets and liabilities.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2005

3. SUMMARY OF ACCOUNTING POLICIES – continued

3.4 Associates – continued

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

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

3.5 Foreign currencies

The consolidated financial statements are presented in Hong Kong Dollars (HK$), which is the functional currency of the parent company.

In the separate 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 under "other operating income" or "administrative expenses", respectively. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

In the consolidated financial statements, all separate financial statements of subsidiaries 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 rate at the balance sheet date. Income and expenses have been converted into the Group's presentation currency at the average rates over the reporting period. Any differences arising from this procedure have been charged/ (credited) to the exchange reserve in equity.

3.6 Income and expense recognition

Revenue is recognised when it is probable that the economic benefits will flow to the Group and when the revenue and costs, 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 risk to the customer and collectibility of the related receivables is reasonably assured.

– 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 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.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2005

3. SUMMARY OF ACCOUNTING POLICIES – continued

3.7 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 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 cost to their residual values over their estimated useful lives, as follows:

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

3.8 Investment property

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 immediately recognised in the income statement.

3.9 Impairment

The property, plant and equipment and investments in subsidiaries and associates are subject to impairment testing.

For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). As a result, some assets are tested individually for impairment and some are tested at cash-generating unit level.

All individual assets or cash-generating units are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2005

3. SUMMARY OF ACCOUNTING POLICIES – continued

3.9 Impairment – continued

An impairment loss is recognised 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, based on an internal discounted cash flow evaluation. Impairment losses recognised for cash-generating units are charged pro rata to the assets in the cash generating unit. All assets are subsequently reassessed for indications that an impairment loss previously recognised may no longer exist.

3.10 Leases

The economic ownership of a leased asset is transferred to the lessee if the lessee bears substantially all the risks and rewards related to the ownership of the leased asset. The related asset is recognised at the time of inception of the lease at the present value of the lease payments plus incidental payment, if any, to be borne by the lessee. A corresponding amount is recognised as a finance lease liability, irrespective of whether some of these lease payments are payable up-front at the date of inception of the lease.

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 charges, which are expensed to finance costs.

All other leases are treated as operating lease agreements. Operating lease payments are recognised as an expense on a straight-line basis. Affiliated costs, such as maintenance and insurance, are expensed as incurred.

3.11 Financial assets

The Group classified its investments as loans and receivables and financial assets at fair value through profit or loss. Financial assets are assigned to the different categories by management on initial recognition, depending on the purpose for which the investments were acquired. The designation of financial assets is re-evaluated at every reporting date at which a choice of classification or accounting treatment is available.

All financial assets are recognised on their settlement date. All financial assets that are not classified as fair value through profit or loss are initially recognised at fair value, plus transaction costs.

Financial assets at fair value through profit or loss include financial assets that are either classified as held for trading or are designated by the entity to be carried at fair value through profit or loss upon initial recognition. 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. Financial assets originally designated as financial assets at fair value through profit or loss may not subsequently be re-classified.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Group provides money, goods or services directly to a debtor with no intention of trading the receivables. Loans and receivables are subsequently measured at amortised cost using the effective interest method, less impairment losses. Any change in their value is recognised in income statement.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2005

3. SUMMARY OF ACCOUNTING POLICIES – continued

3.11 Financial assets – continued

Trade receivables are provided against when objective evidence is received that the Group will not be able to collect all amounts due to it in accordance with the original terms of the receivables. The amount of the write-down is determined as the difference between the asset's carrying amount and the present value of estimated future cash flows.

3.12 Inventories

Inventories comprise raw materials, supplies and purchased goods. Cost includes all expenses directly attributable to the manufacturing process as well as suitable portions of related production overheads, based on normal operating capacity. Financing costs are not taken into consideration. At the balance sheet date, inventories are carried at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business less any applicable selling expenses.

3.13 Accounting for income taxes

Current income tax assets and/or liabilities comprise those obligations to, or claims from, tax 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 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 income tax expense in the income statement.

Deferred income taxes are calculated using the liability method on temporary differences. This involves the comparison of the carrying amounts of assets and liabilities in the consolidated financial statements with their respective tax bases. This applies also to temporary differences associated with shares in subsidiaries if reversal of these temporary differences can be controlled by the Group and it is probable that reversal will not occur in the foreseeable future. In addition, tax losses available to be carried forward as well as other income tax credits to the Group are assessed for recognition as deferred tax assets.

Deferred tax liabilities are provided for in full. Deferred tax assets are recognised to the extent that it is probable that they will be able to be offset against future taxable income. Deferred tax assets and liabilities are calculated, without discounting, at tax rates that are expected to apply to their respective period of realisation, provided they are enacted or substantively enacted at the balance sheet date.

