# Annual Report | 年報 2008

才庫媒體集團有限公司
RECRUIT HOLDINGS LIMITED

股 份 代 號:550
Stock code:550

# CONTENTS

# Corporate Information

## BOARD OF DIRECTORS

### Executive Directors
Mr. Lau Chuk Kin *(Chairman)*
Ms. Lam Mei Lan
Ms. Chow So Chu
Ms. Ho Suk Yi

### Non-Executive Directors
Mr. Lee Ching Ming, Adrian
Mr. Wan Siu Kau
Mr. Peter Stavros Patapios Christofis

### Independent Non-Executive Directors
Mrs. Ling Lee Ching Man, Eleanor
Mr. Cheng Ping Kuen, Franco
Mr. Tyen Kan Hee, Anthony

## COMPANY SECRETARY
Ms. Lam Mei Lan *CPA, FCCA*

## QUALIFIED ACCOUNTANT
Ms. Lam Mei Lan *CPA, FCCA*

## COMPLIANCE OFFICER
Mr. Lau Chuk Kin

## AUTHORISED REPRESENTATIVES
Mr. Lau Chuk Kin
Ms. Lam Mei Lan

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

## WEBSITE
www.recruitonline.com

## AUDITORS
Grant Thornton
Certified Public Accountants
13th Floor, Gloucester Tower
The Landmark
15 Queen's Road Central
Hong Kong

## 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
Rosebank Centre, 11 Bermudiana Road
Pembroke HM08
Bermuda

### Hong Kong Branch Registrar
Computershare Hong Kong Investor Services Limited
Shops 1712 - 1716, 17th 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
550

# Chairman's Statement

Dear Shareholders,

2008 was a very satisfying year for your Group when it achieved record profits and sales turnover. The inflight magazine division was the star performer with net profits accounting for over 60% of the Group's total profits.

In January 2009, the Group renewed its exclusive advertising and production agency contract with China Eastern Media Co., Limited for its flagship "Connection" inflight magazine distributed on board all China Eastern Airline flights. The new contract which is valid for eight years, is forecast to generate healthy profits to the inflight magazine division in the years to come.

Not withstanding the difficult trading environment caused by the 30% plus increase in paper price in 2008 and the additional costs brought about by the changes in PRC labour regulations, our Printing Division continued its sales momentum and registered top line growth in excess of 50%. Our gross margin, however, continued to be under pressure, in the face of fierce competition in a buyer's market. Nonetheless, Management is optimistic of the future earnings potential of this Division which has established its reputation as a reliable and quality book printer for international publishers.

In 2009, Mr. Peter Yang, founder of the region's leading book printer, joined 1010 Printing as Chairman. Peter's leadership will take 1010 Printing to the next level as a premier book printer.

The "Recruit" Division had a disappointing year when earnings declined substantially. This is caused by the increase in production and newsprint costs in the first half of 2008. The economic recession ushered in by the financial tsunami in the fourth quarter of 2008 has caused a 60% drop in the number of vacancies posted by employers in Hong Kong in the fourth quarter of 2008. Trading conditions for "Recruit" division will continue to deteriorate in the first half of 2009. Management has taken steps to introduce a series of new service products to increase our viewership share.

Looking forward, 2009 will be a difficult year for the economy of Hong Kong as a whole and our Group. Thanks to past prudent fiscal measures, Recruit has a healthy reserve of cash which will enable the Group to meet the challenges ahead.

Again, my appreciation to our staff and business partners for their support in the past year.

**Lau Chuk Kin**
*Chairman*
Hong Kong, 27 February 2009

# Management Discussion and Analysis

## FINANCIAL REVIEW

For the year ended 31 December 2008, the Group's total profit attributable to shareholders was approximately HK$75.6 million, representing a 30.6% increase as compared with HK$57.9 million reported in 2007. Turnover for the year was increased by 35% to approximately HK$592.9 million from HK$439.1 million of last year. The growth in turnover was mainly due to the 61% increase in printing business and 36% increase in inflight magazines advertising business.

The Company entered into subscription and share swap transactions during the year. The Company issued a total of 32.1 million new shares as consideration for purchasing interests held by minority shareholders in the recruitment advertising business in Hong Kong and China. Goodwill of HK$14.1 million arose during the acquisition. The transactions resulted in the Company having completed ownership over the Group's recruitment advertising business.

## BUSINESS REVIEW

### Advertising Business

a. *Inflight magazine advertising*

This Division turned in record sales turnover and net profits in the year of the Beijing Olympic Games. This is mainly achieved by the increase in advertising rates. 2009 will be a year of challenge. The post Olympic null and worldwide economic recession will negatively impact on the advertising industry in China. Management of the Divison is actively on the look out for prospects which can diversify our business and reduce our reliance on the inflight magazines.

b. *Recruitment advertising*

This Division enjoyed a good first half in 2008 even though newsprint costs increased by over 30%. However, the recruitment market took a nose dive commencing October when job vacancies decreased by over 60% against the corresponding period in 2007. For the first time since 2002, the division operated at a small loss in the fourth quarter but remained profitable for the whole year.

We continued to operate our recruitment website 1010job.com in China but the profit contribution was insignificant.

### Printing Business

The second phase of the extension of the printing factories in our Yuanzhou complex was completed on schedule. 1010 Printing now operates a 500,000 sq. ft. production and warehousing plant under one roof which increases our production efficiency. In 2008, we continued to consolidate our ties with major international book publishers and become either No. 1 or No. 2 on the list of our major customers. This will serve us well in 2009 when customers will reduce their list of suppliers in the face of decline in their print spending.

Despite the worldwide economic recession and the increasing labour costs in the Pearl River Delta, we are optimistic of our prospects as a premier book printer. We have a balanced portfolio of credit worthy book publishers which give us work throughout the year.

# Management Discussion and Analysis

## LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2008, the Group had net current assets of approximately HK$216.2 million (2007: HK$161.4 million) of which the cash and bank deposits were approximately HK$85.8 million (2007: HK$89.2 million).

The Group's gearing ratio as at 31 December 2008 was 18.8% (2007: 6.1%), which is calculated on the basis of the Group's total interest-bearing debts over the total equity interest. Total bank borrowings and finance lease liabilities were approximately HK$59.4 million (2007: HK$14.1 million). The proceeds were mainly used to finance the acquisition of machineries in printing business. The bank borrowings and finance lease are denominated in Hong Kong dollars, at floating rates and repayable within five years. The net book amount of property, plant and equipment includes net carrying amount of HK$17.3 million (2007: HK$18.9 million) in respect of assets held under finance leases.

The Group adopts centralized financing and treasury policies in order to ensure the group funding is utilized efficiently. Conservative approach is adopted on monitoring foreign exchange exposure and interest rate risk. Forward contracts were used to hedge the foreign currency exposure in trading and capital expenditures when it was considered appropriate.

# Prospects

Overall, year 2009 will be a year of survival of the fittest. Management is of the opinion that trading conditions of the three business segments in which the Group operates will further deteriorate before they improve in the fourth quarter of the year.

The structural changes in the employment market in Hong Kong will finally take its toll on the number of job vacancies. The first two months of the New Year has seen a further contraction of the employment market. Uptake in jobs for the financial and services markets, traditionally the main drivers of the economy of Hong Kong, are unlikely to improve in the near future. This will have an impact on the performance of the Recruitment Advertising Division.

China among the few countries in the word is expected to have growth in GDP in 2009. Despite the fall off in advertising in the mainland due to the post Olympic Game "null" and the worldwide economic downturn, management is optimistic of the prospects of our Inflight Magazine Advertising Division.

2009 will be a year of consolidation for the printing industry in China when a number of medium to small printers will go out of business due to lack of orders and insufficient cash flow. Buyers are concerned about the financial health of their suppliers and their ability to deliver goods in the peak summer months. We are witnessing a significant inflow of business from buyers for this reason. Our financial strength will make 1010 Printing a beneficiary of this change.

# Directors and Senior Management Profile

## EXECUTIVE DIRECTORS

**Mr. Lau Chuk Kin**, aged 56, 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 United States and a Master of Business Administration Degree from The Chinese University of Hong Kong.

**Ms. Lam Mei Lan**, aged 42, was appointed as an Executive Director in October 2002. She is also the Qualified Accountant and the Company Secretary of the Group. Ms. Lam had resigned her executive role and served as non-Executive Director of the Group in July 2003 and was redesignated from non-executive director to executive director on 19 May 2008. Ms. Lam holds a Doctor of Business Administration Degree from The Hong Kong Polytechnic University. She is a fellow member of the Hong Kong Institute of Certified Public Accountants. Ms. Lam has over 20 years of experience in finance and has held senior financial positions in various main board listed companies and a non-profit charitable organization in Hong Kong.

**Ms. Chow So Chu,** aged 36, was appointed as an Executive Director of the Company in February 2008. She is also the General Manager of the inflight magazine advertising division of the Group. Ms. Chow holds a Bachelor Degree in Language and Communication from The Hong Kong Polytechnic University and has over 12 years of experience in sales and marketing. She joined the Group in March 2004.

**Ms. Ho Suk Yi**, aged 41, was appointed as an Executive Director of the Company in June 2004. She is responsible for the general management 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 57, 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 executive director and chief executive officer of Eagle Asset Management (CP) Limited and has more than 35 years of experience in banking, finance, investment, marketing and general management.

**Mr. Wan Siu Kau**, aged 57, joined the Group in January 2003 as a Non-Executive Director. Mr. Wan has over 20 years of experience in the executive search industry and holds a Master of Business Administration Degree from The Chinese University of Hong Kong. He was previously Managing Partner of Amrop Hever, a global executive search firm and is currently 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 64, was appointed as a Non-Executive Director in March 2000. Mr. Christofis is a consultant – International Transport Media to JCDecaux SA. Prior to taking on this role, he was the Managing Director of JCDecaux Pearl & Dean – Hong Kong from where he retired in 2003. Mr. Christofis has over 36 years of advertising sales and general management experience gained in Europe, Africa and South East Asia.

# Directors and Senior Management Profile

## INDEPENDENT NON-EXECUTIVE DIRECTORS

**Mrs. Ling Lee Ching Man, Eleanor**, SBS, OBE, JP, aged 61, 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. Mrs. Ling is also an Executive Committee Member of the Employers' Federation of Hong Kong and a Vice Patron of the Community Chest.

**Mr. Cheng Ping Kuen, Franco**, aged 55, was appointed as an Independent Non-Executive Director in January 2003. Mr. Cheng has over 29 years of experience in the management of private banking and investment businesses both in Hong Kong and Canada. Mr. Cheng holds a Master's Degree in Business Administration from The Chinese University of Hong Kong and is now the Managing Director of Pictet (Asia) Limited.

**Mr. Tyen Kan Hee, Anthony**, aged 53, was appointed as an Independent Non-Executive Director of the Company in September 2004. Mr. Tyen holds a Doctoral Degree in Philosophy and a Master's Degree in Business Administration, both from The Chinese University of Hong Kong. He is an associate member of the Hong Kong Institute of Certified Public Accountants, a fellow member of both the Association of Chartered Certified Accountants and the Institute of Chartered Secretaries and Administrators. He is currently a practising certified public accountant in Hong Kong and has over 30 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 Main Board of The Stock Exchange of Hong Kong.

## SENIOR MANAGEMENT

**Mr. Yang Sze Chen, Peter**, aged 70, joined the Group in February 2009. Mr. Yang is the Chairman of 1010 Group Limited, the printing division of the Group. He graduated from the London School of Printing and Graphic Art (currently known as London Printing College) in 1956. Mr. Yang has over 45 yeas of experience in the printing industry. He is the founder of a premier book printing company in Hong Kong.

**Ms. Choi Ching Kam, Dora**, aged 44, is the Human Resources Manager of the Group, Ms. Choi has over 20 years experience in mainstream publishing and held senior positions in a number of leading newspapers and magazines in Hong Kong. She joined the Group as Editor in July 2002, was promoted to Managing Editor in November 2002 and became the Chief Editor of the Group in 2005. In May 2007, she was reassigned as the Human Resources Manager of the Group. Ms. Choi holds a Diploma in Chinese Language and Literature from Hong Kong Shue Yan College, the predecessor of Hong Kong Shue Yan University.

**Ms. Fung So Mui, Fion**, aged 46, is the Director and General Manager of our recruitment advertising division. She joined the Group in January 2008. Ms. Fung holds a Bachelor Degree in Business Administration from the University of Wisconsin, Madison in the United States and a Master Degree in Human Resources Management from the University of Sydney in Australia. Prior to joining the Group, Ms. Fung was a director of business development in City Telecom (H.K.) Limited for 13 years. Before that, Ms. Fung worked in a leading executive search consultancy in Hong Kong for 3 years.

**Mr. Tsoi Chit Shun, Roger**, aged 48, 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 17 years of experience in factory management. Mr. Tsoi holds a Degree in Science from The University of Hong Kong. Prior to joining the Group, he was the General Manager of an ink plant in Mainland China.

# Directors' Report

The Directors present their annual report and the audited financial statements of the Company and the Group for the year ended 31 December 2008.

## 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 41 and 19 respectively to the financial statements.

## RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 December 2008 are set out in the consolidated income statement on page 22.

The directors have declared an interim dividend of HK$0.03 (2007: HK$0.02) per share, totaling HK$9,295,000 which was paid on 11 September 2008.

The Directors recommended a final dividend of HK$0.05 (2007: HK$0.05) per share (the "Final Dividend") for the year ended 31 December 2008 payable to shareholders whose names appear on the Register of Members of the Company at the close of business on 20 April 2009. Subject to the passing of the relevant resolution at the forthcoming annual general meeting, the Final Dividend will be payable on 30 April 2009.

## 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 pages 26 to 27 and Note 33 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 82 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 16 to the financial statements.

## SHARE CAPITAL

Details of movements during the year in the share capital of the Company are set out in Note 31 to the financial statements.

# Directors' Report

## DIRECTORS

The Directors of the Company during the year were:

### Executive Directors

Mr. Lau Chuk Kin
Ms. Lam Mei Lan (redesignated from non-executive director on 19 May 2008)
Ms. Chow So Chu (appointed on 1 February 2008)
Ms. Ho Suk Yi

### Non-Executive Directors

Mr. Lee Ching Ming, Adrian
Mr. Peter Stavros Patapios Christofis
Mr. Wan Siu Kau

### Independent Non-Executive Directors

Mrs. Ling Lee 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, Mrs. Ling Lee Ching Man, Eleanor and Mr. Cheng Ping Kuen, Franco will retire at the forthcoming annual general meeting and, being eligible, will offer themselves for re-election.

## DIRECTORS' SERVICES CONTRACT

Each of the non-executive directors has entered into a service contract with the Company for a term of two years commenced on 1 January 2008 and is subject to termination by either party giving not less than one month's prior written notice to the other.

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' INTEREST 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 31 December 2008, 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 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 of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Companies (the "Model Code") 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) | 1,590,000 | Nil | 179,860,000 | 181,450,000 | 58.56 |
| Ms. Chow So Chu | 48,000 | Nil | Nil | 48,000 | 0.02 |
| Ms. Ho Suk Yi | 198,000 | Nil | Nil | 198,000 | 0.06 |
| 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 | 0.22 |
| Mr. Cheng Ping Kuen, Franco | 120,000 | Nil | Nil | 120,000 | 0.04 |

### (b) Options to subscribe for shares of the Company

| | Number of share options | | | | |
|---|---|---|---|---|---|
| Name of Director | Outstanding at 1.1.2008 | Granted during the year | Exercised during the year | Cancelled/ lapsed during the year | Outstanding at 31.12.2008 |
| Ms. Lam Mei Lan | – | 1,200,000 | – | – | 1,200,000 |
| Ms. Chow So Chu | – | 1,200,000 | – | – | 1,200,000 |

Notes:

1. Of 179,860,000 shares, 1,906,000 shares and 177,954,000 shares are beneficially owned by ER2 Holdings Limited ("ER2") and City Apex Limited respectively. As at 31 December 2008, 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

Saved as disclosed above, as at 31 December 2008, to the knowledge of the Company, none of the directors or chief executive of the Company had or was deemed to have any interests of 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 Model Code for Securities Transactions by Directors of Listed Companies.

