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# Annual Report 2003 | 年報

**Recruit**

才庫媒體集團有限公司

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

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

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

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

*The Stock Exchange takes no responsibility for the contents of this announcement, 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 announcement.*

*This announcement, for which 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 announcement 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 announcement misleading; and (3) all opinions expressed in this announcement have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.*



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# CORPORATE INFORMATION

## BOARD OF DIRECTORS

### Executive Directors

Mr. Lau Chuk Kin (Chairman)  
Mr. Wan Siu Kau

### Non-Executive Directors

Mr. Lee Ching Ming, Adrian  
Mr. Peter Stavros Patapios Christofis  
Ms. Lam Mei Lan  
Ms. Tam Yuk Ling, Rosaline

### Independent Non-Executive Directors

Mrs. Ling Ching Man, Eleanor  
Mr. Cheng Ping Kuen, Franco

## COMPANY SECRETARY

Ms. Ho Suk Yi AHKSA

## QUALIFIED ACCOUNTANT

Ms. Ho Suk Yi AHKSA

## COMPLIANCE OFFICER

Mr. Lau Chuk Kin

## AUTHORISED REPRESENTATIVES

Mr. Lau Chuk Kin  
Ms. Ho Suk Yi

## AUDIT COMMITTEE

Mrs. Ling Ching Man, Eleanor  
Mr. Cheng Ping Kuen, Franco

## LEGAL ADVISERS

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

## AUDITORS

Deloitte Touche Tohmatsu  
Certified Public Accountants

## PRINCIPAL BANKERS

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

## SHARE REGISTRARS AND TRANSFER OFFICES

### Principal Registrar

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

### Hong Kong Branch Registrar

Computershare Hong Kong Investor Services Limited  
Rooms 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

## WEBSITE

[www.recruit.com.hk](http://www.recruit.com.hk)

## STOCK CODE

8073

## CHAIRMAN'S STATEMENT

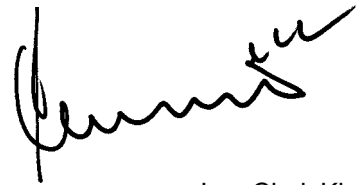
I am pleased to report that for the first time since 2000, the Company returned to profitable operation and achieved a net profit after tax of HK\$2.5 million (2002: loss of HK\$36.2 million).

Year 2003 turned out to be a challenging year for the people of Hong Kong and our economy. At Recruit, the first half of 2003 saw revenue suffered significant downturn, externally due to SARS and internally, as a result of staff turnover.

A number of cost cutting measures had to be taken, including changes in staff employment terms and redundancy. These have enabled our company to operate at a much lower breakeven level.

The rebound of the economy of Hong Kong in the fourth quarter of 2003 had a positive impact on our results and this momentum has continued in the first 2 months of 2004.

During this period, we placed all aspects of our operation under close scrutiny and concentrated on our core competence. This back-to-basis strategy is now bearing fruit.



Lau Chuk Kin  
Chairman

Hong Kong, 26th February 2004

# MANAGEMENT DISCUSSION AND ANALYSIS

## BUSINESS REVIEW

The Company returned to profitable trading in all four quarters of the year, despite the continual decline of the local recruitment advertising business and our revenue declined to HK\$50.3 million (2002: HK\$70.1 million).

For the first time since 2000, the Company turned in a net profit after tax of HK\$2.5 million. This was achieved through stringent control on headcount and the switch of printer, which enables us to realize a significant saving in printing charges, the single largest cost item for the company. The saving in printing charges has enabled us to reduce our printing charge per page by 17%.

In a shrinking employment market, our flagship title, Recruit outperformed our competitors. Our revised distribution tactic, particularly the deployment of delivery team at high volume traffic sites has proved to be highly effective. Management believes that we have in place the distribution channel to take advantage of the rebound in the demand for recruitment advertisements.

The year saw us entering the local market as exclusive sales agent for legal announcement advertisements by listed companies in the Hong Kong Stock Exchange for China Daily. The arrangement with Tai Kung Pao was discontinued after the trial period in May 2003 due to intense competition in the Chinese language market. The partnership with China Daily achieved a small profit in the year. Prospects for 2004 are promising as we have secured contracts with over 120 listed companies.

## FINANCIAL REVIEW

For the fourth quarter ended 31st December 2003, the Group's profit attributable to shareholders was approximately HK\$1.3 million, as compared to a loss of approximately HK\$15.8 million same quarter last year. Turnover for the Group was approximately HK\$13.1 million as compared with approximately HK\$11.9 million in same quarter last year. With continued stringent cost control measures, the Group sustained a profitable operation in the fourth quarter of 2003.