Most changes in deferred tax assets or liabilities are recognised as a component of income tax expense in the income statement. Only changes in deferred tax assets or liabilities that relate to a change in value of assets or liabilities that is charged directly to equity are charged or credited directly to equity.

3.14 Cash and cash equivalents

Cash and cash equivalents include cash at bank and in hand as well as short term highly liquid investments such as bank deposits.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2005

3. SUMMARY OF ACCOUNTING POLICIES – continued

3.15 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 the proceeds, net of any related income tax benefits.

3.16 Employee benefits

(i) Retirement benefit schemes

The Group participates in several staff retirement benefit schemes for employees in Hong Kong and the PRC, comprising defined contribution retirement schemes and a Mandatory Provident Fund ("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 1 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 1 December 2000, the MPF Scheme was also 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

Under the transitional provisions provided for under HKFRS 2, all share-based payment arrangements granted after 7 November 2002 and that have not yet vested at 1 January 2005 are recognised in the consolidated financial statements. The Group operates equity-settled share-based compensation plans to remunerate its employees.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2005

3. SUMMARY OF ACCOUNTING POLICIES – continued

3.16 Employee benefits – continued

(ii) Share-based employee compensation – continued

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 equity, net of deferred tax where applicable. 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 estimated.

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 reallocated to share capital with any excess being recorded as share premium.

(iii) Bonus plans

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

3.17 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.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2005

3. SUMMARY OF ACCOUNTING POLICIES – continued

3.18 Financial liabilities

The Group's financial liabilities include trade and other payables, finance lease liabilities and loans from minority shareholders. They are included in balance sheet line items 'trade and other payables', 'finance lease liabilities' and 'loans from minority shareholders'.

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

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

Finance lease liabilities are measured at initial value less the capital element of lease repayments.

3.19 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 investment properties. Segment liabilities consist primarily of operating liabilities but exclude deferred tax liabilities. Segment revenue, expenses, assets and liabilities are determined before intra-group balance and intra-group transactions are eliminated as part of the consolidation process.

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 advances to associates, 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 total assets and capital expenditure are where the assets are located.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2005

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates are continually evaluated and are based on historical experiences 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 severe industry cycles. Management reassess these estimations at the balance sheet date to ensure inventory is shown at the lower of cost and net realisable value.

(ii) Impairment of trade receivables

The Group's management determines the impairment of trade receivables on a regular basis. This estimate is based on the credit history of its customers and current market conditions. Management reassess the impairment of trade receivables at the balance sheet date.

(iii) Valuation of share options granted

The fair value of share options granted was calculated using the Black-Scholes valuation model based on the Group's management's significant inputs into calculation included an estimated life of share options granted to be five years based on exercise restrictions and behavioural considerations, the volatility of share price which was determined by reference to historical data, weighted average share prices and exercise prices of the share options granted. Furthermore, the calculation assumes nil future dividends. Details of the inputs are set out in note 30 to the financial statements.

5. REVENUE AND TURNOVER

	2005 HK$'000	2004 HK$'000
Advertising income	160,033	103,615
Publication sales and recruiting and other service income	537	380
Printing income	66,533	–
	227,103	103,995

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2005

6. SEGMENT INFORMATION

Primary reporting format – Business segments

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

Advertising income – providing advertising services on different publications and magazines.

Printing income – printing of books and magazines.

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

	Advertising		Printing		Investment income		Consolidated	
								(Restated)
	2005	2004	2005	2004	2005	2004	2005	2004
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Revenue								
– External sales	160,570	103,995	66,533	–	–	–	227,103	103,995
Segment results	29,422	30,492	(347)	–	257	–	29,332	30,492
Unallocated operating income							10,881	4,418
Unallocated operating expenses							(1,346)	(896)
Operating profit							38,867	34,014
Finance costs							(539)	–
Profit before income tax							38,328	34,014
Income tax expense							(1,060)	(28)
Profit for the year							37,268	33,986
Segment assets	74,998	51,619	97,022	–	162	–	172,182	51,619
Advances to associates							5,365	7,351
Unallocated assets							41,030	48,166
Total assets							218,577	107,136
Segment liabilities	21,128	8,781	58,601	–	–	–	79,729	8,781
Unallocated liabilities							1,647	16
Total liabilities							81,376	8,797
Other information								
Capital expenditure	5,797	2,370	37,880	–	–	–	43,677	2,370
Depreciation	3,303	1,360	1,643	–	–	–	4,946	1,360
Impairment of receivables	698	290	–	–	–	–	698	290

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2005

6. SEGMENT INFORMATION – continued

Secondary reporting format – Geographical segments

The Group's operations are located in six 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:

	2005	2004
	HK$'000	HK$'000
Hong Kong	83,790	74,111
Mainland China	77,246	29,884
Australia	52,494	–
United States	6,485	–
United Kingdom	5,064	–
New Zealand	2,024	–
	227,103	103,995

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

	Segment assets		Capital expenditure	
	2005	2004	2005	2004
	HK$'000	HK$'000	HK$'000	HK$'000
Hong Kong	119,732	51,619	1,909	2,370
Mainland China	52,450	–	41,768	–
	172,182	51,619	43,677	2,370

The management has reconsidered the lines of business of the Group and restated last year's segment information to conform with the current year's presentation.

