



RECRUIT HOLDINGS LIMITED

(continued in Bermuda with limited liability)

2003 Half-Year Report

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

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This report, for which the directors (the “Directors”) of Recruit Holdings Limited (the “Company”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the 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.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

For the three months ended 30th June 2003, the Group's turnover amounted to HK\$11,216,000, a decline of approximately 49% when compared to the corresponding period in 2002. Net profit attributable to shareholders for the three months ended 30th June 2003 was HK\$360,000.

For the six months ended 30th June 2003, the Group's turnover amounted to HK\$23,507,000, a decline of approximately 42% when compared with the corresponding period in 2002. The significant decrease in turnover was mainly attributable to the continual decline of the economy in Hong Kong and the effect of Severe Acute Respiratory Syndrome ("SARS"). Net profit attributable to shareholders for the six months ended 30th June 2003 was HK\$801,000, representing a significant improvement as compared with a net loss of HK\$7,252,000 for the corresponding period in 2002. This significant improvement was mainly attributable to our successful implementation of cost reduction programs.

The Group's basic earnings (loss) per share improved from a loss of 0.64 HK cents for the six months ended 30th June 2002 to an earning of 0.03 HK cents for the six months ended 30th June 2003.

The capital reorganization plan approved by shareholders on 16 January 2003 has resulted in an injection by the majority shareholder City Apex Limited of approximately HK\$24 million in cash. The fund raised has been used as additional working capital of the Group.

Financial Position

As at 30th June 2003, the Group had cash and bank balances of approximately HK\$21.4 million. Net current assets amounted to HK\$22.4 million.

The Group did not have any borrowing from banks or financial institutions and had no gearing (defined as long-term debt to equity) as at 30th June 2003.

Financial Assistance

The Group provided financial assistance to an associate, PPG Investments Limited ("PPG") in previous years. The financial assistance is unsecured, interest free and has no fixed term of repayment. The carrying value of the Group's interests in the associate less allowance was approximately HK\$7 million as at 30th June 2003. During the period, the Group did not provide any new financial assistance to PPG.

Exposure to Fluctuations in Exchange Rates

The Group did not have material exchange risk as its transactions were mainly negotiated and settled in Hong Kong dollars.

Capital Commitments / Contingent Liabilities

The Group did not have any material capital commitments and contingent liabilities as at 30th June 2003.

Employees

The total number of full-time employees of the Group was 57 as at 30th June 2003, as compared with 73 when the new management team took office in October 2002. The Group remunerated its employees on the basis of performance, experience, and the prevailing industry practice. In addition to salaries, other benefits include provident fund scheme, medical and insurance. The Group also has an employee share option scheme. The Board wishes to thank our staff for their dedication and support which has enabled the Group to maintain its market leading position despite the loss of the exclusive distribution rights with the MTR Corporation Limited since July 2002.

BUSINESS REVIEW AND PROSPECTS

Despite a 42% drop in turnover compared with the corresponding period in 2002, the Group managed to achieve an earning of HK\$801,000 for the six months ended 30th June 2003. This year, management continued to implement a series of cost reduction programs with an objective to improve our cost effectiveness, and hence increasing our competitiveness in the market. During the six months ended 30th June 2003, the Group achieved approximately HK\$16 million or 55% savings in distribution, administrative and other operating expenses, compared with the corresponding period in 2002.

The Group is currently distributing Recruit at selected newsstands at strategic locations, major Kowloon-Canton Railway Stations and selected 7-Eleven stores. In addition, we are also deploying dedicated staff to distribute Recruit at high volume traffic spots. The distribution network has constantly been fine-tuned to ensure more effective distribution result. We are confident that our existing distribution network and strategy will consolidate our leadership position in the free circulation recruitment-advertising sector.

The Group commenced exclusive distribution arrangements to sell legal and public notice advertisements for China Daily in March 2003. Results to-date are encouraging. The Group also had a pilot distribution scheme with Tai Kung Pao, which by mutual consent, ceased operation in the second quarter of 2003.

In order to expand our revenue base and improve our profitability, the Group continues to pursue investment opportunities that offer synergy with our current portfolio of business. The Group will also make use of “Recruit”, the household name in the area of recruitment advertising, to leverage on this platform and to diversify into other areas in the media business in Hong Kong and the PRC.