The Group's profit attributable to shareholders for the year ended 31st December 2003 was approximately HK\$2.5 million. This represented an improvement of approximately HK\$38.7 million when compared with a loss of approximately HK\$36.2 million in 2002. Turnover for the Group was approximately HK\$50.3 million for the year ended 31st December 2003 compared with approximately HK\$70.1 million in 2002. The return to profitable operation was mainly due to stringent cost cutting measures, improved efficiency of distribution channel of "Recruit" magazine and the appointment as exclusive agent for announcement advertisements published by Hong Kong listed companies for China Daily during the year.

*Management Discussion and Analysis*

## LIQUIDITY AND FINANCIAL RESOURCES

As at 31st December 2003, the Group had free cash reserves of approximately HK\$21.9 million (2002: HK\$5.8 million) and had net current assets of approximately HK\$22.6 million (2002: net current liabilities HK\$3.7 million).

Pursuant to a subscription agreement passed by a special resolution on 16th February 2003, 1,600,000,000 new ordinary shares of the Company was subscribed by City Apex Ltd (“City Apex”), a substantial shareholder of the Company, at a price of HK\$0.0165 per share. Immediately following completion of such subscription agreement, City Apex disposed of 383,000,000 new ordinary shares to two independent parties. Upon completion of the subscription agreement and share disposal by City Apex on 18th February 2003, the Company raised net proceeds of approximately HK\$24 million for working capital and future development purposes. The Group spent approximately HK\$2 million for general working capital during the year under review and had unused net proceeds of approximately HK\$22 million as at 31st December 2003.

The Group continues to maintain a healthy financial position. As at 31st December 2003, it was debt free and had cash deposit of HK\$21.9 million and is well positioned to capitalise on future opportunities as the local economy improves.

The net proceeds raised from the listing of the Group on GEM in July 2000 was approximately HK\$53 million and the Group had fully applied the net proceeds to implement various objectives as set out in the prospectus of the Company dated 11th July 2000.

## PRINCIPAL ASSOCIATE

The Directors believe that the Group’s 20% owned associated company, PPG Investments Limited (“PPGI”), is expected to improve its financial position by having returns from its 50% investment in a Hong Kong printing company which currently generates positive EBITDA. As at 31st December 2003, the Group’s interest in PPGI was approximately HK\$7 million (2002: HK\$7 million).



## **SEGMENT INFORMATION**

Segment information is presented in respect of the Group's geographical segments. For the year under review, the Group was principally engaged in the advertising business. All the activities of the business segments were based in Hong Kong and PRC.

## **EXPOSURE TO FLUCTUATIONS IN EXCHANGE RATES**

The majority of the Group's transactions are denominated in Hong Kong dollars. In addition, all the Group's assets rest in Hong Kong. Thus, our exposure to exchange rate fluctuations is minimal.

## **CAPITAL COMMITMENTS**

As at 31st December 2003, the Group had capital commitment of approximately HK\$0.9 million in respect of acquisition of property, plant and equipment contracted for but not provided in the financial statements.

## **CONTINGENT LIABILITIES**

As at 31st December 2003, the Group did not have any material contingent liabilities.

## **EMPLOYEES**

As at 31st December 2003, the Group had around 60 employees (2002: 70). The pay scale of the Group's employees is maintained at a competitive level and employees are rewarded on a performance-related basis within the general framework of the Group's salary and bonus system. Other employees benefits include provident fund, insurance and medical cover. Options to subscribe for an aggregate of 37.5 million shares of the Company had been granted to certain employees pursuant to the Company's share option scheme. These options are exercisable at any time during a period commencing 1 year after the date of grant and ending 3 years after the end of the 10 years period of the scheme.



## PROSPECTS

Looking ahead, the first quarter of 2004 has started on an encouraging note with our year-on revenue growing at a significant rate.

We are in the continuing process of identifying media and advertising related business opportunities in the Mainland and are hopeful of entering the market in the near future. The Company has recently concluded an exclusive advertising and production agency agreement with a PRC based multi-national company for the provision of media advertisement services. We believe that CEPA can provide the Group an alternative way for exploring the market in the Mainland. The Group will pursue its long-term strategy under a prudent investment and development policy to explore high potential investments opportunities in the Mainland.

In the fourth quarter of 2003, we have retained a local software house to completely redevelop our recruit.com.hk website. The new website, featuring a number of unique state-of-the-art features, will be launched in the second quarter of 2004. Information technology will play a significant role in the coming year. We will continue to consolidate our leading position by increasing operational efficiencies.

