



**PANDA-RECRUIT LIMITED**  
(Incorporated in the Cayman Islands with limited liability)

# 2002 FIRST QUARTERLY REPORT



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

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

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

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

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

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

## HIGHLIGHTS

- The Group recorded a net loss attributable to shareholders of HK\$8,008,000 for the three months ended 31st March 2002; a significant improvement of 55.8% when compared with the loss of HK\$18,126,000 recorded in the same period last year. Earnings before interest, taxes, depreciation and amortization ("EBITDA") for the three months ended 31st March 2002 recorded a loss of HK\$5,329,000, a 63.7% improvement over the same period last year (2001: HK\$14,697,000). This reduction of loss was achieved despite the significant drop in turnover resulting from the continuing downturn in the Hong Kong recruitment market.
- The Group's turnover for the three months ended 31st March 2002 was HK\$18,376,000, a decrease of 45.5% compared to the same period of 2001. The Group expects the recruitment market to remain subdued for at least the 2nd quarter of 2002. Looking at recruitment advertising income alone, according to the Group's estimates, the overall recruitment market declined by 60.5% in the first three months of 2002 when compared to the same period in 2001. The Group's recruitment advertising revenue in the same period recorded a decline of 56.4%.
- The Group has taken and will continue to explore measures to reduce expenses to cope with the current economic downturn.
- The exclusive agreement with the MTR Corporation Limited ("MTRC Agreement") for distribution of Recruit at MTR stations will expire on 2nd July 2002. The Group submitted tender documents to the MTR Corporation Limited regarding the said exclusive distribution right on 16th January 2002. On 18th March 2002, the MTR Corporation Limited announced that upon expiry of the MTRC Agreement, the exclusive right to distribute a recruitment publication at MTR stations would be granted to a party other than the Group. The Group announced on 2nd May 2002 that it was making arrangements to continue distribution of Recruit for free at (a) about 4,000 newsstands throughout Hong Kong; (b) six major Kowloon-Canton Railway stations; and (c) Discovery Bay ferry terminals upon the expiry of the MTRC Agreement.
- The Group recorded a significant increase in the database of customers during the 1st quarter of 2002. In Hong Kong, the job seeker database increased by 37.6% to 222,205, while the advertiser database rose by 9.7% to 54,476, over the first three months of 2001. Pageviews of Pandaplanet.com rose by 3.6% to 1.45 million per week. The Group's database in the website, pp11.com, in the People's Republic of China (the "PRC"), recorded 160,445 job seekers as at 31st March 2002.

The Group continued to be affected by the downturn of economy in the first quarter of 2002. In spite of this, the Group achieved a significant increase in both the job seeker and advertiser databases in Hong Kong. The number of job seekers and advertisers increased to 222,205 and 54,476 respectively over the last three months.

During the period under review, the Group recorded a decline of 56.4% in recruitment advertising revenue over the same period last year, compared with a decline of approximately 60.5% in the Hong Kong recruitment advertising market.

Further, Pandaplanet.com, the Internet arm of the Group's recruitment business and a major recruitment website in Hong Kong, continued to grow substantially in terms of membership, content and pageviews during this period.

In terms of non-recruitment advertising, the Group registered a 10.8% growth of income compared with the same period of 2001.

## FINANCIAL AND OPERATIONAL SUMMARY

	For the three months ended			
	31st March 2002	31st March 2001	Increase/(Decrease)	
Turnover (HK\$'000)	<b>18,376</b>	33,724	(15,348)	(45.5%)
EBITDA (HK\$'000)	<b>(5,329)</b>	(14,697)	9,368	63.7%
Loss attributable to shareholders (HK\$'000)	<b>(8,008)</b>	(18,126)	10,118	55.8%
Basic loss per share (HK cents)	<b>(0.71)</b>	(1.61)	0.90	55.9%
No. of printed pages — Recruit (Hong Kong)	<b>2,744</b>	4,472	(1,728)	(38.6%)
Average weekly pageviews — Pandaplanet.com (million)	<b>1.45</b>	1.40	0.05	3.6%

	<b>As at 31st March 2002</b>	<b>As at 31st March 2001</b>	<b>Increase</b>	
No. of advertisers in database				
– Hong Kong – recruitment advertisers	<b>49,737</b>	45,845	3,892	8.5%
– non-recruitment advertisers	<b>4,739</b>	3,813	926	24.3%
– Guangzhou	<b>15,507</b>	3,318	12,189	367.4%
No. of jobseeker members in database				
– Hong Kong	<b>222,205</b>	161,530	60,675	37.6%
– Guangzhou	<b>160,445</b>	18,243	142,202	779.5%

## **FINANCIAL REVIEW**

Turnover of the Group decreased by HK\$15.3 million (45.5%) to HK\$18.4 million, compared to the same period of 2001. During this period, the market continued to be negatively affected by the weakened local economy. The market is expected to remain subdued for the 2nd quarter of 2002.