The Group’s PRC operations were inactive and no turnover was generated during the first half of 2003. Nevertheless we remain optimistic of the media business in the PRC. Management is in the continuing process of evaluating business proposals with the aim of diversifying into other related business sectors in Hong Kong and the PRC.

The recent SARS outbreak and the continual decline of the Hong Kong economy have created additional challenges to us. However we are confident that our improved distribution network, cost structure and working capital will enable us to meet the challenges ahead and to consolidate our position in the market.

INTERIM RESULTS (UNAUDITED)

The Board of Directors (the “Board”) of the Company presents the unaudited results of the Group for the six months ended 30th June 2003 together with the comparative unaudited figures for the corresponding period in 2002 as follows:

CONSOLIDATED INCOME STATEMENT

	Note	Three months ended 30th June		Six months ended 30th June	
		2003 HK\$'000	2002 HK\$'000	2003 HK\$'000	2002 HK\$'000
Turnover	2	11,216	22,191	23,507	40,567
Direct operating costs		(5,487)	(8,573)	(11,475)	(17,714)
Gross profit		5,729	13,618	12,032	22,853
Other income	3	1,495	283	1,766	514
Selling and distribution costs		(2,618)	(3,971)	(5,757)	(9,946)
Administrative expenses		(3,187)	(8,385)	(6,003)	(19,082)
Other operating expenses		(1,059)	(363)	(1,237)	(524)
Profit (loss) from operations	4	360	1,182	801	(6,185)
Allowance for loans to an associate		-	(426)	-	(1,067)
Profit (loss) before taxation		360	756	801	(7,252)
Taxation	5	-	-	-	-
Net Profit (loss) for the period		360	756	801	(7,252)
Basic earnings (loss) per share (HK cents)	6	0.01	0.07	0.03	(0.64)

CONSOLIDATED BALANCE SHEET

		Unaudited As at 30th June 2003 HK\$'000	Audited As at 31st December 2002 HK\$'000
Non-Current Assets	Note		
Property, plant and equipment	7	1,084	1,491
Interests in an associate		7,281	7,281
		<u>8,365</u>	<u>8,772</u>
Current Assets			
Inventories		-	1,275
Trade and other receivables	8	9,754	11,804
Amounts due from a related company		-	267
Tax recoverable		-	270
Pledged bank deposits		-	2,000
Bank balances and cash		21,385	3,770
		<u>31,139</u>	<u>19,386</u>
Current Liabilities			
Trade payables	9	3,420	-
Other payables and accruals		5,291	13,490
Amount due to a related company	9	-	4,626
Shareholder's loan		-	5,000
		<u>8,711</u>	<u>23,116</u>
Net Current Assets (Liabilities)		<u>22,428</u>	<u>(3,730)</u>
		<u>30,793</u>	<u>5,042</u>
Capital and Reserves			
Share capital	10	27,250	56,250
Share premium and reserves		3,543	(51,208)
		<u>30,793</u>	<u>5,042</u>

CONDENSED CASH FLOW STATEMENT

For the six months ended
30th June

	2003 HK\$'000	2002 HK\$'000
Net cash used in operating activities	(3,944)	(1,858)
Net cash generated from investing activities	1,609	3,061
Net cash generated from financing activities	19,950	-
Net increase in cash and cash equivalents	17,615	1,203
Cash and cash equivalents at the beginning of the period	3,770	14,808
Cash and cash equivalents at the end of the period	21,385	16,011
Analysis of balances of cash and cash equivalent		
Bank balances and cash	21,385	16,011

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share Capital HK\$'000	Share Premium HK\$'000	Exchange Reserve HK\$'000	Merger Reserve HK\$'000	Goodwill Reserve HK\$'000	Accumulated Losses HK\$'000	Total HK\$'000
2003							
At 1st January	56,250	40,774	5	(43,897)	13,440	(61,530)	5,042
Capital Reorganisation (Note 10(a))	(45,000)	45,000	-	-	-	-	-
Issue of shares (Note 10(b))	16,000	10,400	-	-	-	-	26,400
Share issuing expenses	-	(1,450)	-	-	-	-	(1,450)
Profit for the period	-	-	-	-	-	801	801
At 30th June	27,250	94,724	5	(43,897)	13,440	(60,729)	30,793
2002							
At 1st January	56,250	40,774	5	(43,897)	13,440	(25,349)	41,223
Loss for the period	-	-	-	-	-	(7,252)	(7,252)
At 30th June	56,250	40,774	5	(43,897)	13,440	(32,601)	33,971

NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS

1. Basis of preparation

The principal accounting policies adopted in preparing the consolidated interim financial statements are consistent with those followed in the Group's annual financial statements for the year ended 31 December 2002 except as described below.