## SHARE OPTIONS

Details of the movements in the share options of the Company during the year are set out in Note 32 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.

## SUBSTANTIAL SHAREHOLDERS

As at 31 December 2008, the following persons, other than a director or chief executive of the Company, 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) | 181,450,000 | 58.56 |
| ER2 Holdings Limited (Note 1) | 179,860,000 | 58.05 |
| City Apex Limited (Note 1) | 177,954,000 | 57.43 |
| JobStreet Corporation Berhad | 26,250,000 | 8.47 |
| Tai Wah Investment Company Limited (Note 2) | 22,000,000 | 7.10 |
| Chan Family Investment Corporation Limited (Note 2) | 24,115,333 | 7.78 |
| Great Eagle Holdings Limited (Note 3) | 21,638,000 | 6.98 |
| Jolly Trend Limited (Note 3) | 21,638,000 | 6.98 |
| The Great Eagle Company, Limited (Note 3) | 21,638,000 | 6.98 |
| Dr. Lo Ka Shui (Note 4) | 21,788,000 | 7.03 |

Notes:

1. Of the 181,450,000 shares, Mr. Lau Chuk Kin has 1,590,000 personal interest and is deemed to be interested in the 1,906,000 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, 1,117,333 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.

# Directors' Report

3. Each of Great Eagle Holdings Limited and Jolly Trend Limited is deemed to be interested in the 21,638,000 shares owned by The Great Eagle Company, Limited.

4. Of these shares, 21,638,000 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.

Save as disclosed above, as at 31 December 2008, 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.

## MAJOR SUPPLIERS AND CUSTOMERS

The top five suppliers in aggregate and the single largest supplier of the Group accounted for approximately 45% and 19% for the Group's total purchases for the year ended 31 December 2008 respectively.

The top five customers in aggregate and the single largest customer of the Group accounted for approximately 30% and 13% for the Group's total sales for the year ended 31 December 2008 respectively.

At no time during the year did a director, an associate of a director, within the meaning of the 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.

## PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the Company's bye-laws and there was no restriction against such rights under the laws of Bermuda, which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

## PURCHASE, SALE OR REDEMPTION OF SHARES

During the year ended 31 December 2008, 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 of the 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 ("IRG") | Executive search in the United Kingdom | As a director of the IRG's subsidiary in Hong Kong and shareholder with an interest in IRG of less than 1% |

# Directors' Report

Note: Mr. Lau Chuk Kin is a shareholder of IRG. He ceased to be a director of IRG in April 2008 and was appointed as director of Odgers Ray & Berndtson (Hong Kong) Limited, a subsidiary of IRG, in August 2008. IRG is a subsidiary of OPD Group, a company providing human resources/recruitment consulting services with a focus on senior executive and board level appointments and is listed on the London Stock Exchange, while the Group provides staff selection service which forms only a minimal part of the Group's turnover as an ancillary service for promoting its recruitment website in Shanghai. IRG is managed by OPD Group, a separate publicly listed company with independent management in the United Kingdom. Having considered the (i) nature, scope and size of the IRG businesses; and (ii) the nature and extent of Mr. Lau's interest in IRG, the directors of the Company believe that there is a clear delineation and no competition between the businesses of the Group and IRG.

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

## SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of its directors, the directors confirm that the Company has maintained throughout the year ended 31 December 2008, the amount of public float as required under the Listing Rules.

## APPOINTMENT OF INDEPENDENT NON-EXECUTIVE DIRECTOR

The Company has received, from each of the independent non-executive directors, an annual confirmation of his independence pursuant to Rule 3.13 of the Rules Governing the Listing Securities on the Stock Exchange of Hong Kong Limited. The Company considers all of the independent non-executive directors are independent.

## CONNECTED TRANSACTION

During the year, the Group has entered into certain related party transactions as disclosed in Note 39 to the consolidated financial statements. Such transactions do not fall under the definition of "connected transaction" or "continuing connected transaction" in Chapter 14A of the Listing Rules.

## CORPORATE GOVERNANCE

A report on the principle corporate governance practices adopted by the Company is set out on pages 16 to 19 of the annual report.

## AUDIT COMMITTEE

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

During the year, the audit committee met from times to times to review the Company's draft annual report and accounts, interim report, quarterly management accounts 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.

# Directors' Report

## EMPLOYEES AND EMOLUMENT POLICY

As at 31 December 2008, the Group had around 128 employees (2007: 116). 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.

## AUDITORS

A resolution will be proposed at the forthcoming annual general meeting to appoint Messrs. Grant Thornton as auditors of the Company.

On behalf of the Board

**Lau Chuk Kin**
*Chairman*
Hong Kong, 27 February 2009

# Corporate Governance Report

The Group has adopted practices which meet the Code on Corporate Governance Practices (the "Code") as set out in Appendix 14 to the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). This report describes the Group's corporate governance practices, explains the applications of the principles of the Code and deviations, if any.

## DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules as its own code of conduct regarding directors' securities transactions. 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 Model Code regarding securities transactions by the directors throughout the year ended 31 December 2008.

## BOARD OF DIRECTORS

The Board comprises ten directors, of whom four are executive directors, three 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 Listing Rules.

The Board members for the year ended 31 December 2008 were:

### Chairman

Mr. Lau Chuk Kin

### Executive directors

Mr. Lau Chuk Kin
Ms. Lam Mei Lan (redesignated from non-executive director on 19 May 2008)
Ms. Chow So Chu (appointed on 1 February 2008)
Ms. Ho Suk Yi

### Non-executive directors

Mr. Lee Ching Ming, Adrian
Mr. Wan Siu Kau
Mr. Peter Stavros Patapios Christofis

### Independent non-executive directors

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

# Corporate Governance Report

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 5 board meetings in 2008. Details of the attendance of the Board are as follows:

| **Directors** | **Attended/Held** |
|---|---|
| Mr. Lau Chuk Kin | 5/5 |
| Ms. Lam Mei Lan | 5/5 |
| Ms. Chow So Chu | 4/5 |
| Ms. Ho Suk Yi | 3/5 |
| Mr. Lee Ching Ming, Adrian | 4/5 |
| Mr. Wan Siu Kau | 5/5 |
| Mr. Peter Stavros Patapios Christofis | 0/5 |
| Mrs. Ling Lee Ching Man, Eleanor | 4/5 |
| Mr. Cheng Ping Kuen, Franco | 5/5 |
| Mr. Tyen Kan Hee, Anthony | 5/5 |

## ACCOUNTABILITY AND AUDIT

The Directors were responsible for overseeing the preparation of the financial statements for the year ended 31 December 2008.

The Directors' responsibilities in the preparation of the financial statements and the auditors' responsibility are set out in the Independent Auditors' Report.

## INTERNAL CONTROLS

The Board has overall responsibility for the system of internal controls of the Group and for reviewing its effectiveness. The Board is committed to implementing an effective and sound internal controls system to safeguard the interest of the shareholders and the Group's assets.

## CHAIRMAN AND THE CHIEF EXECUTIVE OFFICER

Mr. Lau Chuk Kin assumes the roles 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.

# Corporate Governance Report

The role of chairman and chief executive officer of the Group rests on the same individual which deviates from the provision in the 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 six are independent;

– Audit Committee composed exclusively of independent non-executive directors; and

– The independent directors have free and direct access to the Company's external auditors and independent professional advice when considered necessary.

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 Lee 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; and

– 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, the Remuneration Committee, with participation of all committee members, reviewed the remuneration policy and structure and determined the annual remuneration packages of the executive directors and the senior executives and other related matters.

# Corporate Governance Report

## 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.

During the year, there was one director nominated by the Board.

## AUDITORS' REMUNERATION

The fees in relation to the audit service provided by Grant Thornton, the external auditors of the Company, for the year ended 31 December 2008 amounted to HK$780,000 (2007: HK$750,000). There was no other significant non-audit service assignment undertaken by the auditors during the year.

## 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 Lee 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 three meetings in 2008. Details of the attendance record of the committee meetings are as follows:

| Committee members | Attended/Held |
|---|---|
| Mrs. Ling Lee Ching Man, Eleanor | 2/3 |
| Mr. Cheng Ping Kuen, Franco | 3/3 |
| Mr. Tyen Kan Hee, Anthony | 3/3 |

The Group's 2008 interim report and 2007 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 2007 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 Listing Rules.

# Independent Auditors' Report

Grant Thornton
均富

Member of Grant Thornton International Ltd

**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 consolidated financial statements of Recruit Holdings Limited (the "Company") and its subsidiaries (collectively known as the "Group") set out on pages 22 to 81, which comprise the consolidated and company balance sheets as at 31 December 2008, and the consolidated income statement, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

## Directors' responsibility for the financial statements

The directors of the Company are responsible for the preparation and the true and fair presentation of these financial statements in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

## Auditors' responsibility

Our responsibility is to express an opinion on these financial statements based on our audit 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.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and true and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

# Independent Auditors' Report

Grant Thornton
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## Opinion

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2008 and of the Group's profit and its cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

**Grant Thornton**
*Certified Public Accountants*
13th Floor, Gloucester Tower
The Landmark
15 Queen's Road Central
Hong Kong

27 February 2009

# Consolidated Income Statement

*For the year ended 31 December 2008*

| | Notes | 2008 HK$'000 | 2007 HK$'000 |
|---|---|---|---|
| **Revenue and turnover** | 5 | **592,882** | 439,075 |
| Direct operating costs | | **(405,668)** | (285,686) |
| **Gross profit** | | **187,214** | 153,389 |
| Other operating income | 7 | **19,624** | 27,291 |
| Selling and distribution costs | | **(82,303)** | (65,575) |
| Administrative expenses | | **(37,473)** | (40,382) |
| Other operating expenses | | **(3,078)** | (1,503) |
| **Operating profit** | | **83,984** | 73,220 |
| Finance costs | 8 | **(1,367)** | (1,260) |
| **Profit before income tax** | 9 | **82,617** | 71,960 |
| Income tax expense | 12 | **(2,274)** | (4,918) |
| **Profit for the year** | | **80,343** | 67,042 |
| **Attributable to:** | | | |
| Equity holders of the Company | 13 | **75,648** | 57,904 |
| Minority interests | | **4,695** | 9,138 |
| **Profit for the year** | | **80,343** | 67,042 |
| **Dividends** | 14 | **24,787** | 19,440 |
| **Earnings per share for profit attributable to the equity holders of the Company during the year** | 15 | | |
| Basic | | **HK25.28 cents** | HK20.96 cents |
| Diluted | | **N/A** | HK20.88 cents |

# Consolidated Balance Sheet

*As at 31 December 2008*

| | Notes | 2008 HK$'000 | 2007 HK$'000 |
|---|---|---|---|
| **ASSETS AND LIABILITIES** | | | |
| **Non-current assets** | | | |
| Property, plant and equipment | 16 | **137,086** | 81,156 |
| Prepaid land lease payments | 17 | **–** | 1,013 |
| Interests in associates | 19 | **–** | – |
| Goodwill | 20 | **14,119** | – |
| | | **151,205** | 82,169 |
| **Current assets** | | | |
| Inventories | 23 | **51,304** | 32,100 |
| Trade and other receivables and deposits | 24 | **164,258** | 122,598 |
| Financial assets at fair value through profit or loss | 25 | **996** | 1,808 |
| Advances to associates | 19 | **–** | 96 |
| Taxes recoverable | | **2,984** | 1,817 |
| Cash and cash equivalents | 26 | **85,769** | 89,199 |
| | | **305,311** | 247,618 |
| **Current liabilities** | | | |
| Trade and other payables | 27 | **78,375** | 76,552 |
| Bank borrowings | 28 | **5,172** | – |
| Finance lease liabilities | 29 | **4,365** | 4,103 |
| Provision for taxation | | **1,174** | 5,602 |
| | | **89,086** | 86,257 |
| **Net current assets** | | **216,225** | 161,361 |
| **Total assets less current liabilities** | | **367,430** | 243,530 |
| **Non-current liabilities** | | | |
| Bank borrowings | 28 | **44,328** | – |
| Finance lease liabilities | 29 | **5,513** | 10,017 |
| Deferred tax liabilities | 30 | **2,470** | 1,612 |
| | | **52,311** | 11,629 |
| **Net assets** | | **315,119** | 231,901 |

# Consolidated Balance Sheet

*As at 31 December 2008*

| | Notes | **2008** **HK$'000** | 2007 HK$'000 |
|---|---|---|---|
| **EQUITY** | | | |
| **Equity attributable to the equity holders of the Company** | | | |
| Share capital | 31 | **61,969** | 55,543 |
| Reserves | 33 | **219,361** | 139,970 |
| Proposed final dividend | 14 | **15,492** | 13,886 |
| | | **296,822** | 209,399 |
| **Minority interests** | | **18,297** | 22,502 |
| **Total equity** | | **315,119** | 231,901 |

*Director* *Director*

# Balance Sheet

*As at 31 December 2008*

| | Notes | 2008 HK$'000 | 2007 HK$'000 |
|---|---|---|---|
| **ASSETS AND LIABILITIES** | | | |
| **Non-current assets** | | | |
| Investments in subsidiaries | 18 | **62,030** | 62,030 |
| Interest in an associate | 19 | **–** | – |
| | | **62,030** | 62,030 |
| **Current assets** | | | |
| Amounts due from subsidiaries | 21 | **262,255** | 158,974 |
| Advances to an associate | 19 | **–** | 70 |
| Other receivables | | **367** | 377 |
| Cash and cash equivalents | 26 | **24,148** | 24,455 |
| | | **286,770** | 183,876 |
| **Current liabilities** | | | |
| Other payables | | **193** | 87 |
| Amounts due to subsidiaries | 22 | **132,565** | 63,810 |
| Provision for taxation | | **762** | – |
| | | **133,520** | 63,897 |
| **Net current assets** | | **153,250** | 119,979 |
| **Net assets** | | **215,280** | 182,009 |
| **EQUITY** | | | |
| Share capital | 31 | **61,969** | 55,543 |
| Reserves | 33 | **137,819** | 112,580 |
| Proposed final dividend | 14 | **15,492** | 13,886 |
| **Total equity** | | **215,280** | 182,009 |