7. FINANCE COSTS

	2005	2004
	HK$'000	HK$'000
Finance lease charges	539	–

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2005

8. PROFIT BEFORE INCOME TAX

	2005 HK$'000	(Restated) 2004 HK$'000
Profit before income tax is arrived at after charging:		
Auditors' remuneration	549	250
Cost of inventories recognised as expense	23,153	–
Depreciation *(Note)*:		
Owned assets	4,350	1,360
Leased assets	596	–
Exchange loss, net	734	25
Loss on disposal and write off of property, plant and equipment	226	1
Minimum lease payments paid under operating leases in respect of:		
Rented premises	2,522	1,211
Internet access line	84	91
Impairment of receivables	698	290
Staff costs *(Note 10)*	33,016	15,994
and after crediting:		
Dividend income from equity investments	(18)	–
Gain from changes in fair value of investment properties *(Note 16)*	(3,140)	(1,945)
Gain on partial disposal of investments in subsidiaries	(6,000)	–
Interest income	(405)	(222)
Operating lease rental income from:		
Subleasing of office premises	–	(90)
Investment properties *(Note 16)*	(1,334)	(88)
Realised and unrealised gains on financial assets at fair value through profit or loss, included in other operating income	(239)	–

Note: Depreciation expenses of HK$3,523,000 (2004: HK$963,000) and HK$1,423,000 (2004: HK$397,000) have been included in direct operating costs and administrative expenses respectively.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2005

9. DIRECTORS' REMUNERATION AND SENIOR MANAGEMENT'S EMOLUMENTS

(a) Directors' emoluments

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

	Fee HK$'000	Salaries, allowances HK$'000	Retirement benefit scheme contributions HK$'000	Equity-settled share based payment expenses HK$'000	Total HK$'000
Year ended 31 December 2005					
Executive directors					
Ms. Ho Suk Yi	–	750	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 Ching Man, Eleanor	100	–	–	–	100
Mr. Tyen Kan Hee, Anthony	78	–	–	–	78
	458	750	12	79	1,299
Year ended 31 December 2004 (Restated)					
Executive directors					
Ms. Ho Suk Yi	–	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	30	–	–	–	30
Mr. Wan Siu Kau	30	–	–	–	30
Independent non-executive directors					
Mr. Cheng Ping Kuen, Franco	60	–	–	–	60
Mrs. Ling Ching Man, Eleanor	60	–	–	–	60
Mr. Tyen Kan Hee, Anthony	20	–	–	–	20
	290	294	7	32	623

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2005

9. DIRECTORS' REMUNERATION AND SENIOR MANAGEMENT'S EMOLUMENTS – continued

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year included one (2004: none) director whose emoluments are reflected in the analysis presented above. The emoluments payable to the remaining four (2004: five) individuals during the year are as follows:

	2005 HK$'000	(Restated) 2004 HK$'000
Basic salaries and other benefits	5,330	2,089
Retirement benefit scheme contributions	72	81
Equity-settled share based payment	24	87
	5,426	2,257

The emoluments fell within the following bands:

	Number of individuals 2005	2004
Emolument bands		
Nil – HK$1,000,000	4	5
HK$1,000,001 – HK$3,000,000	–	–
HK$3,000,001 – HK$3,500,000	1	–

During the year ended 31 December 2005, no emoluments were paid by the Group to the directors and the remaining four (2004: five) highest paid individuals as an inducement to join or upon joining the Group and no director waived any emoluments during each of the two years ended 31 December 2005.

10. EMPLOYEE BENEFIT EXPENSE (INCLUDING DIRECTORS' EMOLUMENTS)

	2005 HK$'000	(Restated) 2004 HK$'000
Wages and salaries	29,809	14,792
Share options granted to directors and employees	569	382
Pension costs – defined contribution plans	1,282	324
Other staff benefits	1,356	496
	33,016	15,994

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2005

11. INCOME TAX EXPENSE

No Hong Kong profits tax has been provided as the Group had 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.

	2005 HK$'000	2004 HK$'000
Hong Kong profits tax		
Underprovision in prior years	–	28
Deferred taxation		
Current year *(Note 28)*	1,060	–
	1,060	28

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

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

* The weighted average applicable tax rate was 12.3% (2004: 17.5%). The decrease is caused by the current year's tax losses incurred by certain subsidiaries of the Group in the People's Republic of China, except Hong Kong (the "PRC") with domestic tax rate of 33%.