The consolidated interim financial statements have been prepared in accordance with the applicable disclosure requirements of the GEM Listing Rules of the Stock Exchange of Hong Kong Limited and with Statement of Standard Accounting Practice ("SSAP") 25 "Interim Financial Reporting" .

In the current period, the Group adopted the following SSAP issued by the Hong Kong Society of Accountants which is effective for accounting periods commencing on or after 1st January 2003.

SSAP 12: Income Taxes

Adoption of the above SSAP does not have any effect on the financial statements of the current or prior periods. Accordingly, no prior period adjustments have been made.

In preparing the consolidated interim financial statements, the Group has revised its basis of analysing of expenses in the consolidated income statement with aggregating expenses according to their function instead of their nature. Accordingly, the comparative amounts have been restated in order to achieve consistent presentation.

2. Turnover

	Three months ended		Six months ended	
	30th June		30th June	
	2003	2002	2003	2002
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Advertising income	11,216	21,977	23,507	40,032
Publication sales	-	124	-	322
Publishing income	-	90	-	197
Service income	-	-	-	16
	<u>11,216</u>	<u>22,191</u>	<u>23,507</u>	<u>40,567</u>

3. Other income

	Three months ended 30th June		Six months ended 30th June	
	2003 HK\$'000	2002 HK\$'000	2003 HK\$'000	2002 HK\$'000
Bank interest	35	36	47	73
Write-back of payable and over-provision in respect of prior years	1,412	-	1,412	-
Sundry income	48	247	307	441
	<u>1,495</u>	<u>283</u>	<u>1,766</u>	<u>514</u>

4. Profit (loss) from operations

Profit (loss) from operations has been arrived at after charging:

	Three months ended 30th June		Six months ended 30th June	
	2003 HK\$'000	2002 HK\$'000	2003 HK\$'000	2002 HK\$'000
Depreciation	362	1,628	845	3,666
Staff costs	3,470	6,961	7,242	15,409
Operating leases rental in respect of				
Rented premises	385	718	537	1,637
Website hosting	153	83	280	333
Internet access line	37	219	86	465

5. Taxation

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 for the six months ended 30th June 2003 (2002: Nil).

The deferred tax asset relating to tax losses has not been recognised, as it is not probable that taxable profit will be available against which the deductible temporary difference can be utilised.

6. Earnings per share

The calculation of the basic earnings per share for the three months and the six months ended 30th June 2003 is based on the respective unaudited consolidated profit of HK\$360,000 and HK\$801,000 (2002: profit of HK\$756,000 and loss of HK\$7,252,000) and on the respective weighted average of 2,725,000,000 and 2,300,690,608 (2002: 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 six months ended 30th June 2003 and corresponding periods in 2002, no diluted earnings/loss per share is presented.

7. Property, plant and equipment

	Furniture and fixtures	Office equipment	Leasehold improvements	Computer equipment and systems	Motor vehicles	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Cost						
At 1st January 2003	661	1,433	323	33,367	233	36,017
Additions	4	2	259	37	136	438
Disposals/written off	-	-	-	(1,408)	-	(1,408)
At 30th June 2003	665	1,435	582	31,996	369	35,047
Accumulated Depreciation						
At 1st January 2003	645	1,292	323	32,033	233	34,526
Provided for the period	4	32	37	761	11	845
Eliminated on disposals	-	-	-	(1,408)	-	(1,408)
At 30th June 2003	649	1,324	360	31,386	244	33,963
Net Book Values						
As at 30th June 2003	16	111	222	610	125	1,084
As at 31st December 2002	16	141	-	1,334	-	1,491

8. Trade and other receivables

The Group allows a credit period from 0 to 120 days to its trade customers.

The following is an aged analysis of trade receivables:

	As at 30th June 2003 HK\$'000	As at 31st December 2002 HK\$'000
Aged analysis		
0 - 60 days	4,591	5,043
61 - 120 days	1,692	3,263
> 120 days	1,419	1,349
	<hr/>	<hr/>
Total trade receivables	7,702	9,655
Other receivables	2,052	2,149
	<hr/>	<hr/>
	9,754	11,804
	<hr/> <hr/>	<hr/> <hr/>

9. Trade payables / Amount due to a related company

The amount due to a related company represents trade balance with Premier Printing Group Limited ("PPG").