*Director* *Director*

# Consolidated Statement of Changes in Equity

*For the year ended 31 December 2008*

| | Equity attributable to the equity holders of the Company | | | | | | | | | Minority interests | Total |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | Share capital | Share premium | Employee compensation reserve | Exchange reserve | Merger reserve | Contributed surplus | Proposed final dividend | Retained earnings | Total | | |
| | HK$'000 | HK$'000 | HK$'000 | HK$'000 | HK$'000 | HK$'000 | HK$'000 | HK$'000 | HK$'000 | HK$'000 | HK$'000 |
| At 1 January 2007 | 54,960 | 54,097 | 1,283 | 45 | (43,897) | 7,925 | 20,610 | 80,575 | 175,598 | 12,009 | 187,607 |
| Currency translation | – | – | – | (407) | – | – | – | – | (407) | (25) | (432) |
| **Net results recognised directly in equity** | **–** | **–** | **–** | **(407)** | **–** | **–** | **–** | **–** | **(407)** | **(25)** | **(432)** |
| Profit for the year | – | – | – | – | – | – | – | 57,904 | 57,904 | 9,138 | 67,042 |
| **Total recognised income and expense for the year** | **–** | **–** | **–** | **(407)** | **–** | **–** | **–** | **57,904** | **57,497** | **9,113** | **66,610** |
| Share issued on exercise of share options | 583 | 2,056 | (1,212) | – | – | – | – | – | 1,427 | – | 1,427 |
| Share issue expenses | – | (9) | – | – | – | – | – | – | (9) | – | (9) |
| Share options forfeited | – | – | (71) | – | – | – | – | 71 | – | – | – |
| Final 2006 dividend paid | – | – | – | – | – | – | (20,610) | – | (20,610) | – | (20,610) |
| Interim 2007 dividend paid (Note 14) | – | – | – | – | – | (5,554) | – | – | (5,554) | – | (5,554) |
| Proposed final 2007 dividend (Note 14) | – | – | – | – | – | – | 13,886 | (13,886) | – | – | – |
| Disposals of partial interests in a subsidiary | – | – | – | – | – | – | – | – | – | 2,966 | 2,966 |
| Dividend paid to minority shareholders | – | – | – | – | – | – | – | – | – | (536) | (536) |
| Transfer of dividend entitlement from minority shareholders | – | – | – | – | – | – | – | 1,050 | 1,050 | (1,050) | – |
| **At 31 December 2007** | **55,543** | **56,144** | **–** | **(362)** | **(43,897)** | **2,371** | **13,886** | **125,714** | **209,399** | **22,502** | **231,901** |

# Consolidated Statement of Changes in Equity

*For the year ended 31 December 2008*

| | Equity attributable to the equity holders of the Company | | | | | | | | | Minority interests | Total |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | Share capital | Share premium | Employee compensation reserve | Exchange reserve | Merger reserve | Contributed surplus | Proposed final dividend | Retained earnings | Total | | |
| | HK$'000 | HK$'000 | HK$'000 | HK$'000 | HK$'000 | HK$'000 | HK$'000 | HK$'000 | HK$'000 | HK$'000 | HK$'000 |
| At 1 January 2008 | 55,543 | 56,144 | – | (362) | (43,897) | 2,371 | 13,886 | 125,714 | 209,399 | 22,502 | 231,901 |
| Currency translation | – | – | – | (239) | – | – | – | – | (239) | (205) | (444) |
| **Net results recognised directly in equity** | **–** | **–** | **–** | **(239)** | **–** | **–** | **–** | **–** | **(239)** | **(205)** | **(444)** |
| Profit for the year | – | – | – | – | – | – | – | 75,648 | 75,648 | 4,695 | 80,343 |
| **Total recognised income and expense for the year** | **–** | **–** | **–** | **(239)** | **–** | **–** | **–** | **75,648** | **75,409** | **4,490** | **79,899** |
| Share issued at premium | 6,426 | 28,388 | – | – | – | – | – | – | 34,814 | – | 34,814 |
| Share issue expenses | – | (244) | – | – | – | – | – | – | (244) | – | (244) |
| Equity-settled share-based payment expense (Note 11) | – | – | 625 | – | – | – | – | – | 625 | – | 625 |
| Final 2007 dividend paid (Note 14) | – | – | – | – | – | – | (13,886) | – | (13,886) | – | (13,886) |
| Interim 2008 dividend paid (Note 14) | – | – | – | – | – | – | – | (9,295) | (9,295) | – | (9,295) |
| Proposed final 2008 dividend (Note 14) | – | – | – | – | – | – | 15,492 | (15,492) | – | – | – |
| Dividend paid to minority shareholders | – | – | – | – | – | – | – | – | – | (1,170) | (1,170) |
| Acquisition of minority interests of subsidiaries | – | – | – | – | – | – | – | – | – | (7,525) | (7,525) |
| **At 31 December 2008** | **61,969** | **84,288** | **625** | **(601)** | **(43,897)** | **2,371** | **15,492** | **176,575** | **296,822** | **18,297** | **315,119** |

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 2008*

| | Notes | 2008 HK$'000 | 2007 HK$'000 |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Profit before income tax | | **82,617** | 71,960 |
| Adjustments for: | | | |
| Amortisation of prepaid land lease payments | | **16** | 21 |
| Depreciation | | **14,529** | 13,800 |
| Dividend income from equity investments | | **–** | (83) |
| Equity-settled share-based payment expenses | | **625** | – |
| Loss on financial assets at fair value through profit or loss | | **114** | 839 |
| Gain on partial disposals of investments in subsidiaries | | **–** | (9,455) |
| Loss on disposals of a subsidiary | | **–** | 811 |
| Impairment of receivables | | **3,078** | 1,503 |
| Write back of impairment of advances to associates | | **–** | (3,492) |
| Impairment of advances to associate | | **70** | 243 |
| Impairment of goodwill in associate | | **–** | 1,411 |
| Provision for inventories (written back)/made | | **(463)** | 1,544 |
| Interest expenses | | **1,367** | 1,260 |
| Interest income | | **(1,180)** | (1,823) |
| (Gain)/Loss on disposals and write-off of leasehold land, property, plant and equipment | | **(832)** | 10 |
| Operating profit before working capital changes | | **99,941** | 78,549 |
| Increase in inventories | | **(18,741)** | (18,189) |
| Increase in trade and other receivables and deposits | | **(45,142)** | (49,352) |
| Increase in trade and other payables | | **3,692** | 31,392 |
| Cash generated from operations | | **39,750** | 42,400 |
| Income taxes paid | | **(7,011)** | (4,366) |
| Net cash from operating activities | | **32,739** | 38,034 |

# Consolidated Cash Flow Statement

*For the year ended 31 December 2008*

| | Notes | 2008 HK$'000 | 2007 HK$'000 |
|---|---|---|---|
| **Cash flows from investing activities** | | | |
| Dividend income received | | – | 83 |
| Interest received | | 1,180 | 1,823 |
| Net repayments of advances to associates | | 26 | 22,131 |
| Proceeds on disposals of financial assets at fair value through profit or loss | | 1,521 | 58,723 |
| Purchases of financial assets at fair value through profit or loss | | (711) | (49,918) |
| Proceeds on disposals of leasehold land, property, plant and equipment | | 4,140 | 365 |
| Purchases of property, plant and equipment | | (72,922) | (20,604) |
| Proceeds on partial disposals of investments in subsidiaries | | – | 7,500 |
| Proceeds from sale of subsidiary, net of cash disposed | 38(b) | – | (610) |
| Net cash (used in)/generated from investing activities | | (66,766) | 19,493 |
| **Cash flows from financing activities** | | | |
| Capital element of finance lease liabilities paid | | (4,242) | (3,741) |
| Capital injection by minority shareholders | | – | 7,629 |
| Interest element of finance lease payments | | (526) | (1,041) |
| Proceeds of bank borrowings | | 51,700 | – |
| Repayments of bank borrowings | | (2,200) | – |
| Interest on bank borrowing paid | | (790) | – |
| Proceeds from shares issued | 38(a) | 11,250 | – |
| Proceeds from shares issued on exercise of share options | | – | 1,427 |
| Share issue expenses paid | | (244) | (9) |
| Dividends paid | | (24,351) | (27,750) |
| Net cash generated from/(used in) financing activities | | 30,597 | (23,485) |
| **Net (decrease)/increase in cash and cash equivalents** | | (3,430) | 34,042 |
| **Cash and cash equivalents at 1 January** | | 89,199 | 55,157 |
| **Cash and cash equivalents at 31 December** | | 85,769 | 89,199 |

# Notes to the Financial Statements

*For the year ended 31 December 2008*

## 1. GENERAL INFORMATION

The Company was incorporated in the Cayman Islands as an exempted company on 13 March 2000 and redomiciled to Bermuda by way of de-registration in the Cayman Islands and continuation as an exempted company under the laws of Bermuda, with limited liability on 29 January 2003. The address of the Company's registered office is Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda and its principal place of business is 26/F, 625 King's Road, North Point, Hong Kong. The Company's shares are listed on The Stock Exchange of Hong Kong Limited.

The Company acts as an investment holding company and provides corporate management services. Details of the activities of its principal subsidiaries are set out in Note 41 to the financial statements. The Company and its subsidiaries are collectively referred to as the "Group" hereafter.

The financial statements on pages 22 to 81 have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). The financial statements also include the applicable disclosure requirements of the Hong Kong Companies Ordinance and the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "Listing Rules").

The financial statements for the year ended 31 December 2008 were approved for issue by the board of directors on 27 February 2009.

## 2. ADOPTION OF NEW OR AMENDED HKFRSs

In the current year, the Group has applied for the first time all new and amended HKFRSs issued by the HKICPA, which are relevant to and effective for the Group's financial statements for the annual period beginning on 1 January 2008. The new HKFRSs had no material impact on how the results and financial position for the current and prior periods have been prepared and presented. Accordingly, no prior period adjustment is required.

At the date of authorisation of these financial statements, the following new and amended HKFRSs have been published but are not yet effective, and have not been adopted early by the Group.

| | |
|---|---|
| HKAS 1 (Revised) | Presentation of Financial Statements[1] |
| HKAS 23 (Revised) | Borrowing Costs[1] |
| HKAS 27 (Revised) | Consolidated and Separate Financial Statements[2] |
| HKAS 28 | Investments in Associates – Consequential Amendments Arising From Amendments to HKFRS 3[2] |
| HKAS 31 | Interests in Joint Ventures – Consequential Amendments Arising From Amendments to HKFRS 3[2] |
| HKAS 32, HKAS 39 & HKFRS 7 (Amendment) | Puttable Financial Instruments and Obligations Arising on Liquidation[1] |
| HKAS 39 (Amendment) | Eligible Hedged Items[2] |
| HKFRS 1 and HKAS 27 (Amendment) | Cost of an Investment in a Subsidiary, Jointly Controlled Entity or an Associate[1] |
| HKFRS 2 (Amendment) | Share-based Payment – Vesting Conditions and Cancellations[1] |
| HKFRS 3 (Revised) | Business Combinations[2] |
| HKFRS 8 | Operating Segments[1] |
| HK(IFRIC) – Int 13 | Customer Loyalty Programmes[3] |
| HK(IFRIC) – Int 15 | Agreements for the Construction of Real Estate[1] |
| HK(IFRIC) – Int 16 | Hedges of a Net Investment in a Foreign Operation[4] |
| HK(IFRIC) – Int 17 | Distributions of Non-cash Assets to Owners[2] |
| Various | Annual Improvements to HKFRS 2008[5] |

# Notes to the Financial Statements

*For the year ended 31 December 2008*

## 2. ADOPTION OF NEW OR AMENDED HKFRSs (CONTINUED)

[1] Effective for annual periods beginning on or after 1 January 2009

[2] Effective for annual periods beginning on or after 1 July 2009

[3] Effective for annual periods beginning on or after 1 July 2008

[4] Effective for annual periods beginning on or after 1 October 2008

[5] Generally effective for annual periods beginning on or after 1 January 2009 unless otherwise stated in the specific HKFRS

The directors anticipate that all of the pronouncements will be adopted in the Group's accounting policy for the first period beginning after the effective date of the pronouncement.

Among these new or amended HKFRSs, HKAS 1 (Revised) Presentation of Financial Statements is expected to materially change the presentation of the Group's financial statements. The amendment affects the presentation of owner changes in equity and introduces a statement of comprehensive income. The Group will have the option of presenting items of income and expenses and components of other comprehensive income either in a single statement of comprehensive income with subtotals, or in two separate statements (a separate income statement followed by a statement of other comprehensive income). This amendment does not affect the financial position or results of the Group but will give rise to additional disclosures.

In addition, HKFRS 8 Operating Segments may result in new or amended disclosures. The directors are in the process of identifying reportable operating segments as defined in HKFRS 8.

The directors are currently assessing the impact of other new and amended HKFRSs upon initial application. So far, the directors have preliminarily concluded that the initial application of these HKFRSs is unlikely to have a significant impact on the Group's result and financial position.

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### 3.1 Basis of preparation

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

The financial statements have been prepared on the historical cost convention except for financial assets at fair value through profit or loss, which are stated at fair values. 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 and judgement of current events and actions, actual results may ultimately differ from those estimates. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in Note 4.

### 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.

# Notes to the Financial Statements

*For the year ended 31 December 2008*

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 3.3 Subsidiaries

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

Business combinations (other than combining entities under common control) are accounted for by applying the purchase method. This involves the estimation of fair value of all identifiable assets and liabilities, including contingent liabilities of the subsidiary, at the acquisition date, regardless of whether or not they were recorded in the financial statements of the subsidiary prior to acquisition. On initial recognition, the assets and liabilities of the subsidiary are included in the consolidated balance sheet at their fair values, which are also used as the bases for subsequent measurement in accordance with the Group's accounting policies.

Intra-group transactions, balances and unrealised gains on transactions between group companies are eliminated in preparing the consolidated financial statements. 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.

Minority interest represents the portion of the profit or loss and net assets of a subsidiary attributable to equity interests that are not owned by the Group and are not the Group's financial liabilities.

Minority interests are presented in the consolidated balance sheet within equity, separately from the equity attributable to the equity holders of the Company. Profit or loss attributable to the minority interests are presented separately in the consolidated income statement as an allocation of the Group's results.

### 3.4 Associates

Associates are those entities over which the Group is able to exert significant influence, generally accompanying a shareholding of between 20% and 50% of voting rights but which are neither subsidiaries nor investment in a joint venture. In consolidated financial statements, investments in associates are initially recognised at cost and subsequently accounted for using the equity method. Under the equity method, the Group's interest in the associate is carried at cost and adjusted for the post-acquisition changes in the Group's share of the associate's net assets less any identified impairment loss, unless it is classified as held for sale (or included in a disposal group that is classified as held for sale). The consolidated income statement includes the Group's share of the post-acquisition, post-tax results of the associate for the year, including any impairment loss on goodwill relating to the investment in associate recognised for the year.

When the Group's share of losses in an associate equals or exceeds its interest in the associate, the Group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate. For this purpose, the Group's interest in the associate is the carrying amount of the investment under the equity method together with the Group's long-term interests that in substance form part of the Group's net investment in the associate.

# Notes to the Financial Statements

*For the year ended 31 December 2008*

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 3.4 Associates (Continued)

Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of the associate recognised at the date of acquisition is recognised as goodwill. The cost of acquisition is measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed and equity instruments issued by the Group, plus any costs directly attributable to the investment.

Goodwill is included within the carrying amount of the investment and is assessed for impairment as part of the investment. After the application of equity method, the Group determines whether it is necessary to recognise an additional impairment loss on the Group's investment in its associates. At each balance sheet date, the Group determines whether there is any objective evidence that the investment in associate is impaired. If such indications are identified, the Group calculates the amount of impairment as being the difference between the recoverable amount (see Note 3.11) of the associate and its carrying amount.

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

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

### 3.5 Foreign currencies

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

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

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

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

# Notes to the Financial Statements

*For the year ended 31 December 2008*

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 3.6 Revenue recognition

Revenue comprises the fair value for the sale of goods, rendering of services, net of rebates and discounts. Provided it is probable that the economic benefits will flow to the Group and the revenue and costs, if applicable, can be measured reliably, revenue is recognised as follows:

- Advertising income is recognised on the date of the relevant publication issue or on time basis by reference to the period in which the advertisement is displayed in the website.