The Group recorded a net loss attributable to shareholders of HK\$8,008,000 for the three months ended 31st March 2002; a significant improvement of 55.8% when compared with the loss of HK\$18,126,000 recorded in the same period last year. The improvement was due to cost-cutting efforts in the Hong Kong operations and significant reduction in expenses including one-off promotional costs incurred in the 1st quarter of 2001 for its PRC operations. The Group cut its print publication project in Guangzhou and is continuing to explore other measures to reduce expenses. Despite the significant drop in turnover resulting from the continuing downturn in the Hong Kong recruitment market, the Group's EBITDA for the three months ended 31st March 2002 recorded a loss of HK\$5,329,000, a 63.7% improvement over the same period last year (2001: HK\$14,697,000).

As at 31st March 2002, the Group's cash balances and current liabilities less other current assets were approximately HK\$17.8 million and HK\$4.8 million respectively.

## **BUSINESS REVIEW**

A summary of the Group's business activities conducted in the 1st quarter of 2002 is given below.

## **Hong Kong Operations**

The Hong Kong operations continued to serve as the backbone of the Group, providing multi-media recruitment and career services to both job seekers and advertisers. In particular, Recruit and Pandaplanet.com constituted the Group's Internet-backed-by-print recruitment advertising solution. Recruit is a bilingual recruitment-advertising publication targeting white-collar job seekers, and is distributed free in Mass Transit Railway stations in Hong Kong every Friday and Monday. Pandaplanet.com provides full and exclusive online-recruitment service support to Recruit.

Due to the contraction of the overall economy in Hong Kong, the recruitment market remained subdued during the period under review. For the three months ended 31st March 2002, the Hong Kong operations recorded a decline in recruitment advertising revenue of 56.4% compared with the same period of 2001. However, despite the negative economic climate, the Hong Kong operations continued to experience significant growth of non-recruitment advertising revenue, registering a 10.8% increase over the corresponding period of 2001.

In the first quarter of 2002, the Hong Kong operations launched a series of marketing and advertising activities to strengthen the brand value of Recruit and Pandaplanet.com and to attract new advertisers and job seekers and cultivate their loyalty to Recruit and Pandaplanet.com. These activities included new television commercials; print and online advertising; participation in the Education and Careers Expo 2002; joint-promotional activities with universities, and a movie gala event. The Group also continued to increase its online visibility and expand its network through online partnership.

As at 31st March 2002, the total number of registered members with both Recruit and Pandaplanet.com reached 222,205, representing an increase of 37.6% over the corresponding period of 2001. In addition, a total of 82,946 registered members submitted resumes for job-seeking purposes, representing a 36.9% increase.

The Group continued to improve the matching accuracy and shorten the response time of its candidate/job-matching service. In the first three months of the year, demand for this service remained at around 50%, reflecting its continued popularity. The advertiser database continued to grow, registering a total of 54,476 recruitment and display advertisers as at 31st March 2002, marking an increase of 9.7% over the first three months of 2001.

With regard to product development, Pandaplanet.com underwent a site revamp in the first quarter of 2002. The improved design, structure and contents resulted in an increase in pageviews. The average number of pageviews reached 1.45 million per week in the first three months of 2002, representing an increase of 3.6% over the same period of 2001.