The following is an aged analysis of trade payables:

	As at 30th June 2003 HK\$'000	As at 31st December 2002 HK\$'000
Aged analysis		
Trade payables with PPG		
0 - 60 days	-	2,167
61 - 120 days	-	2,459
	<hr/>	<hr/>
	-	4,626
Trade payables with third party		
0 - 60 days	3,420	-
	<hr/>	<hr/>
Total	3,420	4,626
	<hr/> <hr/>	<hr/> <hr/>

10.Share capital

	No. of shares (‘000)	HK\$’000
Authorised:		
Ordinary shares of HK\$0.01 each	<u>10,000,000</u>	<u>100,000</u>
Issued and fully paid:		
As at 1st January 2003	1,125,000	56,250
Capital reorganisation (Note a)		(45,000)
Issue of shares (Note b)	<u>1,600,000</u>	<u>16,000</u>
As at 30th June 2003	<u>2,725,000</u>	<u>27,250</u>

Notes:

At an Extraordinary General Meeting of the Company held on 16th January 2003, resolutions relating to the following matters were duly passed:

- (a) a capital reorganisation which involves (i) a reduction of the nominal value of the shares from HK\$0.05 each to HK\$0.01 each by cancelling the issued capital to the extent of HK\$0.04 paid up on each of the issued shares and the sub-division of each unissued share into five unissued new shares (“New Shares”); and (ii) maintaining, after implementation of the reduction in nominal value of each share as referred to in the foregoing paragraph (i), 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;
- (b) the Subscription Agreement relating to the subscription of 1,600,000,000 New shares of HK\$0.01 each in the capital of the Company at the subscription price of HK\$0.0165 per New Share be generally and unconditionally approved, confirmed and satisfied;

The capital reorganisation as detailed in (a) above became effective on 17th February 2003 and completion of the Subscription Agreement took place on 18th February 2003 with 1,600,000,000 New Shares of the Company being allotted and issued to a substantial shareholder, City Apex Limited.

11.Interim Dividend

The Directors do not recommend the payment of an interim dividend for the period (2002: Nil).

12.Segment information

For the six months ended 30th June 2003, the Group was principally engaged in advertising business in Hong Kong with all the Group's turnover arising from advertising business in Hong Kong. Accordingly, no business or geographical segment information is presented.

13.Related party transactions

The Group did not enter into any material transactions with related parties for the six months ended 30th June 2003.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS IN SECURITIES

As at 30th June 2003, the interests of the Directors and Chief Executives of the Company in the shares of the Company as recorded in the register required to be kept under section 352 of Part XV of the Securities and Futures Ordinance (the "SFO") were as follows:

Name of Directors	Personal Interests (Shares)	Family Interests (Shares)	Corporate Interests (Shares)	Total Interests (Shares)	Percentage to the issued share capital of the Company (%)
Mr. Lau Chuk Kin (Note 1)	Nil	Nil	1,779,540,000	1,779,540,000	65.30
Mr Lee Ching Ming, Adrian (Note 2)	Nil	500,000	Nil	500,000	0.02
Mr Barrie Calvert Goodridge	650,000	Nil	Nil	650,000	0.02
Mr Peter Stavros Patapios Christofis	650,000	Nil	Nil	650,000	0.02

Notes:

1. The shares are beneficially owned by City Apex Limited. As at 30th June 2003, Mr. Lau Chuk Kin owns beneficially 79% interest in the share capital of ER2 Holdings Limited, the ultimate holding company of City Apex Limited holding approximately 77% of the issued share capital of City Apex Limited. Therefore Mr. Lau Chuk Kin is deemed to be interested in the 1,779,540,000 shares owned by City Apex Limited under Part XV of the SFO.
2. The shares are beneficially owned by the wife of Mr. Lee Ching Ming, Adrian. Mr. Lee Ching Ming, Adrian, is deemed to be interested in the said shares under Part XV of the SFO.

Saved as disclosed above, none of the Directors and Chief Executives of the Company has any interests or short positions in the shares, underlying shares or debentures of the Company or its associated corporations (as defined in 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 of Hong Kong Limited (the “Stock 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 June 2003, the Company had not granted any option under the Company’s share option scheme.