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

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

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

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

The policies on financial assets at fair value through profit or loss are dealt with in Note 3.12(i) to the financial statements.

### 3.7 Borrowing costs

All borrowing costs are expensed as incurred.

### 3.8 Goodwill

Set out below are the accounting policies on goodwill arising on acquisition of a subsidiary. Accounting for goodwill arising on acquisition of investment in an associate is set out in Note 3.4.

Goodwill represents the excess of the cost of a business combination over the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities. The cost of the business combination is measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assume, and equity instruments issued by the Group, plus any costs directly attributable to the business combination.

Goodwill is stated at cost less accumulated impairment losses. Goodwill is allocated to cash-generating units and is tested annually for impairment (see Note 3.11).

Any excess of the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over the cost of a business combination is recognised immediate in profit or loss.

In case of the changes in ownership in a subsidiary after control is obtained that do not result in a loss of control, an excess of the cost of the further acquisition over the carrying amounts of the net assets acquired in recognised as goodwill in the consolidated balance sheet. A surplus of the carrying amounts of the net assets acquired over the cost of the further acquisition is recognised in the consolidated income statement.

# Notes to the Financial Statements

*For the year ended 31 December 2008*

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 3.9 Property, plant and equipment

Property, plant and equipment are stated at acquisition cost less accumulated depreciation and impairment losses. The cost of an asset comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

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

| | |
|---|---|
| Buildings | Over 50 years or the lease term, whichever is shorter |
| Furniture and fixtures | 20% |
| Office equipment | 20% |
| Leasehold improvements | 20% – 50% or over the lease term, whichever is shorter |
| Computer equipment and systems | 33% |
| Motor vehicles | 20% |
| Machinery | 6.6% – 20% |

The assets' estimated residual values, depreciation methods and estimated useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

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

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

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

### 3.10 Leases

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

*(i) Classification of assets leased to the Group*

Assets that are held by the Group under leases which transfer to the Group substantially all the risks and rewards of ownership are classified as being held under finance leases. Leases which do not transfer substantially all the risks and rewards of ownership to the Group are classified as operating leases.

# Notes to the Financial Statements

*For the year ended 31 December 2008*

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 3.10 Leases (Continued)

(ii) *Assets acquired under finance leases*

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

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

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

(iii) *Operating lease charges as the lessee*

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

Prepaid land lease payments are up-front payments to acquire the leasehold land. The payments are stated at cost less accumulated amortisation and impairment losses. Amortisation is calculated on a straight-line basis over the lease term.

### 3.11 Impairment of non-financial assets

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

Goodwill is tested for impairment at least annually, irrespective of whether there is any indication that they are impaired. All other assets are tested for impairment whenever there are indications that the carrying amount may not be recoverable.

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

# Notes to the Financial Statements

*For the year ended 31 December 2008*

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 3.11 Impairment of non-financial assets (Continued)

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

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

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

### 3.12 Financial assets

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

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

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

# Notes to the Financial Statements

*For the year ended 31 December 2008*

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 3.12 Financial assets (Continued)

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

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

Subsequent to initial recognition, the financial assets included in this category are measured at fair value with changes in fair value recognised in the income statement. Fair value is determined by reference to active market transactions or using a valuation technique where no active market exists. Fair value gain or loss does not include any dividend or interest earned on these financial assets. Dividend and interest income is recognised in accordance with the Group's policies in Note 3.6 to these financial statements.

*(ii) Loans and receivables*

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

***Impairment of financial assets***

At each balance sheet date, financial assets other than at fair value through profit or loss are reviewed to determine whether there is any objective evidence of impairment.

Objective evidence of impairment includes observable data that comes to the attention of the Group about one or more of the following loss events:

– significant financial difficulty of the debtors;

– a breach of contract, such as a default of delinquency in interest for principal payments;

– it becoming probable that the debtor will enter bankruptcy or other financial reorganisation;

– significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtors; and

– a significant or prolonged decline in the fair value of an investment in an equity instrument below its cost.

Loss events in respect of a group of financial assets include observable data indicating that there is a measurable decrease in the estimated future cash flows from the group of financial assets. Such observable data includes but not limited to adverse changes in the payment status of debtors in the group and, national or local economic conditions that correlate with defaults on the assets in the group.

# Notes to the Financial Statements

*For the year ended 31 December 2008*

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 3.12 Financial assets (Continued)

If any such evidence exists, the impairment loss is measured and recognised as follows:

*Financial assets carried at amortised cost*

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

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

Financial assets other than financial assets at fair value through profit or loss and trade receivables that are stated at amortised cost. Impairment losses are written off against the corresponding assets directly. Where the recovery of trade receivables is considered doubtful but not remote, the impairment losses for doubtful receivables are recorded using an allowance account. When the Group is satisfied that recovery of trade receivables is remote, the amount considered irrecoverable is written off against trade receivables directly and any amounts held in the allowance account in respect of that receivable are reversed. Subsequent recoveries of amounts previously charged to the allowance account are reversed against the allowance account. Other changes in the allowance account and subsequent recoveries of amounts previously written off directly are recognised in profit or loss.

### 3.13 Inventories

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

### 3.14 Accounting for income taxes

Income tax comprises current tax and deferred tax.

Current income tax assets and/or liabilities comprise those obligations to, or claims from, 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 fiscal periods to which they relate, based on the taxable profit for the year. All changes to current tax assets or liabilities are recognised as a component of tax expense in the income statement.

# Notes to the Financial Statements

*For the year ended 31 December 2008*

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 3.14 Accounting for income taxes (Continued)

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

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

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

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

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

### 3.15 Cash and cash equivalents

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

### 3.16 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 issue of shares are deducted from share premium (net of any related income tax benefit) to the extent they are incremental costs directly attributable to the equity transaction.

# Notes to the Financial Statements

*For the year ended 31 December 2008*

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 3.17 Employee benefits

(i) *Retirement benefit schemes*

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

The subsidiaries operating in the PRC and other countries 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 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 elects the MPF Scheme, retirement scheme benefits attributed to the staff under the ORSO Scheme remain unchanged in the MPF Scheme. Under the MPF Scheme, eligible employees are required to contribute 5% of their monthly basic salaries whereas the Group's contribution will be 5% of the relevant income with a maximum monthly contribution of HK$1,000 and there are no other legal or constructive obligations to the Group.

(ii) *Share-based employee compensation*

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

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

# Notes to the Financial Statements

*For the year ended 31 December 2008*

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 3.17 Employee benefits (Continued)

*(ii) Share-based employee compensation (Continued)*

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

At the time when the share options are exercised, the amount previously recognised in employee compensation reserve will be transferred to share premium. When the share options are forfeited or are still not exercised at the expiry date, the amount previously recognised in employee compensation reserve will be transferred to retained earnings.

*(iii) Bonus plans*

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

### 3.18 Related parties

For the purposes of these financial statements, a party is considered to be related to the Group if:

(i) the party has the ability, directly or indirectly through one or more intermediaries, to control the Group or exercise significant influence over the Group in making financial and operating policy decisions, or has joint control over the Group;

(ii) the Group and the party are subject to common control;

(iii) the party is an associate of the Group or a joint venture in which the Group is a venturer;

(iv) the party is a member of key management personnel of the Group or the Group's parent, or a close family member of such an individual, or is an entity under the control, joint control or significant influence of such individuals;

(v) the party is a close family member of a party referred to in (i) or is an entity under the control, joint control or significant influence of such individuals; or

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

Close family members of an individual are those family members who may be expected to influence, or be influenced by, that individual in their dealings with the entity.

# Notes to the Financial Statements

*For the year ended 31 December 2008*

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 3.19 Financial liabilities

The Group's financial liabilities include bank borrowings, trade and other payables, finance lease liabilities and amounts due to group companies.

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

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

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

*Finance lease liabilities*

Finance lease liabilities are measured at initial value less the capital element of lease repayments (see Note 3.10(ii) to the financial statements).

*Borrowings*

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

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

*Trade and other payables and amounts due to group companies*

These are recognised initially at their fair value and subsequently measured at amortised cost, using the effective interest rate method.

### 3.20 Contingent liabilities

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

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

# Notes to the Financial Statements

*For the year ended 31 December 2008*

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 3.21 Financial guarantees issued

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

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

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

### 3.22 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, goodwill and operating cash but exclude corporate assets and interests in associates. Segment liabilities consist primarily of operating liabilities but exclude deferred tax liabilities and liabilities incurred for financing rather than operating purposes. Segment revenue, expenses, assets and liabilities are determined before intra-group balance and intra-group transactions are eliminated as part of the consolidation process unless the group entities are in the same segment.

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

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

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

# Notes to the Financial Statements

*For the year ended 31 December 2008*

## 4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

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

### (i) Estimated impairment of goodwill

The Group tests annually whether goodwill has suffered any impairment in accordance with the accounting policy stated in Note 3.11. The recoverable amounts of cash-generating units have been determined based on value-in-use calculations, which require the Group to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate the present value.

### (ii) Net realisable value of inventories

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

### (iii) Estimated impairment of receivables and advances

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

### (iv) Valuation of share options granted

The fair value of share options granted was calculated using the Black-Scholes valuation model based on certain estimates and assumptions made by Group's management. Some of the significant estimates and assumptions made by management included the estimated life of share options granted to be four years based on exercise restrictions and behavioural considerations; and the volatility of share price which was determined by reference to historical data and weighted average share prices. Details of the inputs are set out in Note 32 to the financial statements.

### (v) Depreciation

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

# Notes to the Financial Statements

*For the year ended 31 December 2008*

## 4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

### (vi) Current taxation and deferred taxation

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

## 5. REVENUE AND TURNOVER

| | **2008** | 2007 |
|---|---|---|
| | **HK$'000** | HK$'000 |
| Advertising income | **258,751** | 232,143 |
| Printing income | **334,131** | 206,932 |
| | **592,882** | 439,075 |

## 6. SEGMENT INFORMATION

### Primary reporting format – Business segment

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

Advertising – providing advertising services on different publications and magazines.

Printing – printing of books and magazines.

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

# Notes to the Financial Statements

*For the year ended 31 December 2008*

## 6. SEGMENT INFORMATION (CONTINUED)

### Primary reporting format – Business segment (Continued)

| | Advertising | | Printing | | Investment | | Consolidated | |
|---|---|---|---|---|---|---|---|---|
| | **2008** | 2007 | **2008** | 2007 | **2008** | 2007 | **2008** | 2007 |
| | **HK$'000** | HK$'000 | **HK$'000** | HK$'000 | **HK$'000** | HK$'000 | **HK$'000** | HK$'000 |
| Revenue | | | | | | | | |
| – External sales | **258,751** | 232,143 | **334,131** | 206,932 | **–** | – | **592,882** | 439,075 |
| Segment results | **68,078** | 60,520 | **24,757** | 21,650 | **262** | 60 | **93,097** | 82,230 |
| Unallocated operating income | | | | | | | **2,038** | 13,223 |
| Unallocated operating expenses | | | | | | | **(11,151)** | (22,233) |
| Operating profit | | | | | | | **83,984** | 73,220 |
| Finance costs | | | | | | | **(1,367)** | (1,260) |
| Profit before income tax | | | | | | | **82,617** | 71,960 |
| Income tax expense | | | | | | | **(2,274)** | (4,918) |
| Profit for the year | | | | | | | **80,343** | 67,042 |
| Segment assets | **74,267** | 74,860 | **340,396** | 198,407 | **10,069** | 26,724 | **424,732** | 299,991 |
| Interests in associates | | | | | | | **–** | 96 |
| Unallocated assets | | | | | | | **31,784** | 29,700 |
| Total assets | | | | | | | **456,516** | 329,787 |
| Segment liabilities | **35,672** | 40,788 | **42,342** | 35,588 | **5** | 20 | **78,019** | 76,396 |
| Unallocated liabilities | | | | | | | **63,378** | 21,490 |
| Total liabilities | | | | | | | **141,397** | 97,886 |
| **Other information** | | | | | | | | |
| Amortisation of prepaid land lease payments | **16** | 21 | **–** | – | **–** | – | **16** | 21 |
| Capital expenditure | **1,309** | 876 | **71,613** | 20,184 | **–** | – | **72,922** | 21,060 |
| Depreciation | **1,080** | 2,722 | **13,449** | 11,078 | **–** | – | **14,529** | 13,800 |
| Impairment of receivables | **2,869** | 964 | **209** | 539 | **–** | – | **3,078** | 1,503 |

# Notes to the Financial Statements

*For the year ended 31 December 2008*

## 6. SEGMENT INFORMATION (CONTINUED)

### Secondary reporting format – Geographical segment

The Group's operations are located in seven 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 are analysed as follows:

| | 2008<br>HK$'000 | 2007<br>HK$'000 |
|---|---|---|
| Mainland China | **189,096** | 135,589 |
| Hong Kong | **88,267** | 116,026 |
| Australia | **94,598** | 77,605 |
| United Kingdom | **81,580** | 57,508 |
| United States | **102,482** | 32,171 |
| New Zealand | **9,226** | 11,722 |
| Germany | **15,897** | 5,238 |
| Others | **11,736** | 3,216 |
| | **592,882** | 439,075 |

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 | |
|---|---|---|---|---|
| | 2008<br>HK$'000 | 2007<br>HK$'000 | 2008<br>HK$'000 | 2007<br>HK$'000 |
| Hong Kong | **233,537** | 180,876 | **1,689** | 314 |
| Mainland China | **189,184** | 115,824 | **71,185** | 19,736 |
| United Kingdom | **1,781** | 3,291 | **21** | 1,010 |
| United States | **230** | – | **27** | – |
| | **424,732** | 299,991 | **72,922** | 21,060 |

## 7. OTHER OPERATING INCOME

| | 2008<br>HK$'000 | 2007<br>HK$'000 |
|---|---|---|
| Bad debts recovered | **1,088** | 2,143 |
| Gain on partial disposals of investment in subsidiaries | **–** | 9,455 |
| Gain on disposals of leasehold land, property, plant and equipment | **832** | – |
| Interest income on financial assets stated at amortised costs | **1,180** | 1,823 |
| Net foreign exchange gain | **–** | 5,727 |
| Gain from sales of scrap paper and by-products | **11,466** | 3,329 |
| Write back of impairment of advances to associates | **–** | 3,492 |
| Sundry income | **5,058** | 1,322 |
| | **19,624** | 27,291 |

# Notes to the Financial Statements

*For the year ended 31 December 2008*

## 8. FINANCE COSTS

| | 2008 HK$'000 | 2007 HK$'000 |
|---|---|---|
| Imputed interest on financial liabilities stated at amortised cost | **51** | 219 |
| Interest charges on bank borrowings wholly repayable within five years | **790** | – |
| Finance lease charges | **526** | 1,041 |
| | **1,367** | 1,260 |

## 9. PROFIT BEFORE INCOME TAX

| | 2008 HK$'000 | 2007 HK$'000 |
|---|---|---|
| Profit before income tax is arrived at after charging/(crediting): | | |
| Amortisation of prepaid land lease payments | **16** | 21 |
| Auditors' remuneration | | |
| – Audit services | **803** | 908 |
| – Other services | **–** | 470 |
| Cost of inventories recognised as an expense | **161,982** | 97,592 |
| Depreciation (Note): | | |
| – Owned assets | **13,013** | 11,566 |
| – Leased assets | **1,516** | 2,234 |
| Employee benefit expense (Note 11) | **45,048** | 48,393 |
| Net foreign exchange loss | **6,490** | – |
| Impairment of advances to associate | **70** | 243 |
| Impairment of goodwill in associate | **–** | 1,411 |
| Impairment of receivables | **3,078** | 1,503 |
| Loss on disposals and write-off of property, plant and equipment | **–** | 10 |
| Minimum lease payments paid under operating leases in respect of: | | |
| – Rented premises and production facilities | **6,731** | 6,812 |
| – Internet access line | **290** | 276 |
| Loss on disposals of a subsidiary | **–** | 811 |
| Loss on financial assets at fair value through profit or loss | **114** | 839 |
| Provision for inventories (written back)/made | **(463)** | 1,544 |

Note: Depreciation expenses of HK$12,300,000 (2007: HK$10,874,000) and HK$2,229,000 (2007: HK$2,926,000) have been included in direct operating costs and administrative expenses respectively.