12. PROFIT FOR THE YEAR

Of the consolidated profit for the year of HK$37,268,000 (2004: HK$33,986,000 (Restated)), a profit of HK$38,590,000 (2004: HK$23,812,000 (Restated)) has been dealt with in the financial statements of the Company.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2005

13. DIVIDENDS

	2005	2004
	HK$'000	HK$'000
Proposed final dividend of HK$0.04 per share (2004: Nil)	10,969	–

The final dividend proposed after the balance sheet date of HK$0.04 per share, totalling HK$10,969,000 (2004: Nil), has not been recognised as a liability at the balance sheet date.

14. EARNINGS PER SHARE

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

	Group	
		(Restated)
	2005	2004
	HK$'000	HK$'000
Profit attributable to equity holders of the Company	37,094	33,986
	Number of shares '000	Number of shares '000
Weighted average number of ordinary shares for the purposes of basic earnings per share	273,431	233,784
Effect of dilutive potential ordinary shares in respect of share options granted	2,076	1,142
Weighted average number of ordinary shares for the purposes of diluted earnings per share	275,507	234,926

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2005

15. PROPERTY, PLANT AND EQUIPMENT

	Furniture and fixtures HK$'000	Office equipment HK$'000	Leasehold improvements HK$'000	Computer equipment and systems HK$'000	Motor vehicles HK$'000	Machinery HK$'000	Total HK$'000
Group							
At 1 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 31 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 31 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 31 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 31 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

The cost of property, plant and equipment includes an amount of HK$23,834,000 (2004: Nil) in respect of assets held under finance leases (2004: Nil) and the related accumulated depreciation amounts to HK$596,000 (2004: Nil).

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2005

16. INVESTMENT PROPERTIES

The investment properties are situated in Hong Kong and held under medium-term operating leases.

Changes to the carrying amounts presented in the balance sheet can be summarised as follows:

	Group	
	2005	2004
	HK$'000	HK$'000
Carrying amount at 1 January	36,660	–
Additions	–	34,715
Net gain from fair value adjustments *(Note 8)*	3,140	1,945
Carrying amount at 31 December	39,800	36,660

Investment properties were revalued at 31 December 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.

17. INVESTMENTS IN SUBSIDIARIES

	Company	
	2005	2004
	HK$'000	HK$'000
Unlisted shares, at cost	62,030	62,030
Less: Impairment losses recognised	(62,030)	(62,029)
	–	1

Details of principal subsidiaries are set out in note 39 to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2005

18. INTERESTS IN ASSOCIATES

	Group 2005 HK$'000	Group 2004 HK$'000	Company 2005 HK$'000	Company 2004 HK$'000
Unlisted shares at cost, less impairment losses	–	–	–	–
Share of net assets	–	–	–	–
	–	–	–	–
Advances to associates	14,106	16,092	70	70
Less: Impairment losses	(8,741)	(8,741)	–	–
	5,365	7,351	70	70
Less: Portion due within one year included under current assets	(5,365)	–	(70)	–
Non-current portion included under non-current assets	–	7,351	–	70

For the year ended 31 December 2005, the advances to associates are unsecured, interest free and repayable on demand. Accordingly, the amounts are classified as current assets.

For the year ended 31 December 2004, the advances to associates were unsecured, interest free and had no fixed terms of repayment. In the opinion of directors, no repayment would be demanded within 12 months from the balance sheet date. Accordingly, the amounts were classified as non-current assets.

Particulars of the associates as at 31 December 2005 are as follows:

Name	Particulars of issued shares held	Country of incorporation/ operation	% Interest held	Principal activities
PPG Investments Limited	Ordinary shares of US$1 each	British Virgin Islands/ Hong Kong	20%	Investment holding
Trion Pacific Limited	Ordinary shares of HK$1 each	Hong Kong	35%	Inactive

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2005

19. AMOUNTS DUE FROM SUBSIDIARIES

	Company	
	2005	2004
	HK$'000	HK$'000
Amounts due from subsidiaries		
– interest bearing at 2% per annum (2004: Nil)	34,715	–
– interest free	95,023	99,524
Less: Allowances for amounts due from subsidiaries	(3,244)	(16,054)
	126,494	83,470
Less: Portion due within one year included under current assets	(126,494)	–
Non-current portion included under non-current assets	–	83,470

For the year ended 31 December 2005, the amounts due from subsidiaries are unsecured, interest free and repayable on demand. Accordingly, the amounts are classified as current assets.