# DIRECTORS AND SENIOR MANAGEMENT PROFILE

## EXECUTIVE DIRECTORS

**Mr. Lau Chuk Kin**, aged 51, was appointed as Chairman and Executive Director of the Group in October 2002. Mr. Lau is the Chairman of the Group. Mr. Lau was formerly the Managing Director of a leading executive search consultancy in Hong Kong. He also founded a main board listed printing company. Mr. Lau holds a Bachelor of Arts degree from the US and a Master of Business Administration Degree from the Chinese University of Hong Kong.

**Mr. Wan Siu Kau**, aged 52, was appointed as a Non-Executive Director in January 2003 and then appointed as Executive Director of the Company in July 2003. Mr. Wan has over 15 years of experience in the executive search industry and holds a Master of Business Administration Degree from the Chinese University of Hong Kong. Mr. Wan is the Managing Partner of Amrop Hever, Hong Kong and a Non-Executive Director of Wai Kee Holdings Limited.

## NON-EXECUTIVE DIRECTORS

**Mr. Lee Ching Ming, Adrian**, aged 52, was appointed as Non-Executive Director of the Group in June 2002. Mr. Lee graduated from the University of Hong Kong with a Bachelor of Social Sciences Degree. He is an Assistant Director of Great Eagle Holdings Limited and has more than 30 years of experience in banking, finance, investment and general management.

**Mr. Peter Stavros Patapios Christofis**, aged 59, was appointed as 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 30 years of advertising sales and general management experience gained in Europe, Africa and South East Asia.

**Ms. Lam Mei Lan**, aged 37, was appointed as Executive Director in October 2002. She resigned her executive role but continues to serve on the board as Non-Executive Director in July 2003. Ms. Lam is a fellow member of the Hong Kong Society of Accountants and the Association of Chartered Certified Accountants respectively. Ms. Lam has over 15 years of experience in finance and had held senior financial position in main board listed companies in Hong Kong.

**Ms. Tam Yuk Ling, Rosaline**, aged 52, was appointed as a Non-Executive Director of the Company in July 2003. Ms. Tam holds a Bachelor of Mathematics degree and a Master of Computer Science degree, both received from the University of Hawaii. She has over 25 years of financial services and technology management experiences. Currently Ms. Tam is the General Manager of Richwap Company Limited, an enterprise mobile computing solutions company. Before joining Richwap, she had held senior positions in several companies in the Asia Pacific Region and the United States, including Continuous Technologies International Limited, MasterCard International, Citibank Australia and American Express.

## *Directors and Senior Management Profile*

### INDEPENDENT NON-EXECUTIVE DIRECTORS

**Mrs. Ling Ching Man, Eleanor, SBS, OBE, JP**, aged 56, was appointed as Independent Non-Executive Director in April 2000. Mrs. Ling is an Advisor to the Board of Directors of Jardine Pacific Limited and a member of the Hong Kong Hospital Authority; the Chairman of the Queen Elizabeth Hospital; the Chairman of the Hospital Authority Provident Fund Scheme; an Executive Committee member of the Employer's Federation of Hong Kong and the Vice Patron of the Community Chest.

**Mr. Cheng Ping Kuen, Franco**, aged 50, was appointed as an Independent Non-Executive Director in January 2003. Mr. Cheng has over 23 years of experience in securities and private banking. Mr. Cheng holds a Master of Business Administration Degree from the Chinese University of Hong Kong and is the Vice President of Rothschild Bank Ag. Asia Pacific.

### SENIOR MANAGEMENT

**Mr. Cheung Ning** is the Circulation and Production Manager of the Group. Mr. Cheung joined the Group in November 2002 and has over 15 years of experience in printing industry.

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

**Ms. Ho Suk Yi** is the Company Secretary and Qualified Accountant of the Group. Ms. Ho holds a bachelor's and master's degree in accountancy and is a member of the Hong Kong Society of Accountants and the Association of Chartered Certified Accountants respectively. She has more than 15 years of experience in the field of auditing, finance and accounting. Prior to joining the Group in September 2003, she had worked for an international accountancy firm and several listed companies in Hong Kong.

**Ms. Lai Wing Ting, Jacklen**, is the General Sales Manager of the Group. She is responsible for the recruitment and display advertising business of the Group. She joined the Group in 1995.