As disclosed in the Company's prospectus dated 11th July 2000, the exclusive agreement with the MTR Corporation Limited ("MTRC Agreement") will expire on 2nd July 2002. The Group received an invitation to tender from the MTR Corporation Limited regarding the said exclusive distribution right and submitted tender documents to the MTR Corporation Limited on 16th January 2002. On 18th March 2002, the MTR Corporation Limited announced that upon expiry of the MTRC Agreement, the exclusive distribution right to distribute a recruitment publication at the MTR stations would be granted to a party other than the Group. The Group announced on 2nd May 2002 that it was making arrangements to continue distribution of Recruit for free at (a) about 4,000 newsstands throughout Hong Kong; (b) six major Kowloon-Canton Railway stations; and (c) Discovery Bay ferry terminals upon the expiry of the MTRC Agreement on 2nd July 2002.

In addition, tactical promotional activities were carried out to inform all Recruit readers that the Group would continue to distribute Recruit for free at high-traffic points throughout Hong Kong after 2nd July 2002. These activities included open letters to the public; a readers' contest, an advertising campaign on Recruit's front covers, a press conference and a communication campaign targeted at advertisers, which drew tremendous positive feedback from both readers and advertisers alike. The Group will continue to carry out a variety of promotional activities throughout the year to sustain public awareness.

## **PRC Operations**

Due to the economic downturn, the Group decided on 8th February 2002 to terminate the print publication project in Guangzhou in order to minimize losses. However, recruitment services will still be available throughout the PRC through the website "pp11.com".

The Group will continue to develop the Internet operation of pp11.com, as it remains a cornerstone of the future development of the Group's business in the PRC. The registration of potential job seekers and recruitment advertisers throughout the PRC will remain a core responsibility of its operation. As at 31st March 2002, the PRC website had registered a total of 160,445 members of which 82,388 had submitted resumes for jobseeking purposes. Meanwhile, a total of 15,507 recruitment advertisers had also registered for recruitment purposes.

## RESULTS (UNAUDITED)

The Board of Directors (the "Board") of the Company announces the unaudited results of the Group for the three months ended 31st March 2002 together with the comparative unaudited figures for the corresponding period in 2001 as follows:

	Notes	Three months ended 31st March	
		2002 HK\$'000	2001 HK\$'000
Turnover	2	<b>18,376</b>	33,724
Other revenue		<b>231</b>	1,250
Raw materials and consumables used		<b>(2,752)</b>	(5,928)
Printing cost		<b>(3,552)</b>	(6,421)
Content and website development costs		<b>(850)</b>	(1,563)
Depreciation		<b>(2,038)</b>	(2,678)
Staff costs		<b>(8,448)</b>	(13,216)
Advertising and promotion expenses		<b>(3,177)</b>	(11,096)
Other operating expenses	3	<b>(5,157)</b>	(11,447)
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Loss from operations		<b>(7,367)</b>	(17,375)
Impairment loss in respect of loans to an associate		<b>(641)</b>	—
Share of results of an associate		<b>—</b>	(737)
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Loss before taxation		<b>(8,008)</b>	(18,112)
Taxation	4	<b>—</b>	(14)
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Loss attributable to shareholders		<b>(8,008)</b>	(18,126)
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Loss per share	5		
— Basic (HK cents)		<b>(0.71)</b>	(1.61)

Notes

### 1. Basis of presentation

The principal accounting policies adopted in preparing the unaudited consolidated results are consistent with those followed in the Group's annual financial statements for the year ended 31st December 2001.



## 2. Turnover

	Three Months ended 31st March	
	2002	2001
	HK\$'000	HK\$'000
Recruitment advertising income	11,969	27,474
Non-recruitment advertising income	6,086	5,491
Publication sales	198	193
Publishing income	107	170
Service income	16	396
	<b>18,376</b>	33,724

## 3. Other operating expenses

	Three Months ended 31st March	
	2002	2001
	HK\$'000	HK\$'000
Computer expenses	(545)	(931)
Rental expenses	(1,181)	(1,361)
Sales and distribution expenses	(1,106)	(3,637)
Administrative and other expenses	(2,325)	(5,518)
	<b>(5,157)</b>	(11,447)

## 4. Taxation

	Three Months ended 31st March	
	2002	2001
	HK\$'000	HK\$'000
The charge comprises:		
Provision for Hong Kong profits tax		
attributable to the Company and its subsidiaries	—	(14)
Share of taxation attributable to an associate	—	—
	<b>—</b>	(14)

No provision for Hong Kong profits tax and PRC income tax has been made as all the Group's Hong Kong and PRC subsidiaries sustained or incurred tax losses.