# Notes to the Financial Statements

*For the year ended 31 December 2008*

## 10. DIRECTORS' REMUNERATION AND SENIOR MANAGEMENT'S EMOLUMENTS

### (a) Directors' emoluments

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

| | Fee HK$'000 | Salaries, allowances and discretionary bonuses HK$'000 | Retirement benefit scheme contributions HK$'000 | Equity-settled share-based payment expenses HK$'000 | Total HK$'000 |
|---|---|---|---|---|---|
| **Year ended 31 December 2008** | | | | | |
| **Executive directors** | | | | | |
| Ms. Ho Suk Yi | – | 935 | 5 | – | 940 |
| Mr. Lau Chuk Kin | – | 1,875 | 12 | – | 1,887 |
| Ms. Lam Mei Lan (redesignated from non-executive director on 19 May 2008) | 25 | 730 | 6 | 66 | 827 |
| Ms. Chow So Chu (appointed on 1 February 2008) | – | 1,251 | 11 | 66 | 1,328 |
| **Non-executive directors** | | | | | |
| Mr. Lee Ching Ming, Adrian | 60 | – | – | – | 60 |
| Mr. Peter Stavros Patapios Christofis | 60 | – | – | – | 60 |
| Mr. Wan Siu Kau | 60 | – | – | – | 60 |
| **Independent non-executive directors** | | | | | |
| Mr. Cheng Ping Kuen, Franco | 132 | – | – | – | 132 |
| Mrs. Ling Lee Ching Man, Eleanor | 132 | – | – | – | 132 |
| Mr. Tyen Kan Hee, Anthony | 132 | – | – | – | 132 |
| | **601** | **4,791** | **34** | **132** | **5,558** |

# Notes to the Financial Statements

*For the year ended 31 December 2008*

## 10. DIRECTORS' REMUNERATION AND SENIOR MANAGEMENT'S EMOLUMENTS (CONTINUED)

### (a) Directors' emoluments (Continued)

| | Fee HK$'000 | Salaries, allowances and discretionary bonuses HK$'000 | Retirement benefit scheme contributions HK$'000 | Equity-settled share-based payment expenses HK$'000 | Total HK$'000 |
|---|---|---|---|---|---|
| **Year ended 31 December 2007** | | | | | |
| **Executive directors** | | | | | |
| Ms. Ho Suk Yi | – | 1,008 | 12 | – | 1,020 |
| Mr. Lau Chuk Kin | – | 1,800 | 12 | – | 1,812 |
| Mr. Peh Tun Lu, Jefferson (appointed on 12 March 2007 and resigned on 1 Septermber 2007) | – | 422 | 6 | – | 428 |
| **Non-executive directors** | | | | | |
| Ms. Lam Mei Lan | 50 | – | – | – | 50 |
| Mr. Lee Ching Ming, Adrian | 50 | – | – | – | 50 |
| Mr. Peter Stavros Patapios Christofis | 50 | – | – | – | 50 |
| Mr. Wan Siu Kau | 50 | – | – | – | 50 |
| **Independent non-executive directors** | | | | | |
| Mr. Cheng Ping Kuen, Franco | 110 | – | – | – | 110 |
| Mrs. Ling Lee Ching Man, Eleanor | 110 | – | – | – | 110 |
| Mr. Tyen Kan Hee, Anthony | 110 | – | – | – | 110 |
| | **530** | **3,230** | **30** | **–** | **3,790** |

Details of equity-settled share-based payments expenses granted to the directors under the Company's share option scheme are set in Note 32 to the financial statements.

# Notes to the Financial Statements

*For the year ended 31 December 2008*

## 10. 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 three (2007: two) directors whose emoluments are reflected in the analysis presented above. The emoluments payable to the remaining two (2007: three) individuals during the year are as follows:

| | **2008**<br>**HK$'000** | 2007<br>HK$'000 |
|---|---|---|
| Salaries, allowances, discretionary bonuses and other benefits | **1,972** | 2,959 |
| Retirement benefit scheme contributions | **24** | 36 |
| Equity-settled share-based payments | **132** | – |
| | **2,128** | 2,995 |

The emoluments fell within the following bands:

| | **Number of individuals** | |
|---|---|---|
| | **2008** | 2007 |
| Emolument bands | | |
| Nil – HK$1,000,000 | **1** | 1 |
| HK$1,000,001 – HK$3,000,000 | **1** | 2 |

During each of the two years ended 31 December 2008 and 2007, no emoluments were paid by the Group to the directors of the Company or the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office. None of the directors has waived or agreed to waive any emoluments during each of the two years ended 31 December 2008 and 2007.

## 11. EMPLOYEE BENEFIT EXPENSE (INCLUDING DIRECTORS' EMOLUMENTS)

| | **2008**<br>**HK$'000** | 2007<br>HK$'000 |
|---|---|---|
| Wages and salaries | **40,473** | 43,239 |
| Equity-settled share-based payments (Note 32) | **625** | – |
| Retirement benefit scheme contributions (Note 37) | **2,057** | 2,530 |
| Other benefits | **1,893** | 2,624 |
| | **45,048** | 48,393 |

# Notes to the Financial Statements

*For the year ended 31 December 2008*

## 12. INCOME TAX EXPENSE

Hong Kong profits tax has been provided at the rate of 16.5% on the estimated assessable profits for the year (2007: 17.5%). Taxation on overseas profits has been calculated on the estimated assessable profits for the year at the rates of taxation prevailing in the countries in which the Group operates.

| | 2008<br>HK$'000 | 2007<br>HK$'000 |
|---|---|---|
| Hong Kong profits tax | | |
| Current year | 2,869 | 4,931 |
| Over provision in prior years | (1,575) | (152) |
| | 1,294 | 4,779 |
| Overseas profits tax | | |
| Current year | 128 | 517 |
| Over provision in prior years | (6) | – |
| | 122 | 517 |
| Deferred taxation (Note 30) | | |
| Current year | 950 | (378) |
| Attributable to reduction in tax rate | (92) | – |
| | 858 | (378) |
| | 2,274 | 4,918 |

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

| | 2008<br>HK$'000 | 2007<br>HK$'000 |
|---|---|---|
| **Profit before income tax** | 82,617 | 71,960 |
| Notional tax on the profit before income tax, calculated at the rates applicable to the profits in the tax jurisdictions concerned | 13,522 | 12,733 |
| Tax effect of non-taxable revenue | (13,040) | (15,708) |
| Tax effect of non-deductible expenses | 4,152 | 6,803 |
| Tax effect of tax losses not recognised | 106 | 1,631 |
| Tax effect of temporary differences not recognised | 28 | 391 |
| Utilisation of previously unrecognised tax losses | (821) | (780) |
| Effect on opening deferred tax balances resulting from a reduction in tax rate during the year | (92) | – |
| Over provision in prior years | (1,581) | (152) |
| **Income tax expense** | 2,274 | 4,918 |

The Hong Kong SAR Government enacted a reduction in the Profits Tax Rate from 17.5% to 16.5% with effect from the year of assessment 2008/2009. Accordingly, the relevant current and deferred tax liabilities have been calculated using the new tax rate of 16.5%.

## 13. PROFIT ATTRIBUTABLE TO THE EQUITY HOLDERS OF THE COMPANY

Of the consolidated profit attributable to the equity holders of the Company of HK$75,648,000 (2007: HK$57,904,000), a profit of HK$21,257,000 (2007: HK$61,903,000) has been dealt with in the financial statements of the Company.

# Notes to the Financial Statements

*For the year ended 31 December 2008*

## 14. DIVIDENDS

(a) Dividends attributable to the year:

| | **2008** | 2007 |
|---|---|---|
| | **HK$'000** | HK$'000 |
| Interim dividend of HK$0.03 (2007: HK$0.02) per share | **9,295** | 5,554 |
| Proposed final dividend of HK$0.05 (2007: HK$0.05) per share | **15,492** | 13,886 |
| | **24,787** | 19,440 |

Final dividend proposed after the balance sheet date has not been recognised as a liability at the balance sheet date, but reflected as an appropriation of retained earnings for the years ended 31 December 2008 and 2007 and a proposed final dividend reserve has been set up.

The proposed final dividend is to be distributed subsequent to the balance sheet date and is subject to the approval of the Company's equity holders in the forthcoming annual general meeting.

(b) Dividends approved and paid during the year:

| | **2008** | 2007 |
|---|---|---|
| | **HK$'000** | HK$'000 |
| Interim dividend of HK$0.03 (2007: HK$0.02) per share | **9,295** | 5,554 |
| Final dividend in respect of the previous financial year | **13,886** | 20,610 |
| | **23,181** | 26,164 |

## 15. EARNINGS PER SHARE

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

| | **2008** | 2007 |
|---|---|---|
| | **HK$'000** | HK$'000 |
| **Profit attributable to the equity holders of the Company** | **75,648** | 57,904 |

| | **Number of shares** | |
|---|---|---|
| | **2008** | 2007 |
| | **'000** | '000 |
| Weighted average number of ordinary shares for the purpose of basic earnings per share | **299,188** | 276,213 |
| Effect of dilutive potential ordinary shares in respect of share options granted | **N/A** | 1,059 |
| **Weighted average number of ordinary shares for the purpose of diluted earnings per share** | **N/A** | 277,272 |

Diluted earnings per share for the year ended 31 December 2008 was not presented because the impact of the exercise of the share options was anti-dilutive.

# Notes to the Financial Statements

*For the year ended 31 December 2008*

## 16. PROPERTY, PLANT AND EQUIPMENT

**Group**

| | Buildings HK$'000 | Furniture and fixtures HK$'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 |
|---|---|---|---|---|---|---|---|---|
| At 1 January 2007 | | | | | | | | |
| Cost | 453 | 2,374 | 1,705 | 13,507 | 31,758 | 517 | 64,543 | 114,857 |
| Accumulated depreciation | (9) | (1,088) | (1,265) | (4,102) | (27,946) | (188) | (6,002) | (40,600) |
| **Net book amount** | **444** | **1,286** | **440** | **9,405** | **3,812** | **329** | **58,541** | **74,257** |
| Year ended 31 December 2007 | | | | | | | | |
| Opening net book amount | 444 | 1,286 | 440 | 9,405 | 3,812 | 329 | 58,541 | 74,257 |
| Exchange differences | – | 26 | 5 | 13 | 69 | 9 | – | 122 |
| Additions | – | 394 | 543 | 2,015 | 2,825 | 917 | 14,366 | 21,060 |
| Disposals | – | (2) | (10) | – | (175) | (188) | – | (375) |
| Disposal of subsidiary | – | (14) | – | (51) | (43) | – | – | (108) |
| Depreciation | (9) | (400) | (168) | (3,098) | (2,988) | (331) | (6,806) | (13,800) |
| **Closing net book amount** | **435** | **1,290** | **810** | **8,284** | **3,500** | **736** | **66,101** | **81,156** |
| At 31 December 2007 | | | | | | | | |
| Cost | 453 | 2,794 | 2,163 | 15,506 | 31,181 | 1,256 | 78,909 | 132,262 |
| Accumulated depreciation | (18) | (1,504) | (1,353) | (7,222) | (27,681) | (520) | (12,808) | (51,106) |
| **Net book amount** | **435** | **1,290** | **810** | **8,284** | **3,500** | **736** | **66,101** | **81,156** |
| Year ended 31 December 2008 | | | | | | | | |
| Opening net book amount | 435 | 1,290 | 810 | 8,284 | 3,500 | 736 | 66,101 | 81,156 |
| Exchange differences | – | (28) | – | – | (9) | (115) | – | (152) |
| Additions | – | 899 | 888 | 15,307 | 1,661 | 129 | 54,038 | 72,922 |
| Disposals | (428) | (262) | (48) | (213) | (298) | – | (1,062) | (2,311) |
| Depreciation | (7) | (425) | (307) | (4,292) | (1,892) | (325) | (7,281) | (14,529) |
| **Closing net book amount** | **–** | **1,474** | **1,343** | **19,086** | **2,962** | **425** | **111,796** | **137,086** |
| At 31 December 2008 | | | | | | | | |
| Cost | – | 3,089 | 2,835 | 29,415 | 29,304 | 1,211 | 131,517 | 197,371 |
| Accumulated depreciation | – | (1,615) | (1,492) | (10,329) | (26,342) | (786) | (19,721) | (60,285) |
| **Net book amount** | **–** | **1,474** | **1,343** | **19,086** | **2,962** | **425** | **111,796** | **137,086** |

The net book amount of property, plant and equipment includes the net carrying amount of HK$17,309,000 (2007: HK$18,941,000) held under finance leases.

As at 31 December 2007, the Group's buildings were situated in Hong Kong, which was held under a medium-term lease. The leasehold land and buildings were sold for HK$2,990,000 during the year.

# Notes to the Financial Statements

*For the year ended 31 December 2008*

## 17. PREPAID LAND LEASE PAYMENTS

| | Group | |
|---|---|---|
| | **2008** | 2007 |
| | **HK$'000** | HK$'000 |
| At 1 January | | |
| Cost | **1,055** | 1,055 |
| Accumulated amortisation | **(42)** | (21) |
| **Net book amount** | **1,013** | 1,034 |
| Opening net book amount | **1,013** | 1,034 |
| Disposals | **(997)** | – |
| Amortisation | **(16)** | (21) |
| **Closing net book amount** | **–** | 1,013 |
| At 31 December | | |
| Cost | **–** | 1,055 |
| Accumulated amortisation | **–** | (42) |
| **Net book amount** | **–** | 1,013 |

As at 31 December 2007, the Group's prepaid land lease payments represented up-front payments to acquire an interest in the usage of land situated in Hong Kong, which was held under a medium-term lease. The leasehold land and buildings were sold during the year.

## 18. INVESTMENTS IN SUBSIDIARIES

| | Company | |
|---|---|---|
| | **2008** | 2007 |
| | **HK$'000** | HK$'000 |
| Unlisted shares, at cost | **62,030** | 62,030 |

Details of principal subsidiaries are set out in Note 41 to the financial statements.

# Notes to the Financial Statements

*For the year ended 31 December 2008*

## 19. INTERESTS IN ASSOCIATES

| | Group | | Company | |
|---|---|---|---|---|
| | **2008** | 2007 | **2008** | 2007 |
| | **HK$'000** | HK$'000 | **HK$'000** | HK$'000 |
| *Non-current portion:* | | | | |
| Unlisted shares at cost, less impairment losses | **–** | – | **–** | – |
| Goodwill on acquisition (Note (a)) | **–** | 1,411 | **–** | – |
| Share of net assets | **–** | – | **–** | – |
| Impairment losses | **–** | (1,411) | **–** | – |
| | **–** | – | **–** | – |
| *Current portion:* | | | | |
| Advances to associates (Note (b)) | | | | |
| – Trion Pacific Limited | **70** | 70 | **70** | 70 |
| – Oriental Touch China Limited | **–** | 269 | **–** | – |
| | **70** | 339 | **70** | 70 |
| Less: Impairment losses | **(70)** | (243) | **(70)** | – |
| | **–** | 96 | **–** | 70 |

Notes:

(a) Goodwill related to the further acquisition of an indirect interest in PPG Investments Limited from 20% to 50% on 1 December 2006 by the Group. PPG Investments Limited was dissolved during the year.