**Mr. Pang Ho** is the Information and Technology Manager of the Group. Mr Pang holds a bachelor's degree in Computer Science from the Victoria University in Australia. He has over 12 years of experience in the field of information technology. Prior to joining the Group in October 2002, he had worked for two listed companies in Hong Kong.

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

## DIRECTORS' REPORT

The Directors present their annual report and the audited financial statements of the Company for the year ended 31st December 2003.

### CHANGE OF NAME AND DOMICILE

Pursuant to a special resolution passed at an extraordinary general meeting held on 16th January 2003, the name of the Company was changed from Panda-Recruit Limited to Recruit Holdings Limited. Furthermore, the Company had changed its domicile from the Cayman Islands to Bermuda by way of de-registration in the Cayman Islands and continuation as an exempted company under the laws of Bermuda.

### PRINCIPAL ACTIVITIES

The Company is an investment holding company. The principal activities of the Company's subsidiaries and associate are set out in notes 31 and 15 to the financial statements respectively.

### MAJOR SUPPLIERS AND CUSTOMERS

Details of the Group's transactions with its major suppliers and customers during the year are set out below:

The top five suppliers and the largest supplier of the Group accounted for approximately 90% and 70% for the Group's total purchases for the year ended 31st December 2003 respectively.

The Group's five largest customers and the largest customer accounted for approximately 27% and 14% of the total turnover of the Group for the year ended 31st December 2003 respectively.

Save as disclosed above, none of the Directors, their respective associates or any shareholders of the Group (who to the knowledge of the Directors own more than 5% of the issued share capital of the Company) had any interest in the Group's five largest suppliers and five largest customers during the year.

### SUBSIDIARIES AND ASSOCIATES

Details of the Company's subsidiaries and associates at 31st December 2003 are set out in notes 31 and 15 to the financial statements.

*Directors' Report*

## RESULTS

The results of the Group for the year ended 31st December 2003 are set out in the consolidated income statement on page 20 .

The Directors do not recommend the payment of a dividend for the year ended 31st December 2003.

## RESERVES

Movements during the year in the reserves of the Group and the Company are set out in note 24 to the financial statements.

## 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 50 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 13 to the financial statements.

## SHARE CAPITAL

Details of movements during the year in the share capital of the Company are set out in note 23 of the financial statements.

## **DIRECTORS**

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

### **EXECUTIVE DIRECTORS**

Mr. Lau Chuk Kin

Mr. Wan Siu Kau (appointed on 20th January 2003) (Note 1)

Mr. Cheung Wing Hung, Vincent (appointed on 20th January 2003 and resigned on 17th April 2003)

### **NON-EXECUTIVE DIRECTORS**

Mr. Lee Ching Ming Adrian

Mr. Peter Stavros Patapios Christofis

Ms. Lam Mei Lan (Note 2)

Ms. Tam Yuk Ling, Rosaline (appointed on 16th July 2003)

Mr. Barrie Calvert Goodridge (resigned on 4th August 2003)

### **INDEPENDENT NON-EXECUTIVE DIRECTOR**

Mrs. Ling Ching Man, Eleanor

Mr. Cheng Ping Kuen, Franco (appointed on 20th January 2003)

Mr. Cheung Chun Yuen, Barry (resigned on 15th May 2003)

Note 1: Mr. Wan Siu Kau was first appointed as Non-Executive Director on 20th January 2003. Mr. Wan was then appointed as Executive Director of the Company on 16th July 2003.

Note 2: Ms. Lam Mei Lan was an Executive Director at the beginning of the year. On 16th July 2003, Ms. Lam resigned her executive role but remains as a Non-Executive Director of the Company.

In accordance with No. 86 of the Company's bye-laws, Ms. Tam Yuk Ling, Rosaline will retire at the forthcoming annual general meeting and, being eligible, will offer herself for re-election.

In accordance with No. 87 of the Company's bye-laws, Mr. Peter Stavros Patapios Christofis and Mrs. Ling Ching Man, Eleanor will retire at the forthcoming annual general meeting and, being eligible, will offer themselves for re-election.

### **DIRECTOR'S SERVICES CONTRACT**

The term of office of each of non-executive director is the period from the date of appointment up to his or her retirement by rotation as required by the Company's Bye-laws.