## 5. Loss per share

The calculation of the basic loss per share for the three months ended 31st March 2002 is based on the unaudited consolidated loss attributable to shareholders of HK\$8,008,000 (2001: HK\$18,126,000) and on the 1,125,000,000 (2001: 1,125,000,000) ordinary shares in issue during the three months ended 31st March 2002.

As there were no potential ordinary shares outstanding during the three months ended 31st March 2002 and 2001, no diluted loss per share is presented.

## 6. Movement in reserve

	<b>Three Months ended 31st March 2002</b>	
	<b>HK\$'000</b>	2001 HK\$'000
Exchange Reserve		
Balance brought forward	<b>5</b>	3
Translation of overseas operations	<b>—</b>	3
	<hr/>	<hr/>
Balance carried forward	<b>5</b>	6

## DIRECTORS' AND CHIEF EXECUTIVE'S INTEREST IN SECURITIES

As at 31st March 2002, the interests of the Directors and Chief Executive of the Company in the shares of the Company as recorded in the register required to be maintained under Section 29 of the Securities (Disclosure of Interests) Ordinance (the "SDI Ordinance") were as follows:

Name of Director	Personal Interest	Family Interest	Corporate Interest	Other Interest	Total
Chow Yung	153,650,000	Nil	Nil	Nil	153,650,000
Ifan Chan	17,809,000	Nil	Nil	Nil	17,809,000
Lo Ka Shui	1,500,000	Nil	220,760,000#	Nil	222,260,000
Lo Hong Sui, Vincent	Nil	Nil	73,586,667@	Nil	73,586,667
Barrie Calvert Goodridge	650,000	Nil	Nil	Nil	650,000
Peter Stavros Patapios Christofis	650,000	Nil	Nil	Nil	650,000

# The shares were beneficially owned by The Great Eagle Company, Limited ("The Great Eagle"). The Great Eagle is a wholly-owned subsidiary of Great Eagle Holdings Limited. As at 31st March 2002, Dr. Lo Ka Shui was interested and/or deemed to be interested in approximately 54.05 per cent of the issued share capital of Great Eagle Holdings Limited.

@ The shares were beneficially owned by Salespost Limited. Salespost Limited is ultimately held by a discretionary trust of which Mr. Lo Hong Sui, Vincent, a non-executive Director, and his family members are beneficiaries.

Save as disclosed above, none of the Directors or Chief Executive of the Company has any interest in the equity or debt securities of the Company or its associated corporations (as defined in the SDI Ordinance) as recorded in the register required to be maintained under Section 29 of the SDI Ordinance or as otherwise notified to the Company and the Exchange pursuant to the minimum standards of dealing by directors as referred to in Rule 5.40 of the GEM Listing Rules.

## DIRECTORS' AND CHIEF EXECUTIVE'S RIGHT TO ACQUIRE SHARES

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

As at 31st March 2002, the Company had not granted any option under the Company's share option scheme.

As at 31st March 2002, the Company had not granted any right to subscribe for equity or debt securities of the Company to any Director or Chief Executive of the Company or to his or her spouse or children under 18 years of age.

## SUBSTANTIAL SHAREHOLDERS

As at 31st March 2002, in addition to those interests as disclosed above in respect of the Directors, according to the register of substantial shareholders required to be maintained under S16 (1) of the SDI Ordinance, the Company had been notified of the following interests, being 10% or more in the issued share capital of the Company.

<b>Name</b>	<b>Number of Shares</b>
Mr. Chow Yung and Ms Ifan Chan <i>(Note 1)</i>	171,459,000
Shui Sing Holdings Limited <i>(Note 2)</i>	220,760,000
Shui Sing (BVI) Limited <i>(Note 2)</i>	220,760,000
Great Eagle Holdings Limited <i>(Note 2)</i>	220,760,000
Jolly Trend Limited <i>(Note 2)</i>	220,760,000
The Great Eagle Company, Limited <i>(Note 2)</i>	220,760,000
Publigroupe Limited <i>(Note 3)</i>	264,912,000
Publi Promotion Network Asia Holdings Limited <i>(Note 3)</i>	264,912,000
Jean Claude Decaux <i>(Note 4)</i>	117,745,000
Danielle Decaux <i>(Note 4)</i>	117,745,000
Jean Charles Decaux <i>(Note 4)</i>	117,745,000
Jean Sebastien Decaux <i>(Note 4)</i>	117,745,000
Jean Francois Decaux <i>(Note 4)</i>	117,745,000
Robert Caudron <i>(Note 4)</i>	117,745,000
JC Decaux International <i>(Note 4)</i>	117,745,000
Decaux S. A. <i>(Note 4)</i>	117,745,000
JC Decaux Communication (T) <i>(Note 4)</i>	117,745,000
JC Decaux Asia (S) Pte Ltd. <i>(Note 4)</i>	117,745,000
Avenir <i>(Note 4)</i>	117,745,000
United Communication Limited <i>(Note 4)</i>	117,745,000
JC Decaux Pearl & Dean Limited <i>(Note 4)</i>	117,745,000

