



PANDA-RECRUIT LIMITED

(Incorporated in the Cayman Islands with limited liability)

2002 *3rd Quarterly Report*

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

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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

- In the 3rd quarter of 2002, the Group recorded a net loss attributable to shareholders of HK\$13,122,000, compared with a loss of HK\$10,464,000 for the same period last year. The Group's turnover for the 3rd quarter of 2002 was HK\$17,665,000, which represented decreases of 32.4%, compared to the same period of 2001.
- In the nine months ended 30th September 2002, the Group recorded a net loss attributable to shareholders of HK\$20,374,000, compared with a loss of HK\$39,220,000 for the same period last year. The Group's turnover for the nine months ended 30th September 2002 was HK\$58,232,000, which represented a decrease of 36.1% when compared to the same period in 2001.
- The Group's recruitment advertising revenue for the 3rd quarter of 2002 and for the nine months ended 30th September 2002 declined by 39.5% and 45.1% respectively when compared with the same periods of last year.
- Free distribution of *Recruit* has continued at newsstands throughout Hong Kong, selected Kowloon-Canton Railway ("KCR") stations, 7-Eleven and Circle K convenience stores; and Discovery Bay ferry terminals since 5th July 2002.
- The Group has implemented certain cost-control measures in view of the highly challenging market conditions. However, initial marketing and publishing costs associated with the launch of *Recruit* "above-ground" had an adverse impact on the Group's results in the 3rd quarter of 2002.
- On 27th September 2002, the Company entered into a subscription agreement with City Apex Limited ("City Apex"), pursuant to which City Apex conditionally agreed to subscribe for 1,600,000,000 new shares of the Company ("Shares") at a subscription price of HK\$0.0165 per new Share for a total subscription price of HK\$26,400,000. The subscription is conditional upon, among other things, the approval of the subscription by the disinterested shareholders in general meeting and the capital reorganization having been completed and becoming effective.
- The Board of Directors was notified on 9th October 2002 that City Apex had acquired a total of 382,657,000 shares of the Company of which 264,912,000 shares were from Publicitas Asia Holdings Limited and 117,745,000 shares were from JC Decaux Pearl & Dean Limited at a price of HK \$0.0165 per share. Accordingly, City Apex, together with parties acting in concert with it, were interested in a total of 725,777,000 Shares, representing approximately 64.51% of its issued share capital of the Company. Upon the completion of the said share acquisition, the voluntary conditional cash offer by City Apex became a mandatory unconditional cash offer.

- On 11th October 2002, Mr. Chow Yung resigned as Chairman, Chief Executive Officer and Authorised Representative of the Company, and Ms Ifan Chan resigned as Compliance Officer and Authorised Representative of the Company. Both Mr. Chow Yung and Ms Ifan Chan resigned from their executive roles but remain as non-executive directors. Ms Tan Yao Ying, Sally was appointed as interim Chief Executive Officer of the Company effective from 10th October 2002. On 29th October 2002, Mr. Lau Chuk Kin and Ms Lam Mei Lan were appointed as executive directors of the Company. Mr. Lau Chuk Kin was also appointed as Chairman of the Company on 1st November 2002.

FINANCIAL SUMMARY

	For the 3rd Quarter of 2002		For the nine months ended 30th September 2002	
		2001		2001
Turnover (HK\$'000)	17,665	26,113	58,232	91,199
Loss attributable to shareholders (HK\$'000)	(13,122)	(10,464)	(20,374)	(39,220)
Basic loss per share (HK cents)	(1.17)	(0.93)	(1.81)	(3.49)

OPERATIONAL SUMMARY

	For the nine months ended 30th September 2002		2001		Increase/(Decrease)
No. of printed pages – <i>Recruit</i>	9,164	11,624			(2,460) (21.2%)
Average weekly pageviews – Pandaplanet.com (million)	1.91	1.48			0.43 29.1%
	As at 30th September 2002		2001		Increase
No. of advertisers in Hong Kong database – recruitment advertisers	50,107	48,449			1,658 3.4%
– non-recruitment advertisers	5,271	4,352			919 21.1%
No. of job-seeker members in Hong Kong database	245,887	201,699			44,188 21.9%

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Review

In the 3rd quarter of 2002, the Group's turnover amounted to HK\$17,665,000, a decrease of 32.4% when compared with the turnover of HK\$26,113,000 for the same period last year. Net loss attributable to shareholders for the 3rd quarter of 2002 was HK\$13,122,000, as compared with a net loss of HK\$10,464,000 for the same period last year.