For the year ended 31 December 2004, the amounts due from subsidiaries were unsecured, interest free and had no fixed terms of repayment. In the opinion of directors, no repayment would be demanded within 12 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	
	2005	2004
	HK$'000	HK$'000
Raw materials	6,972	–
Work-in-progress	1,432	–
Finished goods	195	–
	8,599	–

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2005

22. TRADE AND OTHER RECEIVABLES AND DEPOSITS

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

The following is an aged analysis of trade receivables at the balance sheet date:

	Group	
	2005	2004
	HK$'000	HK$'000
0 – 30 days	13,355	6,153
31 – 60 days	12,310	5,191
61 – 90 days	11,982	2,436
91 – 120 days	16,969	2,689
121 – 150 days	6,647	1,062
Over 150 days	2,249	250
Total trade receivables	63,512	17,781
Other receivables and deposits	14,234	3,691
	77,746	21,472

23. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	Group	
	2005	2004
	HK$'000	HK$'000
Equity securities, listed in Hong Kong	162	–
Market value of listed securities	162	–

The listed equity securities are held for trading.

Financial assets at fair value through profit or loss are presented within the section on operating activities as part of changes in working capital in the cash flow statement.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2005

24. CASH AND CASH EQUIVALENTS

Cash and cash equivalents include the following components:

	Group		Company	
	2005	2004	2005	2004
	HK$'000	HK$'000	HK$'000	HK$'000
Bank and cash balances	20,534	36,245	226	3,923
Short-term bank deposits	24,400	–	–	–
	44,934	36,245	226	3,923

The effective interest rate of short-term bank deposits for the year ranged from 3.56% to 4% (2004: Nil). These deposits have maturity periods ranging from 3 to 13 days and are eligible for immediate cancellation without receiving any interest for the last deposit period.

Included in bank and cash balances of the Group is HK$2,031,000 (2004: Nil) of bank balances denominated in Renminbi ("RMB") placed with banks in the PRC. RMB is not a freely convertible currency.

25. TRADE AND OTHER PAYABLES

The following is an aged analysis of trade payables at the balance sheet date:

	Group	
	2005	2004
	HK$'000	HK$'000
0 – 30 days	6,044	172
31 – 60 days	7,552	–
61 – 90 days	9,292	–
91 – 120 days	4,361	–
Over 120 days	5,818	–
Total trade payables	33,067	172
Other payables and accrued expenses	17,379	8,625
	50,446	8,797

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2005

26. FINANCE LEASE LIABILITIES

The analysis of the obligations under finance leases is as follows:

	Group	
	2005	2004
	HK$'000	HK$'000
Due within one year	5,168	–
Due in the second to fifth years	18,954	–
	24,122	–
Future finance charges on finance lease	(3,728)	–
Present value of finance lease liabilities	20,394	–

The present value of finance lease liabilities is as follows:

	2005	2004
Due within one year	3,808	–
Due in the second to fifth years	16,586	–
	20,394	–
Less: Portion due within one year included under current liabilities	(3,808)	–
Non-current portion included under non-current liabilities	16,586	–

27. LOANS FROM MINORITY SHAREHOLDERS

Loans from minority shareholders are unsecured, interest free and have no fixed term of repayments. In the opinion of the directors, no repayment will be demanded within 12 months from the balance sheet date. Accordingly, the amounts are classified as non-current liabilities.

28. DEFERRED TAX LIABILITIES

Deferred taxation is calculated on temporary differences under the liability method using a principal taxation rate of 17.5% (2004: 17.5%).

Group

The movement on the deferred tax liabilities is as follows:

	2005	2004
	HK$'000	HK$'000
At 1 January	–	–
Deferred taxation charged to income statement *(Note 11)*	1,060	–
At 31 December	1,060	–

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2005

28. DEFERRED TAX LIABILITIES – continued

Group – continued

The following are the major deferred tax liabilities/(assets) recognised in the balance sheet and the movements during the current and prior years:

	Accelerated tax depreciation		Fair value gains		Tax losses		Total	
	2005	2004	2005	2004	2005	2004	2005	2004
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
At 1 January	566	323	–	–	(566)	(323)	–	–
Charged/(Credited) to income statement	1,872	243	890	–	(1,702)	(243)	1,060	–
At 31 December	2,438	566	890	–	(2,268)	(566)	1,060	–

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred income taxes relate to the same tax authority.

Company

No deferred tax has been provided in the financial statements of the Company as there are no temporary differences.

At the balance sheet date, the major components of unprovided deductible temporary differences are as follows:

	Group		Company	
	2005	2004	2005	2004
	HK$'000	HK$'000	HK$'000	HK$'000
Difference between depreciation and depreciation allowance	1,176	874	–	–
Unutilised tax losses	15,446	48,623	1,042	2,189
Other temporary differences	–	440	–	–
	16,622	49,937	1,042	2,189

The deductible temporary differences have not been recognised in the financial statements as it is not probable that taxable profit will be available against which the tax loss or other deductible temporary differences can be utilised due to the unpredictability of future profit streams. 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 HK$7,622,000 (2004: Nil) incurred by three subsidiaries in the PRC which will expire after 5 years from the year in which the losses were incurred.