As at 30th June 2003, the Company had not granted any right to subscribe for shares or debentures 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 June 2003, in addition to those interests as disclosed above in respect of the Directors, pursuant to Part XV of the SFO, the Company had been notified of the following interests, being 5% or more in the issued share capital of the Company:

Name	Number of shares	Percentage to the issued share capital of the Company %
Mr. Lau Chuk Kin (Note 1)	1,779,540,000	65.30
ER2 Holdings Limited (Note 1)	1,779,540,000	65.30
City Apex Limited (Note 1)	1,779,540,000	65.30
Tai Wah Investment Company Limited (Note 2)	220,000,000	8.07
Chan Family Investment Corporation Limited (Note 2)	266,773,333	9.79
Shui Sing Holdings Limited (Note 3)	220,760,000	8.10
Shui Sing (BVI) Limited (Note 3)	220,760,000	8.10
Great Eagle Holdings Limited (Note 3)	220,760,000	8.10
Jolly Trend Limited (Note 3)	220,760,000	8.10
The Great Eagle Company, Limited (Note 3)	220,760,000	8.10
Dr. Lo Ka Shui (Note 4)	222,260,000	8.16
JAIC-Somerley Corporate Development Fund Limited (Note 5)	163,000,000	5.98
Japan Asia Investment Company Limited (Note 5)	163,000,000	5.98
Somerley Limited (Note 5)	163,000,000	5.98
Mr. Martin Nevil Sabine (Note 5)	163,000,000	5.98

Notes:

- Each of Mr. Lau Chuk Kin and ER2 Holdings Limited is deemed to be interested in the 1,779,540,000 shares owned by City Apex Limited.
- Of these shares, 36,793,333 shares are directly owned by Chan Family Investments Corporation Limited, 9,980,000 shares and 220,000,000 shares are held by Earnyear Limited and Tai Wah Investments Company Limited, wholly-owned subsidiaries of Chan Family Investment Corporation Limited. The 220,000,000 shares are duplicated in the interest described in Tai Wah Investments Company Limited.
- Each of Shui Sing Holdings Limited, Shui Sing (BVI) Limited, Great Eagle Holdings Limited and Jolly Trend Limited is deemed to be interested in the 220,760,000 shares owned by The Great Eagle Company, Limited.
- Of these shares, 220,760,000 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 1,500,000 shares.

5. Each of Japan Asia Investment Company Limited, Somerley Limited and Mr. Martin Nevil Sabine is deemed to be interested in the 163,000,000 shares owned by JAIC-Somerley Corporate Development Fund Limited.

PURCHASE, SALE OR REDEMPTION OF SHARES

During the period ended 30th June 2003, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

COMPETING INTERESTS

Mr. Peter Stravros Patapios Christofis is the Managing Director of JC Decaux Pearl & Dean Limited. JC Decaux Pearl & Dean Limited engages in advertising business in outdoor display advertising in Hong Kong.

Mr. Barrie Calvert Goodridge is the Chief Executive Officer of Publicitas, China, a division of PubliGroupe a listed Swiss media group. Publicitas engages in the promotion of print advertising in major publications in China and from around the world. It is also involved in the production of both print and electronic in-flight media for airlines.

The Board believes that the principal business objectives of the Group are different from those of JC Decaux Pearl & Dean Limited and Publicitas. The Group carries on the business of recruitment advertising and the provision of related services, while the advertising businesses currently operated by JC Decaux Pearl & Dean Limited and Publicitas cover various aspects other than recruitment advertising and are aimed at non-recruitment advertising clients. As such, the Board is not aware of any significant impact or compromise relating to business competition with the Group.

Save as otherwise disclosed above, the Board is not aware of any directors having any investments in businesses which compete with the advertising business of the Group as at 30th June 2003.

BOARD PRACTICES AND PROCEDURES

During the period under review, the Company has complied with the Board Practices and Procedures as set out in Rules 5.28 to 5.39 of the GEM Listing Rules.

AUDIT COMMITTEE

The Group has established an audit committee on 19th April 2000 pursuant to the GEM Listing Rules. The audit committee comprises two Independent Non-Executive Directors, namely, Mr. Cheng Ping Kuen, Franco and Mrs. Ling Ching Man, Eleanor.

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

The Group's unaudited interim report for the six months ended 30th June 2003 have been reviewed by the audit committee, which was of the opinion that the preparation of the results complied with the applicable accounting standards and adequate disclosures have been made.

By Order of the Board
Lau Chuk Kin
Chairman

Hong Kong, 5th August 2003