For the nine months ended 30th September 2002, the Group recorded a turnover of HK\$58,232,000, which was 36.1% lower than that of HK\$91,199,000 for the same period last year. Net loss attributable to shareholders was HK\$20,374,000 for the nine months ended 30th September 2002, compared with a net loss of HK\$39,220,000 for the same period last year.

The performance for the 3rd quarter of 2002 was adversely affected by: (i) the continued severe downturn of the recruitment market; (ii) intensified competition among recruitment advertising publications; and (iii) initial marketing and publishing costs associated with the launch of *Recruit* "above-ground". In the same period, substantial cut-back in expenditures associated with the PRC operations and other cost-control measures have prevented a more significant increase in the Group's net loss. In 2001, significant marketing and publishing expenses were incurred in association with the launch of "PandaCareer 熊貓賢才" in Guangzhou. Such expenses were substantially cut back in 2002, resulting in the narrowed deficit.

BUSINESS REVIEW

Hong Kong Operations

On 5th July 2002, following the expiry of the exclusive agreement with the MTR Corporation Limited, the Group began free distribution of *Recruit* at newsstands throughout Hong Kong, major KCR stations, selected 7-Eleven and Circle K convenience stores, and Discovery Bay ferry terminals. *Recruit* was revamped into two distinct publications: *Friday Recruit*, a careers magazine with in-depth articles on job market trends, career development, business and lifestyle issues; and *Tuesday Recruit*, a lighter careers magazine with soft articles that promote a balance between work and leisure. During the first nine months of 2002, an extensive marketing campaign was undertaken to strengthen the brand value of *Recruit* and to support the launch of *Recruit* "above-ground".

The Group's recruitment advertising revenue for the 3rd quarter of 2002 and for the nine months ended 30th September 2002 declined by 39.5% and 45.1% respectively when compared with the same periods last year. At the same time, the Group also deployed resources to build non-recruitment advertising into a more significant source of revenue. Despite all the efforts, there was little upward momentum in the Group's advertising revenue during the first nine months of the year as the general economy of Hong Kong continued to deteriorate.

PRC Operations

The Group suspended the print publication project in Guangzhou in February 2002. The Group's offices in Guangzhou and Shanghai have subsequently been closed. Service is being provided through the operation of Internet web-site pp11.com. In order to focus the Group's limited financial resources on the core business in Hong Kong, the operations in the PRC have essentially been suspended until new funding can be secured.

THREE QUARTERS RESULTS (UNAUDITED)

The Board of Directors (the "Board") of the Company presents the unaudited results of the Group for the three months and nine months ended 30th September 2002 together with the comparative unaudited figures for the corresponding period in 2001 as follows:

	Note	Three months ended 30th September		Nine months ended 30th September	
		2002 HK\$'000	2001 HK\$'000	2002 HK\$'000	2001 HK\$'000
Turnover	2	17,665	26,113	58,232	91,199
Other revenue		703	699	1,217	2,529
Raw material and consumables used		(3,735)	(4,411)	(9,129)	(16,001)
Printing cost		(5,334)	(4,064)	(12,785)	(16,491)
Content and website development costs		(1,226)	(1,108)	(2,846)	(3,788)
Depreciation		(3,650)	(2,994)	(7,316)	(7,992)
Staff costs		(8,160)	(12,411)	(23,569)	(38,545)
Advertising and promotion expenses		(3,190)	(2,525)	(6,594)	(16,653)
Other operating expenses	3	(5,687)	(8,937)	(16,009)	(31,376)
Loss from operations		(12,614)	(9,638)	(18,799)	(37,118)
Finance costs		-	-	-	(1)
Impairment loss recognised in respect of loans to an associate		(508)	-	(1,575)	-
Share of results of an associate		-	(826)	-	(2,101)
Loss before taxation		(13,122)	(10,464)	(20,374)	(39,220)
Taxation	4	-	-	-	-
Loss for the period		(13,122)	(10,464)	(20,374)	(39,220)
Loss per share					
- Basic HK cents	6	(1.17)	(0.93)	(1.81)	(3.49)

Notes

1) Principal Accounting Policies

The principal accounting policies adopted in preparing the consolidated results are consistent with those adopted by the Group in its annual financial statements for the year ended 31st December 2001 except as described below.

In the current period, the Group has adopted, for the first time, a number of new and revised Statements of Standard Accounting Practice ("SSAPs") issued by the Hong Kong Society of Accountants. Adoption of these SSAPs does not have any significant effect on the financial statements of the current or prior periods.