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' Report

**DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS IN SECURITIES**

As at 31 December 2003, 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 kept by the Company under section 352 of Part XV of the Securities and Futures Ordinance (the "SFO") were as follows:

| Name of Directors                        | Personal Interest<br>(Shares) | Family Interest<br>(Shares) | Corporate Interest<br>(Shares) | Total Interest<br>(Shares) | Percentage to the issued share capital of the Company (%) |
|--|-------------------------------|-----------------------------|--------------------------------|----------------------------|---|
| Mr. Lau Chuk Kin (Note 1)                | -                             | -                           | 1,779,540,000                  | 1,779,540,000              | 65.30   |
| Mr. Lee Ching Ming<br>Adrian (Note 2)    | -                             | 500,000                     | -                              | 500,000                    | 0.02  |
| Mr. Peter Stavros<br>Christofis (Note 3) | 650,000                       | -                           | -                              | 650,000                    | 0.02  |

Notes:

1. The shares are beneficially owned by City Apex Limited. As at 31st December 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.
3. Mr. Peter Stavros Patapios Christofis is the beneficial owner of the 650,000 shares.

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 pursuant to the minimum standards of dealing by directors as referred to in Rule 5.40 of the GEM Listing Rules.



## SHARE OPTIONS

The Company's share option scheme (the "Share Option Scheme"), was adopted pursuant to a resolution passed on 3rd July 2000 for the purpose of providing incentives to directors and eligible employees, and will expire on 2nd July 2010. The committee of the Board of Directors constituted to administer the Share Option Scheme may, at its discretion, offer to full time employees, including Executive Directors in the full time employment of the Company or any of its subsidiaries, options to subscribe for shares in the Company at a price not less than the highest of : (i) the closing price of the shares of the Company on the Stock Exchange on the date of offer of the option; (ii) the average of the closing prices of the shares on the Stock Exchange for the five trading days immediately preceding the date of the grant of the options; and (iii) the nominal value of a share. A nominal consideration of HK\$1 is payable on acceptance of the grant of an option. Any option granted will lapse when the relevant grantee ceases to be employed by the Group.

Pursuant to Chapter 23 of the GEM Listing Rules, unless shareholders' prior approval otherwise is obtained, the maximum number of shares in respect of which options may be granted shall not exceed 10% of the issued share capital of the Company and the maximum number of shares in respect of which options may be granted to any one employee in any 12-month period shall not exceed 1% of the issued share capital.

Details of the share options outstanding as at 31st December 2003 which have been granted under the Share Option Scheme are as follows:

| Grantees                      | Date of grant | Exercisable Period   | Exercise price HK\$ | Granted during the year | Number of share options   |                        | Outstanding at 31.12.2003 |
|-------------------------------|---------------|----------------------|---------------------|-------------------------|---------------------------|------------------------|---------------------------|
|                               |               |                      |                     |                         | Exercised during the year | Lapsed during the year |                           |
| Continuous contract employees | 2.7.2003      | 2.7.2004 to 2.7.2013 | 0.012               | 37,500,000              | -                         | (15,000,000)           | 22,500,000                |

Notes:

1. The options are exercisable at any time during a period commencing 1 year after the date of grant and ending 3 years after the end of 10 years period of the Scheme.
2. The closing price of the share in the Company immediately before the date on which the share options were granted was HK\$0.012 (as of 30th June 2003).

No share option was exercised during the year.

The directors do not consider it is appropriate to disclose a theoretical value of the share options of the Company granted because a number of factors crucial for the valuation are subjective and uncertain. Accordingly, any valuation of the options based on various speculative assumptions would not be meaningful, and would be misleading.

*Directors' Report*

## ARRANGEMENT TO PURCHASE SHARES OR DEBENTURES

Save as disclosed above, at no time during the year was the Company or 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.

## CONNECTED TRANSACTIONS AND DIRECTOR'S INTERESTS IN CONTRACTS

### ***Exempted connected transactions***

1. During the year, the Group received services income of HK\$350,000 for editorial and management services rendered to ER2 Holdings Limited ("ER2"), a substantial shareholder of the Company. The provision of such services, which were on normal commercial terms, was an exempted continuing connected transaction under the Rule 20.25 of the GEM Listing Rules.
2. The Group received rental income of HK\$210,000 from ER2 during the year. The amount was charged in accordance with terms agreed between both parties and by reference to market prices. The transaction, which was on normal commercial terms, was an exempted continuing connected transaction under the Rule 20.25 of the GEM Listing Rules.

### ***Director's interest in contracts***

During the year, the Group paid consultancy fees of HK\$150,000 for services rendered by a consultancy firm, in which Ms. Tam Yuk Ling, Rosaline, a non-executive director of the Company, has beneficial interests.