29. SHARE CAPITAL

	Number of shares		Share capital	
	2005	2004	2005	2004
	’000	’000	HK$’000	HK$’000
Authorised:				
Ordinary shares of HK$0.20 (2004: HK$0.01) each at beginning of year	500,000	10,000,000	100,000	100,000
Share consolidation	–	(9,500,000)	–	–
Ordinary shares of HK$0.20 each	500,000	500,000	100,000	100,000
Issued and fully paid:				
Ordinary shares of HK$0.20 (2004: HK$0.01) each at beginning of year	272,500	2,725,000	54,500	27,250
Rights shares issued at premium	–	2,725,000	–	27,250
Share consolidation	–	(5,177,500)	–	–
Shares issued on exercise of share options	1,718	–	344	–
Ordinary shares of HK$0.20 each	274,218	272,500	54,844	54,500

Rights issue

A special resolution was passed on 6 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 6 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 26 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 represented the shares issued on exercise of share options pursuant to the scheme detailed in note 30 to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2005

30. SHARE BASED EMPLOYEE COMPENSATION

Share option scheme

The Company's share option scheme (the "Share Option Scheme") was adopted pursuant to a resolution passed on 3 July 2000 for the purpose of providing incentives to directors and eligible employees, and will expire on 2 July 2010. The committee of the board of directors constituted to administer the 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 an option.

Pursuant to Chapter 23 of the GEM Listing Rules, unless shareholders' prior approval otherwise 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 in equity. The Group has no legal or constructive obligation to repurchase or settle the options.

The following table discloses movements in the Share Option Scheme:

During the year ended 31 December 2005:

		Number of share options				
Grantees	Share option type	Outstanding at 1.1.2005	Granted during the year	Cancelled/ lapsed during the year	Exercised during the year	Outstanding at 31.12.2005
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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2005

30. SHARE BASED EMPLOYEE COMPENSATION – continued

During the year ended 31 December 2004:

		Number of share options				
Grantees	Share option type	Outstanding at 1.1.2004	Granted during the year	Cancelled/ lapsed during the year	Consolidation during the year *(Note i)*	Outstanding at 31.12.2004
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

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	0.24 *(note i)*
2004(a)	17.5.2004	17.5.2004 to 16.5.2005	17.5.2005 to 2.7.2013	0.28 *(note i)*
2004(b)	9.12.2004	9.12.2004 to 8.12.2005	9.12.2005 to 2.7.2013	0.43
2005	7.7.2005	7.7.2005 to 6.7.2006	7.7.2006 to 2.7.2013	0.80

Notes:

(i) Following the Share Consolidation, 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.

(ii) Total consideration received during the year from employees for taking up the options granted amounted to HK$7 (2004: HK$15).

(iii) There are 350,000 ordinary shares, which represent 0.1% of the issued share capital, available for issue under the Share Option Scheme at the date of this annual report.

(iv) The closing price of the shares of HK$0.20 each of the Company quoted on the Stock Exchange on 30 June 2003, 14 May 2004, 8 December 2004 and 6 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.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2005

30. SHARE BASED EMPLOYEE COMPENSATION – continued

Notes: – continued

(v) The weighted average closing price of the shares of HK$0.20 each of the Company quoted on the Stock Exchange immediately before the dates on which the options were exercised was HK$1.

(vi) The fair values of options granted under the relevant Share Option Scheme on 2 July 2003, 17 May 2004, 9 December 2004 and 7 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 1 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$569,000 of employee compensation expense has been included in the consolidated income statement for the year ended 31 December 2005 (2004: HK$382,000, after restatement) with a corresponding credit in equity. No liabilities were recognised as there were all equity-settled share-based payment transactions.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2005

31. RESERVES

	Group	
		(Restated)
	2005	2004
	HK$'000	HK$'000
Share premium	54,065	53,970
Employee compensation reserve	951	382
Exchange reserve	65	5
Merger reserve	(43,897)	(43,897)
Contributed surplus	34,031	45,000
Goodwill reserve	–	13,440
Capital contribution	521	–
Retained earnings/(Accumulated losses)	25,473	(25,061)
	71,209	43,839

Details of the movements in the above reserves during the year are set out in the consolidated statement of changes in equity on page 26.

	Company				
	Share premium HK$'000	Employee compensation reserve HK$'000	Contributed surplus HK$'000	Accumulated losses HK$'000	Total HK$'000
At 1 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	–	382	–	–	382
Profit for the year	–	–	–	23,812	23,812
At 31 December 2004, as restated	53,970	382	62,919	(84,139)	33,132
At 1 January 2005					
As previously reported	53,970	–	62,919	(84,139)	32,750
Effect of changes in accounting policies:					
– Initial adoption of HKFRS 2	–	382	–	–	382
At 1 January 2005, as restated	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	–	569	–	–	569
Profit for the year	–	–	–	38,590	38,590
Proposed final dividend	–	–	(10,969)	–	(10,969)
At 31 December 2005	54,065	951	51,950	(45,549)	61,417

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2005

31. RESERVES – continued

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.