2) Turnover

	Three months ended 30th September 2002		Nine months ended 30th September 2002	
	HK\$'000	2001 HK\$'000	HK\$'000	2001 HK\$'000
Recruitment advertising income	10,883	17,989	38,182	69,598
Non-recruitment advertising income	6,701	7,409	19,434	19,312
Publication sales	4	221	326	634
Publishing income	77	143	274	418
Service income	-	351	16	1,237
	17,665	26,113	58,232	91,199

3) Other Operating Expenses

	Three months ended 30th September 2002		Nine months ended 30th September 2002	
	HK\$'000	2001 HK\$'000	HK\$'000	2001 HK\$'000
Computer expenses	(608)	(1,057)	(1,834)	(3,195)
Rental expenses	(870)	(1,367)	(2,996)	(4,230)
Selling and distribution expenses	(2,273)	(2,517)	(5,212)	(9,048)
Administrative and other expenses	(1,936)	(3,996)	(5,967)	(14,903)
	(5,687)	(8,937)	(16,009)	(31,376)

4) Taxation

No provision of Hong Kong Profits Tax and Peoples' Republic of China income tax is provided in the consolidated results as the Company and its subsidiaries incurred a tax loss or the assessable profit is wholly absorbed by tax losses brought forward during the period.

5) Movement in Reserves

During the three months and the nine months ended 30th September 2002, there were no movements in reserves.

6) Loss Per Share

The calculation of the basic loss per share for the three months and the nine months ended 30th September 2002 is based on the respective unaudited consolidated loss of HK\$13,122,000 and loss of HK\$20,374,000 (2001: loss of HK\$10,464,000 and HK\$39,220,000) and on the respective 1,125,000,000 and 1,125,000,000 (2001: 1,125,000,000 and 1,125,000,000) ordinary shares in issue during the period.

As there were no potential ordinary shares outstanding during the three months and the nine months ended 30th September 2002 and the corresponding periods in 2001, no diluted loss per share is presented.

7) Interim Dividend

The Directors do not recommend the payment of an interim dividend for the period (2001: Nil).

SUBSCRIPTION AND MANDATORY UNCONDITIONAL CASH OFFER

On 27th September 2002, the Company entered into a subscription agreement with City Apex Limited ("City Apex"), pursuant to which City Apex conditionally agreed to subscribe for 1,600,000,000 new shares of the Company ("Shares") at subscription price of HK\$0.0165 per new Share for a total subscription price of HK\$26,400,000. The subscription is conditional upon, among other things, the approval of the subscription by the disinterested shareholders in general meeting and the capital reorganisation having been completed and becoming effective.

The proposal of City Apex's voluntary general offer for all the issued shares of the Company at a price of HK\$0.0150 per share on 18th September 2002 was subsequently revised to HK\$0.0165 per share on 26th September 2002.

The Board of Directors was notified on 9th October 2002 that City Apex had acquired a total of 382,657,000 shares of the Company, of which 264,912,000 shares were from Publicitas Asia Holdings Limited and 117,745,000 shares were from JC Decaux Pearl & Dean Limited at a price of HK \$0.0165 per share. Accordingly, City Apex, together with parties acting in concert with it, were interested in a total of 725,777,000 Shares, representing approximately 64.51% of its issued share capital of the Company. Upon the completion of the said share acquisition, the voluntary conditional cash offer by City Apex became a mandatory unconditional cash offer.

CHANGES IN MANAGEMENT

On 11th October 2002, Mr. Chow Yung resigned as Chairman, Chief Executive Officer and Authorised Representative of the Company, and Ms Ifan Chan resigned as Compliance Officer and Authorised Representative of the Company. Both Mr. Chow Yung and Ms Ifan Chan resigned from their executive roles but remain as non-executive directors. Ms Tan Yao Ying, Sally was appointed Interim Chief Executive Officer of the Company effective from 10th October 2002. Mr. Adrian Lee Ching Ming was appointed Executive Director of the Company on 11th October 2002 but subsequently resigned from his executive position on 1st November 2002 and reverted to his former status as a non-executive director. On 29th October 2002, Mr. Lau Chuk Kin and Ms Lam Mei Lan were appointed as executive directors of the Company. Mr. Lau Chuk Kin was also appointed as Chairman of the Company on 1st November 2002.

PROSPECTS

The period under review witnessed the continued contraction of the local labour market with a resultant drop in demand for recruitment advertising space. Management does not forecast a significant increase in recruitment advertising in the foreseeable future. The immediate challenge for the Group, therefore, is to continue to keep the cost structure in line with the difficult trading environment in the future.