(b) Advances to associates are unsecured, interest-free and repayable on demand.

(c) Particulars of the associates as at 31 December 2008 are as follows:

| Name of company | Particulars of issued shares held | Country of incorporation/ operation and kind of legal entity | Percentage of interest held by the Company directly/indirectly* | Principal activities |
|---|---|---|---|---|
| Oriental Touch China Limited | 45 ordinary shares of US$1 each | British Virgin Islands/ Hong Kong, limited liability company | 45% * | Inactive |
| Trion Pacific Limited 三慧顧問有限公司 | 35 ordinary shares of HK$1 each | Hong Kong, limited liability company | 35% | Trading of books |

# Notes to the Financial Statements

*For the year ended 31 December 2008*

## 19. INTERESTS IN ASSOCIATES (CONTINUED)

Notes: (Continued)

(d) Summarised financial information in respect of the Group's associates is set out below:

| | Assets HK$'000 | Liabilities HK$'000 | Equity HK$'000 | Revenue HK$'000 | Profit HK$'000 |
|---|---|---|---|---|---|
| **2008** | | | | | |
| **100 per cent** | **160** | **210** | **(50)** | **10** | **421** |
| **Group's effective interest** | **56** | **74** | **(18)** | **4** | **202** |
| 2007 | | | | | |
| 100 per cent | 77 | 778 | (701) | 37 | (576) |
| Group's effective interest | 29 | 329 | (300) | 15 | (241) |

The financial information above is based on the unaudited management accounts for each of the two years ended 31 December 2008 and 2007.

The Group has not recognised profits of HK$202,000 (2007: losses of HK$241,000) for the Group's associates. The accumulated losses not recognised were HK$18,000 (2007: HK$300,000).

## 20. GOODWILL

This arose from the acquisition of minority interests of the subsidiaries of the Company. The net carrying amount of goodwill, net of any impairment loss, is analysed as follows:

| | Group | |
|---|---|---|
| | **2008 HK$'000** | 2007 HK$'000 |
| Gross carrying amount at 1 January | **–** | – |
| Acquisition of minority interests of the subsidiaries | **14,119** | – |
| At 31 December | | |
| Gross carrying amount and net carrying amount | **14,119** | – |

### Impairment tests for goodwill

The recoverable amount for the cash-generating unit in relation to the subsidiaries of the Company was determined based on value-in-use calculations, covering a detailed 5-year budget plan, followed by an extrapolation of expected cash flows at the growth rates stated below. The growth rate reflects the long-term average growth rate for the cash-generating unit.

The key assumptions used for value-in-use calculations are as follows:

| | **2008** | 2007 |
|---|---|---|
| Average growth rate | **6%** | N/A |
| Discount rate | **5%** | N/A |

# Notes to the Financial Statements

*For the year ended 31 December 2008*

## 20. GOODWILL (CONTINUED)

### Impairment tests for goodwill (Continued)

The Company management's key assumptions have been determined based on past performance and their expectations for the market development. The weighted average growth rate used is consistent with the forecasts included in industry reports. The discount rate used is pre-tax and reflects specific risks relating to the relevant cash-generating unit.

Apart from the considerations described above in determining the value in use of the cash-generating unit, the Company's management is not aware of any other probable changes that would necessitate changes in the key assumptions.

## 21. AMOUNTS DUE FROM SUBSIDIARIES

| | Company | |
|---|---|---|
| | **2008** | 2007 |
| | **HK$'000** | HK$'000 |
| Amounts due from subsidiaries | | |
| – interest bearing at 5% (2007: 7%) per annum | **179,230** | 89,703 |
| – interest-free | **111,256** | 72,511 |
| | **290,486** | 162,214 |
| Less: Impairment losses | **(28,231)** | (3,240) |
| | **262,255** | 158,974 |

Amounts due from subsidiaries are unsecured and repayable on demand.

## 22. AMOUNTS DUE TO SUBSIDIARIES – COMPANY

Amounts due to subsidiaries are unsecured, interest-free and repayable on demand.

## 23. INVENTORIES

| | Group | |
|---|---|---|
| | **2008** | 2007 |
| | **HK$'000** | HK$'000 |
| Raw materials | **40,266** | 23,333 |
| Work-in-progress | **11,243** | 9,419 |
| Finished goods | **876** | 892 |
| | **52,385** | 33,644 |
| Less: Provision | **(1,081)** | (1,544) |
| | **51,304** | 32,100 |

During the year, the Group reversed a provision of HK$463,000 (Note 9) which was made in 2007. This provision was released as the related inventories were sold above the cost during the year. The reversed amount was included in "direct operating costs" in the income statement.

# Notes to the Financial Statements

*For the year ended 31 December 2008*

## 24. TRADE AND OTHER RECEIVABLES AND DEPOSITS

| | Group | |
|---|---|---|
| | **2008** | 2007 |
| | **HK$'000** | HK$'000 |
| Trade receivables | **118,894** | 105,334 |
| Other receivables and deposits | **45,364** | 17,264 |
| | **164,258** | 122,598 |

Ageing analysis of trade receivables, as at 31 December 2008, based on sales invoice date and net of provisions, is as follows:

| | Group | |
|---|---|---|
| | **2008** | 2007 |
| | **HK$'000** | HK$'000 |
| 0 – 30 days | **39,526** | 35,731 |
| 31 – 60 days | **21,724** | 21,469 |
| 61 – 90 days | **12,650** | 15,318 |
| 91 – 120 days | **17,676** | 22,083 |
| 121 – 150 days | **19,115** | 8,329 |
| Over 150 days | **8,203** | 2,404 |
| Total trade receivables | **118,894** | 105,334 |

The Group allows a credit period from 7 to 150 days (2007: 7 to 150 days) to its customers.

The directors of the Group consider that the fair values of trade receivables are not materially different from their carrying amounts because these amounts have short maturity periods on their inception.

At each balance sheet date the Group reviews receivables for evidence of impairment on both an individual and collective basis. As at 31 December 2008, the Group has determined trade receivables of HK$3,078,000 as impairment (2007: HK$1,503,000) and as a result, impairment loss of HK$3,078,000 has been recognised (2007: HK$1,503,000). The impaired trade receivables are due from the customers experiencing financial difficulties that have been in default or delinquency of payments.

The Group did not hold any collateral as security or other credit enhancements over the impaired trade receivables.

# Notes to the Financial Statements

*For the year ended 31 December 2008*

## 24. TRADE AND OTHER RECEIVABLES AND DEPOSITS (CONTINUED)

In addition, some of the unimpaired trade receivables are past due as at the reporting date. Ageing analysis of trade receivables past due but not impaired is as follows:

| | **2008** | 2007 |
|---|---|---|
| | **HK$'000** | HK$'000 |
| Neither past due nor impaired | **72,766** | 65,915 |
| 1 – 30 days past due | **18,762** | 27,956 |
| 31 – 90 days past due | **22,331** | 9,872 |
| Over 90 days past due but less than one year | **5,035** | 1,591 |
| | **46,128** | 39,419 |
| | **118,894** | 105,334 |

Trade receivables that were neither past due nor impaired related to a large number of diversified customers for whom there was no recent history of default.

Trade receivables that were past due but not impaired related to a large number of diversified customer that had a good track record of credit with the Group. Based on past credit history, management believe that no impairment allowance is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered to be fully recoverable. The Group did not hold any collateral in respect of trade receivables past due but not impaired.

## 25. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

| | **Group** | |
|---|---|---|
| | **2008** | 2007 |
| | **HK$'000** | HK$'000 |
| **Held for trading** | | |
| Equity securities, listed in Hong Kong | **426** | 1,808 |
| Forward foreign exchange contracts | **570** | – |
| Fair value | **996** | 1,808 |

The fair value of the Group's investments in listed equity securities is determined with reference to the market quoted bid prices at the reporting date. The fair value of the forward foreign exchange contracts is determined using quoted forward exchange rates at the balance sheet date.

## 26. CASH AND CASH EQUIVALENTS

Cash and cash equivalents include the following components:

| | Group | | Company | |
|---|---|---|---|---|
| | **2008** | 2007 | **2008** | 2007 |
| | **HK$'000** | HK$'000 | **HK$'000** | HK$'000 |
| Bank and cash balances | **76,160** | 27,917 | **24,148** | 9,455 |
| Cash at brokers | **1,010** | 24,882 | **–** | – |
| Short-term bank deposits | **8,599** | 36,400 | **–** | 15,000 |
| | **85,769** | 89,199 | **24,148** | 24,455 |

The short-term bank deposits of the Group earns 4% interest per annum (2007: 2.5% to 3.5%). These deposits have a maturity of 3 days (2007: 7 to 14 days) and are eligible for immediate cancellation without penalty but any interest for the last deposit period would be forfeited.

The directors of the Group considered that the fair value of the short-term bank deposits is not materially different from its carrying amount because of the short maturity period on its inception.

Included in bank and cash balances of the Group is HK$2,139,000 (2007: HK$4,379,000) of bank balances denominated in Renminbi ("RMB") placed with the banks in the PRC. RMB is not a freely convertible currency. Under the Mainland China's Foreign Exchange Control Regulations and Administration of Settlement and Sales and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for foreign currencies through banks that are authorised to conduct foreign exchange business.

## 27. TRADE AND OTHER PAYABLES

| | Group | |
|---|---|---|
| | **2008** | 2007 |
| | **HK$'000** | HK$'000 |
| Trade payables | **45,225** | 44,672 |
| Other payables | **33,150** | 31,880 |
| | **78,375** | 76,552 |

As at 31 December 2008, ageing analysis of trade payables based on invoice date is as follows:

| | Group | |
|---|---|---|
| | **2008** | 2007 |
| | **HK$'000** | HK$'000 |
| 0 – 30 days | **11,956** | 25,772 |
| 31 – 60 days | **8,157** | 5,577 |
| 61 – 90 days | **10,222** | 4,040 |
| 91 – 120 days | **4,733** | 2,464 |
| Over 120 days | **10,157** | 6,819 |
| | **45,225** | 44,672 |

# Notes to the Financial Statements

*For the year ended 31 December 2008*

## 27. TRADE AND OTHER PAYABLES (CONTINUED)

Credit terms granted by suppliers are 30 days to 90 days save for the net balance payable to a major business partner of the Group that will be settled on a half yearly basis according to the terms of an agreement signed with this business partner.

All amounts are short term and hence the carrying values of trade and other payables are considered to be a reasonable approximation of fair value.

## 28. BANK BORROWINGS

| | Group | |
|---|---|---|
| | **2008** | 2007 |
| | **HK$'000** | HK$'000 |
| Non-current portion | **44,328** | – |
| Current portion | **5,172** | – |
| Total bank borrowings | **49,500** | – |

At 31 December 2008, the Group's bank borrowings were repayable as follows:

| | **2008** | 2007 |
|---|---|---|
| | **HK$'000** | HK$'000 |
| Within one year | **5,172** | – |
| In the second year | **8,846** | – |
| In the third to fifth year | **35,482** | – |
| Wholly repayable within 5 years | **49,500** | – |

As at 31 December 2008, the bank borrowings with principal amounts of HK$51.7 million are repayable in 5 years through monthly instalments. The effective interest rate of the bank borrowings ranged from 2.78% to 6.34% per annum for the year.

The bank borrowings are secured by the corporate guarantees provided by the Company and minority shareholders of a subsidiary.

## 29. FINANCE LEASE LIABILITIES

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

| | Group | |
|---|---|---|
| | **2008** | 2007 |
| | **HK$'000** | HK$'000 |
| Due within one year | **4,555** | 4,806 |
| Due in the second to fifth years | **5,597** | 10,684 |
| | **10,152** | 15,490 |
| Future finance charges on finance leases | **(274)** | (1,370) |
| **Present value of finance lease liabilities** | **9,878** | 14,120 |

The present value of finance lease liabilities is as follows:

| | Group | |
|---|---|---|
| | **2008** | 2007 |
| | **HK$'000** | HK$'000 |
| Due within one year | **4,365** | 4,103 |
| Due in the second to fifth years | **5,513** | 10,017 |
| | **9,878** | 14,120 |
| Less: Portion due within one year included under current liabilities | **(4,365)** | (4,103) |
| Non-current portion included under non-current liabilities | **5,513** | 10,017 |

The Group entered into finance leases for various items of machineries and motor vehicle. The lease runs for initial periods of three to five years. These leases do not have options to renew or any contingent rental provisions.

## 30. DEFERRED TAX LIABILITIES

Deferred taxation is calculated on temporary differences under the liability method using the rates of taxation prevailing in the counties in which the Group operates.

### Group

The movement on the deferred tax liabilities is as follows:

| | **2008** | 2007 |
|---|---|---|
| | **HK$'000** | HK$'000 |
| At 1 January | **1,612** | 1,990 |
| Deferred taxation (credited)/charged to income statement (Note 12) | **858** | (378) |
| At 31 December | **2,470** | 1,612 |

# Notes to the Financial Statements

*For the year ended 31 December 2008*

## 30. DEFERRED TAX LIABILITIES (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 | | Tax losses | | Total | |
|---|---|---|---|---|---|---|
| | **2008** | 2007 | **2008** | 2007 | **2008** | 2007 |
| | **HK$'000** | HK$'000 | **HK$'000** | HK$'000 | **HK$'000** | HK$'000 |
| At 1 January | **4,120** | 4,965 | **(2,508)** | (2,975) | **1,612** | 1,990 |
| Charged/(Credited) to income statement | **2,632** | (845) | **(1,774)** | 467 | **858** | (378) |
| At 31 December | **6,752** | 4,120 | **(4,282)** | (2,508) | **2,470** | 1,612 |

### 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 unrecognised deductible temporary differences are as follows:

| | Group | | Company | |
|---|---|---|---|---|
| | **2008** | 2007 | **2008** | 2007 |
| | **HK$'000** | HK$'000 | **HK$'000** | HK$'000 |
| Difference between depreciation and depreciation allowance | **97** | 1,017 | **–** | – |
| Unutilised tax losses | **12,924** | 13,993 | **–** | 659 |
| | **13,021** | 15,010 | **–** | 659 |

The deductible temporary differences have not been recognised in the financial statements as it is not probable that future taxable profit will be available against which these deductible temporary differences can be utilised. All tax losses and deductible temporary differences of the Group and the Company have no expiry dates under the current tax legislation except for the tax losses amounting to HK$7,707,000 (2007: HK$7,753,000) incurred by two (2007: two) subsidiaries in the PRC which will expire after 5 years from the year in which the tax losses were incurred. Unused tax losses of HK$4,226,000, HK$3,432,000 and HK$49,000 will expire in 2011, 2012 and 2013 respectively.

# Notes to the Financial Statements

*For the year ended 31 December 2008*

## 31. SHARE CAPITAL

| | 2008 | | 2007 | |
|---|---|---|---|---|
| | **Number of shares ’000** | **Nominal value HK$’000** | Number of shares ’000 | Nominal value HK$’000 |
| Authorised: | | | | |
| Ordinary shares of HK$0.20 each | **500,000** | **100,000** | 500,000 | 100,000 |
| Issued and fully paid: | | | | |
| Ordinary shares of HK$0.20 each | | | | |
| At 1 January | **277,716** | **55,543** | 274,800 | 54,960 |
| Issue of shares in exchange of equity interest of subsidiaries | **32,130** | **6,426** | – | – |
| Shares issued on exercise of share options (Note 32) | **–** | **–** | 2,916 | 583 |
| At 31 December | **309,846** | **61,969** | 277,716 | 55,543 |

The Company issued 26,250,000 shares on 25 April 2008 to a minority shareholder of Recruit Group Limited as part of purchase consideration for 20% of its ordinary share capital. The ordinary shares issued have the same right as other shares in issue. The fair value of the shares issued at the date of acquisition amounted to HK$28,875,000 (HK$1.1 per share).