Notes:

1. A total of 153,650,000 shares of the Company are held by Mr. Chow Yung, representing approximately 13.66 per cent of the share capital of the Company, and the remaining 17,809,000 shares of the Company, representing approximately 1.58 per cent of the share capital of the Company, are held by Ms Ifan Chan, the wife of Mr. Chow Yung and an Executive Director.
2. All the above 220,760,000 shares of the Company are the same parcel of shares referred to in "corporate interest" of Dr. Lo Ka Shui under "Directors' and Chief Executive's Interest in Securities".
3. Publigroupe Limited is the holding company of Publi Promotion Network Asia Holdings Limited. By virtue of the SDI Ordinance, Publigroupe Limited is deemed to be interested in the 264,912,000 shares of the Company held by Publi Promotion Network Asia Holdings Limited.
4. Each of Jean Claude Decaux, Danielle Decaux, Jean Charles Decaux, Jean Sebastien Decaux, Jean Francois Decaux, Robert Caudron, JC Decaux International, Decaux S. A., JC Decaux Communication (T), JC Decaux Asia (S) Pte Ltd., Avenir and United Communication Limited are deemed to be interested in the 117,745,000 shares of the Company owned by JC Decaux Pearl & Dean Limited pursuant to Section 8 of the SDI Ordinance.

## **SPONSORS' INTEREST**

To the best knowledge of ING Bank N.V. ("ING Bank"), the Company's sponsor, ING Bank, its directors, employees or associates did not hold any shares of the Company as at 31st March 2002.

ING Bank has entered into a sponsorship agreement with the Company whereby, for a fee, ING Bank will act as the Company's continuing sponsor for the purpose of Chapter 6 of the GEM Listing Rules until 31st December 2002.

## **PURCHASE, SALE OR REDEMPTION OF SHARES**

During the period from 1st January 2002 to 31st March 2002, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

## **COMPETING INTERESTS**

The following Initial Management Shareholders had interests in the following businesses:

Great Eagle Holdings Limited, being one of the Initial Management Shareholders, operates and has interest in various websites providing information on property, home decoration and music that are not related to recruitment advertising. Great Eagle Holdings Limited also has interest in a company that develops and markets an integrated suite of computer software for e-commerce solutions.

JC Decaux Pearl & Dean Limited, being one of the Initial Management Shareholders, engages in advertising business and outdoor display advertising in Hong Kong.

Publi Promotion Network Asia Holdings Limited, being one of the Initial Management Shareholders, engages in promotion of print advertising in various publications in the Asian region. It is also involved in the sale of Internet banner display advertisements and the publication of in-flight magazines for airlines.

The Directors believe that the principal business objectives of the Group are different from those of Great Eagle Holdings Limited and its associates, JC Decaux Pearl & Dean Limited and Publi Promotion Network Asia Holdings Limited. The Group carries on the business of recruitment advertising and the provision of related services, while the websites and the advertising businesses currently operated by Great Eagle Holdings Limited, JC Decaux Pearl & Dean Limited and Publi Promotion Network Asia Holdings Limited cover various aspects other than recruitment advertising and are aimed at non-recruitment advertising clients. As such, the Directors are not aware of any significant impact or compromise in the past relating to business competition between the Group and its Initial Management Shareholders and believe that such competition should not have any significant impact on the future business development of the Group.

Save as otherwise disclosed above, none of the Directors and the Initial Management Shareholders had any investments in businesses which compete with the recruitment advertising business of the Group as at 31st March 2002.

By Order of the Board  
**Law Kwong Wah**  
*Company Secretary*

Hong Kong, 13th May 2002