DIRECTORS' AND CHIEF EXECUTIVE'S INTEREST IN SECURITIES

As at 30th September 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
Barrie Calvert Goodridge	650,000	Nil	Nil	Nil	650,000
Peter Stavros Patapios Christofis	650,000	Nil	Nil	Nil	650,000
Adrian Lee Ching Ming	Nil	500,000 ^(Note 1)	Nil	Nil	500,000

Notes:

1. The shares are beneficially owned by the wife of Mr. Adrian Lee Ching Ming. Mr. Adrian Lee Ching Ming, a non-executive director of the Company is only deemed to be interested in the said shares under S31 of the Securities (Disclosure of Interests) Ordinance.
2. On 29th October 2002, Mr. Lau Chuk Kin was appointed as executive director of the Company. Mr. Lau has substantial interest in ER2 Holdings Limited, the ultimate holding company of City Apex Limited holding approximately 71% of the issued share capital of City Apex Limited. On 9th October 2002, City Apex Limited acquired 264,912,000 shares and 117,745,000 shares of the Company from Publicitas Asia Holdings Limited and JC Decaux Pearl & Dean Limited respectively. Immediately upon completion of share acquisition on 9th October 2002 by City Apex Limited, City Apex Limited was interested in 382,657,000 shares of the Company. Therefore Mr. Lau is interested and/or deemed to be interested in the 382,657,000 shares of the Company owned by City Apex Limited.

Save as disclosed above, none of the Directors or the 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 30th September 2002, the Company had not granted any option under the Company's share option scheme.

As at 30th September 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 30th September 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.

Name	Number of Shares
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
Lo Ka Shui <i>(Note 2 & 3)</i>	222,260,000
Publigroupe Limited <i>(Note 4)</i>	264,912,000
Publicitas Asia Holdings Limited <i>(Note 4)</i>	264,912,000
Jean Claude Decaux <i>(Note 5)</i>	117,745,000
Danielle Decaux <i>(Note 5)</i>	117,745,000
Jean Charles Decaux <i>(Note 5)</i>	117,745,000
Jean Sebastien Decaux <i>(Note 5)</i>	117,745,000
Jean Francois Decaux <i>(Note 5)</i>	117,745,000
Robert Caudron <i>(Note 5)</i>	117,745,000
JC Decaux International <i>(Note 5)</i>	117,745,000
Decaux S. A. <i>(Note 5)</i>	117,745,000
JC Decaux Communication (T) <i>(Note 5)</i>	117,745,000
JC Decaux Asia (S) Pte Ltd. <i>(Note 5)</i>	117,745,000
Avenir <i>(Note 5)</i>	117,745,000
United Communication Limited <i>(Note 5)</i>	117,745,000
JC Decaux Pearl & Dean Limited <i>(Note 5)</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 a non-Executive Director.
2. Each of Shui Sing Holdings Limited, Shui Sing (BVI) Limited, Great Eagle Holdings Limited and Jolly Trend Limited are deemed to be interested in the 220,760,000 shares of the Company owned by The Great Eagle Company, Limited pursuant to Section 8 of the SDI Ordinance.
3. Of these Shares, 220,760,000 shares are duplicated in the interest described in Note 2, 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 had personal interest in 1,500,000 shares of the Company.
4. Publigroupe Limited is the holding company of Publicitas Asia Holdings Limited. By virtue of the SDI Ordinance, Publigroupe Limited was deemed to be interested in the 264,912,000 shares of the Company held by Publicitas Asia Holdings Limited. On 9th October 2002, Publicitas Asia Holdings Limited disposed its entire interest of the 264,912,000 shares in the Company to City Apex Limited.
5. 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 were 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. On 9th October 2002, JC Decaux Pearl & Dean Limited disposed its entire interest of 117,745,000 shares in the Company to City Apex Limited.
6. Immediately upon completion of share acquisition on 9th October 2002 by City Apex Limited as disclosed in notes 4 and 5, City Apex Limited was interested in 382,657,000 shares of the Company.

SPONSOR'S 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 30th September 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 1st January 2002 to 30th September 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.

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

Publicitas Asia Holdings Limited, being one of the former 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 Publicitas 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 Publicitas Asia Holdings Limited cover areas other than recruitment advertising and target 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 30th September 2002.

By Order of the Board
Lam Mei Lan
Executive Director

Hong Kong, 1st November 2002

* *For purpose of identification only*