The Company issued 5,880,000 shares on 30 May 2008 to another minority shareholder of Recruit Group Limited and Recruit Human Resources Group Limited as purchase consideration for 4.5% and 5% of its ordinary share capital of Recruit Group Limited and Recruit Human Resources Group Limited respectively. The ordinary shares issued have the same right as other shares in issue. The fair value of the shares issued at the date of acquisition amounted to HK$5,939,000 (HK$1.01 per share).

The increase in share capital in 2007 represented the shares issued on exercise of share options, granted under the Company’s share option scheme as stated in Note 32 to the financial statements.

# Notes to the Financial Statements

*For the year ended 31 December 2008*

## 32. SHARE-BASED EMPLOYEE COMPENSATION

### MB Share Option Scheme

The MB share option scheme (the "MB Share Option Scheme") was adopted by the Company pursuant to a resolution passed on 13 July 2007 and will expire on 12 July 2017. The purpose of the MB Share Option Scheme is to reward participants who have contributed to the Group and to encourage participants to work towards enhancing the value of the Company and its shares for the benefit of the Company and its shareholders as a whole. The board of directors may, at its discretion, offer to directors, employees of any member of the Group, any advisors and service providers of any member of the Group, 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 irrespective of numbers of share options granted.

The share-based employee compensation was settled by the issue of the Company's ordinary shares. The Group had no legal or constructive obligation to repurchase or settle the options other than in the Company's ordinary shares.

Details of the share options granted under the MB Share Option Scheme are as follows:

| Date of grant | Number of options granted | Vesting period | Exercisable period | Exercise price per share HK$ |
|---|---|---|---|---|
| 18.8.2008 | 5,700,000 | 18.8.2008 to 17.8.2009 | 18.8.2009 to 17.8.2013 | 0.93 |
| 18.8.2008 | 5,700,000 | 18.8.2008 to 17.8.2010 | 18.8.2010 to 17.8.2013 | 0.93 |

The following table shows the movements in the outstanding options granted under the MB Share Option Scheme:

| | Number of share options | | | |
|---|---|---|---|---|
| **Grantees** | **Outstanding at 1 January 2008** | **Granted during the year** | **Exercised during the year** | **Outstanding at 31 December 2008** |
| Directors | – | 2,400,000 | – | 2,400,000 |
| Employees | – | 9,000,000 | – | 9,000,000 |
| **Total** | **–** | **11,400,000** | **–** | **11,400,000** |

# Notes to the Financial Statements

*For the year ended 31 December 2008*

## 32. SHARE-BASED EMPLOYEE COMPENSATION (CONTINUED)

### MB Share Option Scheme (Continued)

Notes:

(i) 11,400,000 new share options were granted during the year ended 31 December 2008.

(ii) The closing price of the shares of HK$0.20 each of the Company quoted on the Stock Exchange on 15 August 2008, being the business date immediately before the date on which the share options were granted, was HK$0.88.

(iii) The fair value of the options granted under the MB Share Option Scheme on 18 August 2008, measured at the date of grant, was approximately HK$2,221,000. The following significant assumptions were used to derive the fair values, using the Black-Scholes option pricing model:

| **Date of grant** | **18.8.2008** |
|---|---|
| Expected volatility (based on the annualised historical volatility of the closing price of the shares in the Company from 1 September 2005 to the date of grant) | 46.71% |
| Expected life (in years) | 4 |
| Risk-free interest rate (being the approximate yield of Exchange Fund on the grant date) | 3.32% |
| Expected dividend yield | 8.6% |

In total, HK$625,000 of share-based employee compensation expense were included in the consolidated income statement for the year ended 31 December 2008 with a corresponding credit in equity while no such expense has been recognised for the year ended 31 December 2007 as no new share options were granted. No liabilities were recognised as they were all equity-settled share-based payment transactions.

### GEM Share option scheme

Prior to the adoption of MB Share option scheme, the Company's GEM share option scheme (the "GEM 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 would expire on 2 July 2010. The GEM Share Option Scheme was terminated on 23 July 2007 and all outstanding share options were either exercised or forfeited.

# Notes to the Financial Statements

*For the year ended 31 December 2008*

## 33. RESERVES

Details of the movements in the reserves of the Group during the year are set out in the consolidated statement of changes in equity on pages 26 to 27.

| | Company | | | | |
|---|---|---|---|---|---|
| | Share premium HK$'000 | Employee compensation reserve HK$'000 | Contributed surplus HK$'000 | (Accumulated losses)/ Retained earnings HK$'000 | Total HK$'000 |
| At 1 January 2007 | 54,097 | 1,283 | 25,844 | (11,942) | 69,282 |
| Shares issued on exercise of share options | 2,056 | (1,212) | – | – | 844 |
| Share issue expenses | (9) | – | – | – | (9) |
| Share options forfeited | – | (71) | – | 71 | – |
| Profit for the year | – | – | – | 61,903 | 61,903 |
| Interim 2007 dividend paid (Note 14) | – | – | (5,554) | – | (5,554) |
| Proposed final 2007 dividend (Note 14) | – | – | – | (13,886) | (13,886) |
| At 31 December 2007 and 1 January 2008 | 56,144 | – | 20,290 | 36,146 | 112,580 |
| Equity-settled share-based payment expense | – | 625 | – | – | 625 |
| Share issue expenses | (244) | – | – | – | (244) |
| Share issued at premium | 28,388 | – | – | – | 28,388 |
| Profit for the year | – | – | – | 21,257 | 21,257 |
| Interim 2008 dividend paid (Note 14) | – | – | – | (9,295) | (9,295) |
| Proposed final 2008 dividend (Note 14) | – | – | – | (15,492) | (15,492) |
| **At 31 December 2008** | **84,288** | **625** | **20,290** | **32,616** | **137,819** |

The contributed surplus of the Company comprises:

(i) an amount of HK$17,919,000 arose as a result of a group reorganisation in 2000 and represents the difference between the excess of the value of the consolidated shareholders' funds of Recruit (BVI) Limited at the date when the group reorganisation became effective over the nominal amount of the share capital of the Company issued under the group reorganisation, and

(ii) an amount of HK$45,000,000 which represents reduction in share capital in accordance with the Company's capital reorganisation in 2003, which involved (a) a reduction of the nominal value of the shares from HK$0.05 each to HK$0.01 each by cancelling the issued capital to the extent of HK$0.04 paid up on each of the issued shares and the sub-division of each unissued share into five unissued new shares; and (b) maintaining, after implementation of the reduction in nominal value of each share as referred to above, the authorised share capital of the Company at HK$100,000,000 but divided into 10,000,000,000 new shares of HK$0.01 each;

# Notes to the Financial Statements

*For the year ended 31 December 2008*

## 33. RESERVES (CONTINUED)

and is reduced by:

(iii) an amount of HK$42,629,000 (2007: HK$42,629,000) representing the accumulated proposed dividend to be distributed or dividend distributed.

The Company's reserves available for distribution comprise its contributed surplus and retained earnings.

Under the Companies Act 1981 of Bermuda (as amended), the contributed surplus account of the Company is available for distribution. However, the Company cannot declare or pay a dividend, or make a distribution out of contributed surplus if:

(a) it is, or would after the payment be, unable to pay its liabilities as they become due; or

(b) the realisable value of its assets would thereby be less than the aggregate of its liabilities and its issued share capital and share premium accounts.

## 34. OPERATING LEASE COMMITMENTS

### Group

As at 31 December 2008, the total future minimum lease payments of the Group under non-cancellable operating leases are payable as follows:

| | **Rented premises and production facilities** | | **Internet access line** | |
|---|---|---|---|---|
| | **2008** | 2007 | **2008** | 2007 |
| | **HK$'000** | HK$'000 | **HK$'000** | HK$'000 |
| Within one year | **9,144** | 6,204 | **391** | 122 |
| In the second to fifth years inclusive | **28,635** | 13,604 | **277** | – |
| After five years | **28,963** | 8,548 | **–** | – |
| | **66,742** | 28,356 | **668** | 122 |

The Group leases a number of properties and production facilities and internet access line under operating leases. The leases run for an initial period from one to ten years, with an option to renew the lease and renegotiate the terms at the expiry date or at dates as mutually agreed between the Group and respective landlords/lessors.

# Notes to the Financial Statements

*For the year ended 31 December 2008*

## 34. OPERATING LEASE COMMITMENTS (CONTINUED)

### Company

As at 31 December 2008, the total future minimum lease payments of the Company under non-cancellable operating leases in respect of rented premises are payable as follows:

| | 2008 HK$'000 | 2007 HK$'000 |
|---|---|---|
| Within one year | **420** | 720 |
| In the second to fifth years inclusive | **–** | 420 |
| | **420** | 1,140 |

The Company leases a property under operating leases. The leases run for an initial period of two years.

## 35. CAPITAL COMMITMENTS

| | Group | | Company | |
|---|---|---|---|---|
| | 2008 HK$'000 | 2007 HK$'000 | 2008 HK$'000 | 2007 HK$'000 |
| Contracted but not accounted for in respect of: | | | | |
| Acquisition of property, plant and equipment | **15,320** | 24,661 | **–** | – |

## 36. CORPORATE GUARANTEES

| | Group | | Company | |
|---|---|---|---|---|
| | 2008 HK$'000 | 2007 HK$'000 | 2008 HK$'000 | 2007 HK$'000 |
| Corporate guarantees given and utilised * | **–** | – | **54,640** | 13,724 |

* As at 31 December 2008, the Company provided corporate guarantees to its non wholly owned subsidiary to the extent of HK$91,140,000 (2007: HK$24,700,000) in relation to the payments for bank borrowings and certain finance leases to financial institutions as set out in Note 28 and Note 29 to the financial statements, respectively, HK$54,640,000 (2007: HK$13,724,000) of which was utilised.

In the opinion of the directors of the Company, no material liabilities will arise from the above guarantees which arose in the ordinary course of business and the fair value of the corporate guarantees granted by the Company is immaterial.

# Notes to the Financial Statements

*For the year ended 31 December 2008*

## 37. RETIREMENT BENEFIT SCHEMES

The amounts of retirement benefit contributions for the Group's employees, net of forfeited contributions, which have been dealt with in the income statement of the Group for each of the two years ended 31 December 2008 and 2007 are as follows:

| | **2008** **HK$'000** | 2007 HK$'000 |
|---|---|---|
| Gross retirement benefit scheme contributions | **2,123** | 2,530 |
| Less: Forfeited contributions for the year | **(66)** | – |
| Net retirement benefit scheme contributions (Note 11) | **2,057** | 2,530 |

## 38. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

### (a) Major non-cash transactions

During the year, the Company issued 32,130,000 shares in exchange of 24.5% and 5% of the ordinary share capital of Recruit Group Limited and Recruit Human Resources Group Limited respectively and the cash consideration of HK$11,250,000 from minority shareholders of subsidiaries.

For the year ended 31 December 2007, 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$456,000.

### (b) Disposals of a subsidiary

| | 2007 HK$'000 |
|---|---|
| Net assets disposed of: | |
| Property, plant and equipment | 108 |
| Trade and other receivables | 413 |
| Amount due from immediate holding company | 1,406 |
| Amount due from a fellow subsidiary | 1,011 |
| Cash and cash equivalents | 610 |
| Trade and other payables | (320) |
| | 3,228 |
| Loss on disposal of a subsidiary | (811) |
| Total consideration | 2,417 |
| Satisfied by | |
| Waiver of amount due from immediate holding company | 1,406 |
| Waiver of amount due from a fellow subsidiary | 1,011 |
| | 2,417 |

# Notes to the Financial Statements

*For the year ended 31 December 2008*

## 38. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT (CONTINUED)

### (b) Disposals of a subsidiary (Continued)

An analysis of net inflow of cash and cash equivalents in respect of the disposal of a subsidiary is as follows:

| | 2007<br>HK$'000 |
|---|---|
| Cash and bank balance disposed | (610) |
| Net outflow of cash and cash equivalents in respect of the disposals of a subsidiary | (610) |

## 39. RELATED PARTY TRANSACTIONS AND BALANCES

Transactions between the Company and its subsidiaries, which are related parties of the Company, have been eliminated on consolidation and are not disclosed in this note. Save as disclosed in Notes 19, 21 and 22 to the financial statements, details of other significant transactions between the Group and other related parties during the year ended 31 December 2008 are disclosed as follows:

### (a) Related party transactions

For the period from 1 January 2007 to 30 October 2007, the Group paid printing costs of HK$10,643,000 to Premier Printing Group Limited ("PPGL"), a related company in which an associate company of the Group, PPG Investments Limited ("PPGI"), held a 50% interest. The transactions were carried out in the normal course of the Group's business and were charged at prices mutually agreed by the Group and the contracting party. On 30 October 2007, PPGI sold its entire interests in PPGL and thereafter it was no longer a related party of the Group.

### (b) Compensation of key management personnel

The key management personnel of the Group are the directors of the Company. The remuneration of the key management personnel is determined by the remuneration committee having regard to the performance of individuals and market trends. Details of the remuneration paid to them are set out in Note 10(a) to the financial statements.

## 40. HOLDING COMPANIES

As at 31 December 2008, the Company's ultimate holding company is ER2 Holdings Limited which was incorporated in Hong Kong and the Company's immediate holding company is City Apex Limited, which was incorporated in the British Virgin Islands.