## Directors' Report

### Financial Assistance

As mentioned in the prospectus dated 11th July 2000 and the year 2000 and 2001 annual report of the Company, the Group provided financial assistance to PPG Investments Limited of approximately HK\$16 million, which was proportional to the Group's 20% equity interest in PPG Investments Limited. The financial assistance is unsecured, interest free and there is no fixed term of repayment.

During the year, the Group did not provide any new financial assistance to PPG Investments Limited.

The Independent Non-Executive Directors have reviewed the connected transactions stated above and confirmed that at the time of transaction, they have been carried out under normal commercial terms, in the ordinary course of business of the Group and on an arm's-length basis and are fair and reasonable insofar as the shareholders of the Company are concerned.

Saved as disclosed above, there were no transactions requiring disclosure of connected transactions in accordance with the requirements of the GEM Listing Rules.

Save as disclosed in note 30 of the financial statements, 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.

### SUBSTANTIAL SHAREHOLDERS

As at 31st December 2003, in addition to those interests as disclosed above in respect of the Directors, the Company had been notified of the following interests, 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)                                 | 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  |

## Directors' Report

### Notes:

1. 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.
2. 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.
3. 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.
4. 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. Japan Asia Investment Company Limited is deemed to be interested in the 163,000,000 shares owned by JAIC-Somerley Corporate Development Fund Limited.

Save as disclosed above, as at 31st December, 2003, 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.

### PURCHASE, SALE OR REDEMPTION OF SHARES

During the year ended 31st December 2003, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

### COMPETING INTERESTS

The directors of the Company believe that none of the directors or the management shareholders of the Company or any of their respective associates (as defined in the GEM Listing Rules) had any business or interest that competes or may competes with the business of the Group.

### CORPORATE GOVERNANCE

The Company has complied throughout the year 2003 with the corporate governance matters as set out in Chapter 5 of the GEM Listing Rules.

## **AUDIT COMMITTEE**

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

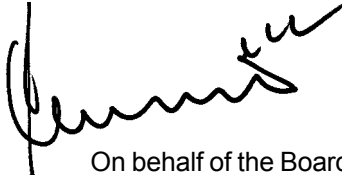
During the year, the audit committee held meetings regularly and performed duties, namely, reviewing the Company's draft annual report and accounts, half-yearly report, quarterly reports and circulars, and providing advice and comments thereon to the Company's board of directors, meeting with external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

## **AUDITORS**

A resolution will be proposed at the forthcoming annual general meeting to appoint Messrs. Deloitte Touche Tohmatsu as auditors of the Company.

## **PRE-EMPTIVE RIGHTS**

There are no provisions for pre-emptive rights under the Company's bye-laws, or the laws of Bermuda, which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.



On behalf of the Board  
Lau Chuk Kin  
Chairman

Hong Kong, 26th February 2004

## AUDITORS' REPORT

### 德勤·關黃陳方會計師行

Certified Public Accountants  
26/F, Wing On Centre  
111 Connaught Road Central  
Hong Kong

執業會計師  
香港中環干諾道中 111 號  
永安中心 26 樓

**Deloitte  
Touche  
Tohmatsu**

### TO THE SHAREHOLDERS OF RECRUIT HOLDINGS LIMITED

才庫媒體集團有限公司

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

We have audited the financial statements on pages 20 to 49 which have been prepared in accordance with accounting principles generally accepted in Hong Kong.

### Respective responsibilities of directors and auditors

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

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

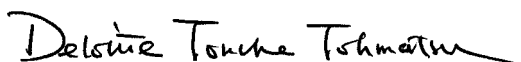
### Basis of opinion

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

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

### Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the Company and the Group as at 31st December 2003 and of the profit and cash flows of the Group for the year then ended and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.



Certified Public Accountants  
Hong Kong, 26th February 2004

# CONSOLIDATED INCOME STATEMENT

For the year ended 31st December 2003

|  | NOTES | 2003<br>HK\$'000    | 2002<br>HK\$'000      |
|--|-------|---------------------|-----------------------|
| Turnover   | 4     | 50,293              | 70,138                |
| Direct operating costs                           |       | <u>(26,143)</u>     | <u>(37,631)</u>       |
| Gross profit                                     |       | 24,150              | 32,507                |
| Other operating income                           | 6     | 2,179               | 1,276                 |
| Selling and distribution costs                   |       | (11,700)            | (19,981)              |
| Administrative expenses                          |       | (10,664)            | (39,028)              |
| Other operating expenses                         |       | (1,367)             | (3,585)               |
| Impairment loss on property, plant and equipment |       | <u>-</u>            | <u>(1,337)</u>        |
| Profit (loss) from operations                    | 7     | 2,598               | (30,148)              |
| Finance costs                                    | 8     | (115)               | (1)                   |
| Allowance for loans to an associate              |       | <u>-</u>            | <u>(6,032)</u>        |
| Profit (loss) before taxation                    |       | 2,483               | (36,181)              |
| Taxation   | 11    | <u>-</u>            | <u>-</u>              |
| Net profit (loss) for the year                   |       | <u>2,483</u>        | <u>(36,181)</u>       |
| Earnings (loss) per share                        | 12    |                     |                       |
| Basic  |       | <u>HK0.10 cents</u> | <u>(HK3.22 cents)</u> |
| Diluted  |       | <u>HK0.10 cents</u> | <u>N/A</u>            |