(ii) an amount of HK$45,000,000 represents reduction in share capital in accordance with the Company's capital reorganisation in 2003, which involved (i) 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 (ii) 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.

(iii) an amount of HK$10,969,000 represents the proposed final dividend to be distributed subsequent to the balance sheet date and is subject to the approval by the shareholders in the forthcoming annual general meeting.

The Company's reserves available for distribution represent the contributed surplus and retained profits.

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

At 31 December 2005, the total future minimum lease payments under non-cancellable operating leases are payable by the Group as follows:

	Rented premises		Internet access line	
	2005	2004	2005	2004
	HK$'000	HK$'000	HK$'000	HK$'000
Within one year	5,419	1,128	49	84
In the second to fifth years inclusive	13,333	501	–	42
After five years	22,589	–	–	–
	41,341	1,629	49	126

The Group leases a number of properties and internet access line under operating leases. The leases run for an initial period from one to fifteen 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. None of the leases include contingent rentals.

Company

The Company does not have any significant operating lease commitments.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2005

33. OPERATING LEASE ARRANGEMENTS

Group

At 31 December 2005, the Group had future aggregate minimum lease receipts under non-cancellable operating leases as follows:

	2005 HK$'000	2004 HK$'000
Within 1 year	953	1,335
After 1 year but within 5 years	–	238
	953	1,573

The Group leases its investment properties, as set out in note 16 to the financial statements, under operating lease arrangements which run 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 require the tenants to pay security deposits.

Company

The Company does not have any minimum lease receipts under non-cancellable operating leases.

34. CAPITAL COMMITMENTS

	Group		Company	
	2005 HK$'000	2004 HK$'000	2005 HK$'000	2004 HK$'000
Capital expenditure in respect of:				
Acquisition of property, plant and equipment contracted but not provided for in the financial statements	1,884	–	–	–
Capital investments in subsidiary to be established	–	–	–	4,680

35. CORPORATE GUARANTEES

	Group		Company	
	2005 HK$'000	2004 HK$'000	2005 HK$'000	2004 HK$'000
Corporate guarantees given and utilised *	–	–	16,000	–

* At 31 December 2005, the Company has given corporate guarantees to its non wholly owned subsidiary to the extent of HK$33,060,000 (2004: Nil) in relation to payments for certain finance leases as set out in note 26 to the financial statements, HK$16,000,000 (2004: Nil) of which was utilised.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2005

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 each of the two years ended 31 December 2005 are as follows:

	2005	2004
	HK$'000	HK$'000
Gross retirement benefits scheme contributions	1,329	610
Less: Forfeited contributions for the year	(47)	(286)
Net retirement benefits scheme contributions	1,282	324

There was no significant amount of forfeited contributions available to reduce future contributions payable by the Group as at 31 December 2005 and 2004.

37. RELATED PARTY TRANSACTION

During the year, the Group entered into the following significant related party transaction:

Nature of transactions	Relationship	2005	2004
		HK$'000	HK$'000
Printing costs	Associate	(12,861)	–

All transactions were carried out at cost plus a percentage profit mark-up.

38. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

Major non-cash transaction

During the year, 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 HK$23,834,000 (2004: Nil).

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2005

39. PARTICULARS OF PRINCIPAL SUBSIDIARIES

Name of company	Place/Country of incorporation 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
1010 Group Limited	Hong Kong, limited liability company	Ordinary	HK$10,000	70	Investment holding
1010 Printing International Limited	Hong Kong, limited liability company	Ordinary	HK$1	70	Provision of printing services
廣州海螢廣告有限公司	PRC, limited liability company	N/A	HK$1,900,000 (registered capital)	100	Provision of advertising services
Easking Limited	Hong Kong, limited liability company	Ordinary	HK$1	100	Investment holding
Recruit Advertising Limited (formerly known as Hong Kong Transit Publishing Company Limited)	Hong Kong, limited liability company	Ordinary	HK$105,000	100	Provision of advertising services
Recruit (BVI) Limited	British Virgin Islands, limited liability company	Ordinary	US$10,000	100	Investment holding
Recruit (China) Holdings Limited	British Virgin Islands, limited liability company	Ordinary	US$1	95	Investment holding
Recruit Company Limited	Hong Kong, limited liability company	Ordinary	HK$213,536	100	Investment holding
Recruit Human Resources Group Limited	British Virgin Islands, limited liability company	Ordinary	US$2,564,102	95	Investment holding
Recruit Information Technology Limited	Hong Kong, limited liability company	Ordinary	HK$1,000	95	Provision of website development and information technology services
才庫企業管理顧問(上海)有限公司	PRC, limited liability company	N/A	US$2,000,000 (registered capital)	95	Investment holding
SAR Media Limited	Hong Kong, limited liability company	Ordinary	HK$10,000	100	Provision of advertising services