# Notes to the Financial Statements

*For the year ended 31 December 2008*

## 41. PARTICULARS OF PRINCIPAL SUBSIDIARIES

| Name of company | Date of incorporation/ establishment | Place/Country of incorporation/ establishment and kind of legal entity | Class of shares | Issued and fully paid share capital/ registered capital | Percentage of issued capital held by the Company^ | Principal activities and place of operations |
|---|---|---|---|---|---|---|
| 1010 Group Limited | 10 January 2005 | Hong Kong, limited liability company | Ordinary | HK$33,000,000 | 73% | Investment holding, Hong Kong |
| 1010 Printing International Limited 滙星印刷國際有限公司 | 10 January 2005 | Hong Kong, limited liability company | Ordinary | HK$1 | 73% | Printing, Hong Kong |
| 1010 Printing (UK) Limited * | 2 January 2007 | United Kingdom, limited liability company | Ordinary | GBP 1,000 | 54% | Printing agency, United Kingdom |
| 1010 Printing (USA) Inc. | 2 July 2008 | United States of America, limited liability company | Ordinary | US$100 | 73% | Provision for printing services, United States of America |
| 1010 Printing Asia Limited | 3 April 2007 | Hong Kong, limited liability company | Ordinary | HK$1 | 73% | Printing, Hong Kong |
| Central Publisher Limited 卓越出版社有限公司 | 26 September 1997 | Hong Kong, limited liability company | Ordinary | HK$1,000 | 100% | Publishing and investment trading, Hong Kong |
| EAR Media Limited (formerly known as Recruit Advertising Limited 才庫廣告有限公司) | 23 April 1991 | Hong Kong, limited liability company | Ordinary | HK$105,000 | 100% | Provision of advertising services, Hong Kong |
| Recruit (BVI) Limited | 15 March 2000 | British Virgin Islands, limited liability company | Ordinary | US$10,000 | 100% | Investment holding, Hong Kong |
| Recruit (China) Holdings Limited 才庫(中國)控股有限公司 | 3 November 2004 | British Virgin Islands, limited liability company | Ordinary | US$1 | 100% | Investment holding, Hong Kong |
| Recruit Company Limited 才庫媒體有限公司 | 18 January 1994 | Hong Kong, limited liability company | Ordinary | HK$213,536 | 100% | Investment holding, Hong Kong |
| Recruit Group Limited | 8 January 2007 | British Virgin Islands, limited liability company | Ordinary | US$10,000 | 100% | Investment holding, Hong Kong |
| Recruit Human Resources Group Limited 才庫招聘資源有限公司 | 7 April 2005 | British Virgin Islands, limited liability company | Ordinary | US$2,564,102 | 100% | Investment holding, Hong Kong |
| Recruit Information Technology Limited 才庫資訊科技有限公司 | 7 November 2003 | Hong Kong, limited liability company | Ordinary | HK$1,000 | 100% | Provision of website development and information technology services, Hong Kong |

# Notes to the Financial Statements

*For the year ended 31 December 2008*

## 41. PARTICULARS OF PRINCIPAL SUBSIDIARIES (CONTINUED)

| Name of company | Date of incorporation/ establishment | Place/Country of incorporation/ establishment and kind of legal entity | Class of shares | Issued and fully paid share capital/ registered capital | Percentage of issued capital held by the Company^ | Principal activities and place of operations |
|---|---|---|---|---|---|---|
| Recruit Management Services Limited 才庫管理有限公司 | 13 April 2006 | Hong Kong, limited liability company | Ordinary | HK$1 | 100% | Provision of corporate management service, Hong Kong |
| Recruit Media Limited | 26 July 2004 | Hong Kong, limited liability company | Ordinary | HK$1 | 100% | Provision of advertising services, Hong Kong |
| Mega Form Inc. Limited | 2 July 2008 | Hong Kong, limited liability company | Ordinary | HK$1 | 73% | Investment holding, Hong Kong |
| Recruit Advertising Limited 才庫廣告有限公司 (formerly known as Recruit Online Advertising Limited 才庫網絡廣告有限公司) | 30 April 1999 | Hong Kong, limited liability company | Ordinary | HK$52,000,000 | 100% | Publishing and advertising business, Hong Kong |
| SAR Media Limited 文化特區出版有限公司 | 4 June 1997 | Hong Kong, limited liability company | Ordinary | HK$10,000 | 100% | Provision of advertising services, Hong Kong |
| 廣州海螢廣告有限公司 * Arabesque Advertising Limited | 1 February 2005 | PRC, limited liability company | N/A | HK$1,900,000 (registered capital) | 100% | Provision of advertising services, the PRC |
| 才庫企業管理顧問(上海)有限公司 * Recruit Management Consulting (Shanghai) Company Limited | 5 January 2005 | PRC, limited liability company | N/A | US$2,000,000 (registered capital) | 100% | Investment holding and provision of corporate management service, the PRC |

* The statutory accounts of these companies have been audited by firms other than Grant Thornton. The English translation of Chinese names is included for identification only and should not be regarded as their official English translation.

^ 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 subsidiaries which materially affect the results or assets of the Group.

None of the subsidiaries had any debt securities subsisting at the end of the year or at any time during the year.

# Notes to the Financial Statements

*For the year ended 31 December 2008*

## 42. FINANCIAL RISK MANAGEMENT

The Group does not have written risk management policies and guidelines. However, the board of directors meets periodically to analyse and formulate strategies to manage and monitor the Group's exposure to a variety of risks associated with financial instruments which arise from the Group's operating and investing activities. Generally, the Group employs conservative strategies regarding its risk management to ensure appropriate measures are implemented on a timely and effective manner. The risks associated with these financial instruments and the policies on how to these risks are mitigated are described as follows:

### (a) Credit risk

The Group's maximum credit exposure arising from its financial assets as at 31 December 2008 equals to their carrying amounts. The Group's financial assets are summarised in note 42(g) below. The Group limits its exposure to credit risk by prudently selecting its customers. The Group's trade and other receivables are actively monitored to avoid significant concentrations of credit risk. The Group also continually evaluates the credit risk of its customers to ensure appropriateness of the amount of credit granted. Credit is extended to customers based on the evaluation of individual customer's financial conditions. In addition, the Group reviews the recoverable amount of each individual trade debt at each balance sheet date to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Company consider the Group's credit risk is significantly reduced. There is no requirement for collaterals by the Group.

The Group has deposited its cash with various banks and brokers. The credit risk on cash and bank balances is limited because most of the Group's bank deposits are deposited with major banks and financial institutions located in Hong Kong and the PRC.

### (b) Currency risk

The sales transactions of the Group are denominated in United States Dollars ("US$"), Australian Dollars ("AUD"), RMB and HK$ and there are expenses and acquisition of plant and machinery that are required to be settled in US$, RMB and HK$. Certain trade receivables and trade payables of the Group are denominated in foreign currencies, mainly US$, AUD and RMB. The Group monitors foreign exchange exposure and considers hedging significant foreign currency exposure should the need arise.

# Notes to the Financial Statements

*For the year ended 31 December 2008*

## 42. FINANCIAL RISK MANAGEMENT (CONTINUED)

### (b) Currency risk (Continued)

Foreign currency denominated financial assets and liabilities, translated into HK$ at the closing rate, are as follows:

| **2008** | **US$'000** | **RMB'000** | **AUD'000** |
|---|---|---|---|
| Trade and other receivables | **6,479** | **29,608** | **3,885** |
| Cash and cash equivalents | **5,768** | **23** | **1,802** |
| Trade and other payables | **(8)** | **(40,633)** | **–** |
| | **12,239** | **(11,002)** | **5,657** |

| 2007 | US$'000 | RMB'000 | AUD'000 |
|---|---|---|---|
| Trade and other receivables | 3,332 | 25,553 | 2,749 |
| Cash and cash equivalents | 219 | 12 | 35 |
| Trade and other payables | (57) | (27,282) | – |
| | 3,494 | (1,717) | 2,784 |

The following table illustrates the sensitivity of the net results for the year and retained earnings in regards to the Group's financial assets and financial liabilities at the balance sheet date and the reasonably possible changes in the foreign exchange rates in the next 12 months to which the Group has significant exposure at the balance sheet date, based on the assumption that other variables are held constant. Changes in foreign exchange rates have no impact on the Group's other components of equity.

**Group**

| | **2008** | | 2007 | |
|---|---|---|---|---|
| | **Increase/(Decrease) in foreign exchange rates** | **Effect on profit after tax and retained earnings HK$'000** | Increase/(Decrease) in foreign exchange rates | Effect on profit after tax and retained earnings HK$'000 |
| US$ | **1%** | **948** | 7% | 1,895 |
| | **(1%)** | **(948)** | (7%) | (1,895) |
| RMB | **6%** | **(726)** | 6% | (110) |
| | **(6%)** | **726** | (6%) | 110 |
| AUD | **24%** | **7,264** | 12% | 2,138 |
| | **(24%)** | **(7,264)** | (12%) | (2,138) |

Exposures to foreign exchange rates vary during the year depending on the volume of overseas transactions. Nonetheless, the analysis above is considered to be representative of the Group's exposure to currency risk.

# Notes to the Financial Statements

*For the year ended 31 December 2008*

## 42. FINANCIAL RISK MANAGEMENT (CONTINUED)

### (c) Interest rate risk

The Group does not have material exposure to interest rate risk, as the Group has no financial assets and liabilities of material amounts with floating interest rates except for certain bank borrowings and finance lease contracts. Sensitivity of the Group's profit after tax and retained earnings to a reasonable change in the interest rate is assessed to be immaterial. Changes in interest rates have no impact on other components of equity. The Group adopts centralised treasury policies in cash and financial management and focuses on reducing the Group's overall interest expense. The terms of repayment of bank borrowings and obligations under finance leases are set out in Notes 28 and 29 to the financial statements respectively.

### (d) Liquidity risk

The Group's policy is to regularly monitor its liquidity requirements to ensure that it maintains sufficient reserves of cash to meet its liquidity requirements in the short and longer term. The Group has net current assets of HK$161,361,000 and HK$216,225,000 and has net assets of HK$231,901,000 and HK$315,119,000 as at 31 December 2007 and 2008 respectively. In the opinion of directors, the Group's exposure to liquidity risk is limited.

The following table details the remaining contractual maturities at each of the balance sheet dates of the Group's non-derivative financial liabilities, which are based on contractual undiscounted cash flows (including interest payment computed using contractual rates or, if floating, based on current rates at the balance sheet date) and the earliest date the Group may be required to pay:

**Group**

| | Carrying amount HK$'000 | Total contractual undiscounted cash flow HK$'000 | Within 3 months or on demand HK$'000 | More than 3 months but less than 1 year HK$'000 | More than 1 year but less than 5 years HK$'000 |
|---|---|---|---|---|---|
| **As at 31 December 2008** | | | | | |
| Trade and other payables | **78,375** | **78,375** | **78,375** | **–** | **–** |
| Finance lease liabilities | **9,878** | **10,152** | **1,139** | **3,416** | **5,597** |
| Bank borrowings | **49,500** | **52,549** | **1,567** | **4,663** | **46,319** |
| | **137,753** | **141,076** | **81,081** | **8,079** | **51,916** |
| **As at 31 December 2007** | | | | | |
| Trade and other payables | 76,552 | 76,552 | 76,552 | – | – |
| Finance lease liabilities | 14,120 | 15,490 | 1,202 | 3,604 | 10,684 |
| | 90,672 | 92,042 | 77,754 | 3,604 | 10,684 |

# Notes to the Financial Statements

*For the year ended 31 December 2008*

## 42. FINANCIAL RISK MANAGEMENT (CONTINUED)

### (d) Liquidity risk (Continued)

**Company**

| | Carrying amount HK$'000 | Total contractual undiscounted cash flow HK$'000 | Within 3 months or on demand HK$'000 | More than 3 months but less than 1 year HK$'000 | More than 1 year but less than 5 years HK$'000 |
|---|---|---|---|---|---|
| **As at 31 December 2008** | | | | | |
| Other payables | **193** | **193** | **193** | **–** | **–** |
| Amounts due to subsidiaries | **132,565** | **132,565** | **132,565** | **–** | **–** |
| | **132,758** | **132,758** | **132,758** | **–** | **–** |
| **As at 31 December 2007** | | | | | |
| Other payables | 87 | 87 | 87 | – | – |
| Amounts due to subsidiaries | 63,810 | 63,810 | 63,810 | – | – |
| | 63,897 | 63,897 | 63,897 | – | – |

### (e) Other pricing risk

The Group has invested in listed equity securities which are measured at fair value at each balance sheet date. Therefore, the Group is exposed to equity price risk. The Group monitors the price movements and take appropriate actions when it is required. Sensitivity of the Group's profit after tax and retained earnings to a reasonable change in the equity price is assessed to be immaterial. Changes in equity prices have no impact on other components of equity.

### (f) Fair values

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

# Notes to the Financial Statements

*For the year ended 31 December 2008*

## 42. FINANCIAL RISK MANAGEMENT (CONTINUED)

### (g) Summary of financial assets and liabilities by category

The carrying amounts of the Group's financial assets and liabilities as recognised at the balance sheet dates are catergorised as follows. See Notes 3.12 and 3.19 for explanations about how the categorisation of financial instruments affects their subsequent measurements.

| | Group | | Company | |
|---|---|---|---|---|
| | **2008** | 2007 | **2008** | 2007 |
| | **HK$'000** | HK$'000 | **HK$'000** | HK$'000 |
| **Financial assets** | | | | |
| **Current assets** | | | | |
| Financial assets at fair value through profit or loss | **996** | 1,808 | **–** | – |
| Loans and receivables: | | | | |
| – Trade and other receivables | **135,820** | 109,664 | **–** | – |
| – Advances to associates | **–** | 96 | **–** | 70 |
| – Amounts due from subsidiaries | **–** | – | **262,255** | 158,974 |
| Cash and cash equivalents | **85,769** | 89,199 | **24,148** | 24,455 |
| | **222,585** | 200,767 | **286,403** | 183,499 |
| **Financial liabilities** | | | | |
| Financial liabilities measured at amortised cost: | | | | |
| **Current liabilities** | | | | |
| – Trade and other payables | **78,375** | 76,552 | **193** | 87 |
| – Amounts due to subsidiaries | **–** | – | **132,565** | 63,810 |
| – Bank borrowings | **5,172** | – | **–** | – |
| – Finance lease liabilities | **4,365** | 4,103 | **–** | – |
| **Non-current liabilities** | | | | |
| – Bank borrowings | **44,328** | – | **–** | – |
| – Finance lease liabilities | **5,513** | 10,017 | **–** | – |
| | **137,753** | 90,672 | **132,758** | 63,897 |

# Notes to the Financial Statements

*For the year ended 31 December 2008*

## 43. CAPITAL MANAGEMENT POLICIES AND PROCEDURES

The Group's objectives when managing capital are:

- To safeguard the Group's ability to continue as a going concern, so that it continues to provide returns for shareholders and benefits for other stakeholders;

- To support the Group's stability and growth; and

- To provide capital for the purpose of strengthening the Group's risk management capability.

The Group actively and regularly reviews and manages its capital structure to ensure optimal capital structure and shareholder returns, taking into consideration the future capital requirements of the Group and capital efficiency, prevailing and projected profitability, projected operating cash flows, projected capital expenditures and projected strategic investment opportunities. The Group has not adopted any formal dividend policy.

Management regards total equity as capital, for capital management purpose. The amount of capital as at 31 December 2007 and 2008 amounted to approximately HK$231,901,000 and HK$315,119,000 respectively, which management considers as optimal having considered the projected capital expenditures and the projected strategic investment opportunities.

# 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 or amended HKFRSs as appropriate, is set out below:

## FINANCIAL RESULTS

| | Financial year ended 31 December | | | | |
|---|---|---|---|---|---|
| | 2004<br>HK$'000 | 2005<br>HK$'000 | 2006<br>HK$'000 | 2007<br>HK$'000 | **2008**<br>**HK$'000** |
| **Revenue and turnover** | 103,995 | 227,103 | 298,333 | 439,075 | **592,882** |
| Profit before income tax | 34,014 | 38,328 | 64,262 | 71,960 | **82,617** |
| Income tax expense | (28) | (1,060) | (5,982) | (4,918) | **(2,274)** |
| **Profit for the year** | 33,986 | 37,268 | 58,280 | 67,042 | **80,343** |
| Attributable to: | | | | | |
| Equity holders of the Company | 33,986 | 37,094 | 55,102 | 57,904 | **75,648** |
| Minority interests | – | 174 | 3,178 | 9,138 | **4,695** |
| **Profit for the year** | 33,986 | 37,268 | 58,280 | 67,042 | **80,343** |

| | As at 31 December | | | | |
|---|---|---|---|---|---|
| | 2004<br>HK$'000 | 2005<br>HK$'000 | 2006<br>HK$'000 | 2007<br>HK$'000 | **2008**<br>**HK$'000** |
| **ASSETS AND LIABILITIES** | | | | | |
| Total assets | 107,136 | 218,577 | 253,468 | 329,787 | **456,516** |
| Total liabilities | (8,797) | (81,376) | (65,861) | (97,886) | **(141,397)** |
| Total equity | 98,339 | 137,201 | 187,607 | 231,901 | **315,119** |