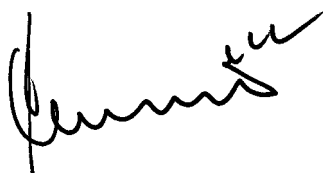


## CONSOLIDATED BALANCE SHEET

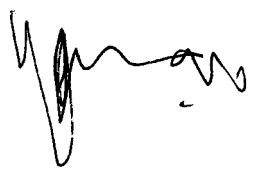
At 31st December 2003

|   | NOTES | 2003<br>HK\$'000 | 2002<br>HK\$'000 |
|---|-------|------------------|------------------|
| <b>Non-current Assets</b>               |       |                  |                  |
| Property, plant and equipment           | 13    | 2,508            | 1,491            |
| Interests in associates                 | 15    | <u>7,351</u>     | <u>7,281</u>     |
|   |       | <u>9,859</u>     | <u>8,772</u>     |
| <b>Current Assets</b>                   |       |                  |                  |
| Inventories                             |       | -                | 1,275            |
| Trade and other receivables             | 17    | 9,470            | 11,804           |
| Amount due from a related company       | 18    | -                | 267              |
| Tax recoverable                         |       | -                | 270              |
| Pledged bank deposit                    | 19    | -                | 2,000            |
| Bank balances and cash                  |       | <u>21,933</u>    | <u>3,770</u>     |
|   |       | <u>31,403</u>    | <u>19,386</u>    |
| <b>Current Liabilities</b>              |       |                  |                  |
| Trade and other payables                | 20    | 8,787            | 13,490           |
| Amount due to a related company         | 21    | -                | 4,626            |
| Shareholder's loan                      | 22    | <u>-</u>         | <u>5,000</u>     |
|   |       | <u>8,787</u>     | <u>23,116</u>    |
| <b>Net Current Assets (Liabilities)</b> |       |                  |                  |
|   |       | <u>22,616</u>    | <u>(3,730)</u>   |
|   |       | <u>32,475</u>    | <u>5,042</u>     |
| <b>Capital and Reserves</b>             |       |                  |                  |
| Share capital                           | 23    | 27,250           | 56,250           |
| Share premium and reserves              | 24    | <u>5,225</u>     | <u>(51,208)</u>  |
|   |       | <u>32,475</u>    | <u>5,042</u>     |

The financial statements on pages 20 to 49 were approved and authorised for issue by the Board of Directors on 26th February 2004 and are signed on its behalf by:



DIRECTOR

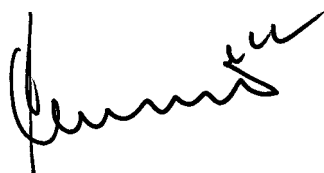


DIRECTOR

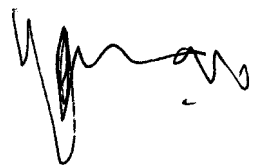
# BALANCE SHEET

At 31st December 2003

|                                | NOTES | 2003<br>HK\$'000 | 2002<br>HK\$'000 |
|--------------------------------|-------|------------------|------------------|
| <b>Non-current Assets</b>      |       |                  |                  |
| Investments in subsidiaries    | 14    | -                | 2,800            |
| Interest in an associate       | 15    | 70               | -                |
| Amounts due from subsidiaries  | 16    | <u>33,140</u>    | <u>7,995</u>     |
|                                |       | <u>33,210</u>    | <u>10,795</u>    |
| <b>Current Assets</b>          |       |                  |                  |
| Other receivables              |       | 210              | 1,630            |
| Bank balances and cash         |       | <u>111</u>       | <u>93</u>        |
|                                |       | <u>321</u>       | <u>1,723</u>     |
| <b>Current Liabilities</b>     |       |                  |                  |
| Other payables                 |       | 1,439            | 2,456            |
| Shareholder's loan             | 22    | -                | 5,000            |
| Amount due to a subsidiary     |       | <u>150</u>       | <u>-</u>         |
|                                |       | <u>1,589</u>     | <u>7,456</u>     |
| <b>Net Current Liabilities</b> |       |                  |                  |
|                                |       | <u>(1,268)</u>   | <u>(5,733)</u>   |
|                                |       | <u>31,942</u>    | <u>5,062</u>     |
| <b>Capital and Reserves</b>    |       |                  |                  |
| Share capital                  | 23    | 27,250           | 56,250           |
| Share premium and reserves     | 24    | <u>4,692</u>     | <u>(51,188)</u>  |
|                                |       | <u>31,942</u>    | <u>5,062</u>     |