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2005

39. PARTICULARS OF PRINCIPAL SUBSIDIARIES – continued

Name of company	Place/Country of incorporation 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
The Recruit Publishing Company Limited	Hong Kong, limited liability company	Ordinary	HK$52,000,000	95	Publishing and advertising business and investment holding

All principal subsidiaries are indirectly held by the Company except for Recruit (BVI) Limited.

The directors are of the opinion that a complete list of the particulars of all subsidiaries would be of excessive length and therefore the above list contains only the particulars of the principal subsidiaries which materially affect the results or assets of the Group.

40. RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group is exposed to a variety of financial risks which result from both its operating and investing activities. 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 the Group's exposure to market risk, including changes in interest rates and currency exchange rates. Generally, the Group introduces conservative strategies on its risk management. The Group's exposure to market risk is kept to a minimum. The Group has not used any derivatives or other instruments for hedging purposes.

The Group's financial assets include cash and cash equivalents, trade and other receivables and deposits, financial assets at fair value through profit or loss and advances to associates. The Group's financial liabilities include trade and other payables, finance lease liabilities and loans from minority shareholders.

40.1 Credit risk

All the Group's cash and cash equivalents are deposited with major banks located in Hong Kong and the PRC.

The carrying amounts of trade receivables included in the consolidated balance sheet represent the Group's maximum exposure to credit risk in relation to its financial assets. No other financial assets carry a significant exposure to credit risk. The Group has no significant concentration of credit risk.

Other than certain finance lease contracts and non-interest bearing loans from minority shareholders, the Group has no borrowing facilities available to it.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2005

40. RISK MANAGEMENT OBJECTIVES AND POLICIES – continued

40.2 Foreign currency risk

Due to large volumes of transactions in relation to the newly formed printing business may occur in 2006, the management does closely monitor the foreign exchange exposure of the Group and will consider undertaking foreign exchange hedging activities to neutralise the impact of foreign exchange rate movements on the Group's operating result.

40.3 Interest rate risk

The Group does not have any significant exposure to interest rate risk, as the Group has sufficient surplus working capital, other than certain finance lease contracts, no interest-bearing borrowings are required.

The Group adopts centralised treasury policies in cash and financial management and focuses on reducing the Group's overall interest expense. The Group's interest rate risk is primarily related to the obligations under finance leases through the impact of floating interest rates. The terms of repayment of obligations under finance leases are set out in Note 26 to the financial statements.

40.4 Fair values

The fair values of the Group's financial assets and liabilities are not materially different from their carrying amounts because of the immediate or short term maturity of these financial instruments. The fair value of non-current liabilities was not disclosed because the carrying value is not materially different from the fair value.

FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last five financial years, as extracted from the published audited financial statements and restated upon the adoption of the new and revised HKFRS as appropriate, is set out below:

FINANCIAL RESULTS

	Financial year ended 31 December				
				(Restated)	
	2001	2002	2003	2004	2005
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Turnover	106,343	70,138	50,293	103,995	227,103
(Loss)/Profit from operations after finance costs	(55,166)	(30,149)	2,483	34,014	38,328
Allowance for advances to associates	(2,709)	(6,032)	–	–	–
Share of results of associates	(537)	–	–	–	–
(Loss)/Profit before income tax	(58,412)	(36,181)	2,483	34,014	38,328
Income tax expense	(29)	–	–	(28)	(1,060)
(Loss)/Profit for the year	(58,441)	(36,181)	2,483	33,986	37,268
Attributable to:					
Equity holder of the Company	(58,441)	(36,181)	2,483	33,986	37,094
Minority interests	–	–	–	–	174
(Loss)/Profit for the year	(58,441)	(36,181)	2,483	33,986	37,268

ASSETS AND LIABILITIES

	As at 31 December				
	2001	2002	2003	2004	2005
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Total assets	59,358	28,158	41,262	107,136	218,577
Total liabilities	(18,135)	(23,116)	(8,787)	(8,797)	(81,376)
Shareholders' funds	41,223	5,042	32,475	98,339	137,201

PARTICULARS OF PROPERTY INTERESTS

INVESTMENT PROPERTIES

Location	Term of lease/ land use right	Purpose	Gross floor area	Group's interest
Units 2601 and 2602, 26 th Floor, K. Wah Centre No. 191 Java Road, Hong Kong	Medium term	Commercial	11,915 sq.ft	100%