DIRECTOR



DIRECTOR

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31st December 2003

|                         | Total equity<br>HK\$'000 |
|-------------------------|--------------------------|
| At 1st January 2002     | 41,223                   |
| Net loss for the year   | <u>(36,181)</u>          |
| At 31st December 2002   | 5,042                    |
| Net profit for the year | 2,483                    |
| Share issued at premium | 26,400                   |
| Share issue expenses    | <u>(1,450)</u>           |
| At 31st December 2003   | <u><u>32,475</u></u>     |

During the year, the Group undertook a capital reorganisation as detailed in note 23.

# CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31st December 2003

|  | 2003<br>HK\$'000 | 2002<br>HK\$'000 |
|--|------------------|------------------|
| <b>OPERATING ACTIVITIES</b>  |                  |                  |
| Profit (loss) from operations  | 2,598            | (30,148)         |
| Adjustments for:   |                  |                  |
| Depreciation   | 1,456            | 5,712            |
| Interest income  | (96)             | (111)            |
| (Gain) loss on disposal and write off of property, plant and equipment | (5)              | 1,067            |
| Impairment loss on property, plant and equipment                       | -                | 1,337            |
| Gain on disposal of a jointly controlled entity                        | (200)            | -                |
| Operating cash flows before movements in working capital               | 3,753            | (22,143)         |
| Decrease (increase) in inventories                                     | 1,275            | (150)            |
| Decrease in trade and other receivables                                | 2,334            | 3,322            |
| Decrease (increase) in amount due from a related company               | 267              | (143)            |
| Decrease in trade and other payables                                   | (4,703)          | (1,462)          |
| (Decrease) increase in amount due to a related company                 | (4,626)          | 1,443            |
| Cash used in operations  | (1,700)          | (19,133)         |
| Hong Kong Profits Tax refunded   | 270              | -                |
| Interest paid  | (115)            | (1)              |
| <b>NET CASH USED IN OPERATING ACTIVITIES</b>                           | <b>(1,545)</b>   | <b>(19,134)</b>  |

*Consolidated Cash Flow Statement*

*For the year ended 31st December 2003*

|   | <b>2003</b>          | 2002                |
|---|----------------------|---------------------|
|   | <b>HK\$'000</b>      | HK\$'000            |
| <b>INVESTING ACTIVITIES</b>                                 |                      |                     |
| Interest received   | 96                   | 111                 |
| Purchase of property, plant and equipment                   | (2,473)              | (79)                |
| Net proceeds on disposal of a jointly controlled entity     | 200                  | -                   |
| Loan advanced to an associate                               | (70)                 | -                   |
| Proceeds on disposal of property, plant and equipment       | 5                    | 64                  |
| Decrease in pledged bank deposit                            | <u>2,000</u>         | <u>3,000</u>        |
| <b>NET CASH (USED IN) FROM INVESTING ACTIVITIES</b>         | <u>(242)</u>         | <u>3,096</u>        |
| <b>FINANCING ACTIVITIES</b>                                 |                      |                     |
| Loan advanced from a shareholder                            | 10,000               | 5,000               |
| Proceeds on issue of ordinary shares                        | 11,400               | -                   |
| Share issue expenses paid                                   | <u>(1,450)</u>       | <u>-</u>            |
| <b>NET CASH FROM FINANCING ACTIVITIES</b>                   | <u>19,950</u>        | <u>5,000</u>        |
| <b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b> | 18,163               | (11,038)            |
| <b>CASH AND CASH EQUIVALENTS AT 1ST JANUARY</b>             | <u>3,770</u>         | <u>14,808</u>       |
| <b>CASH AND CASH EQUIVALENTS AT 31ST DECEMBER</b>           | <u><u>21,933</u></u> | <u><u>3,770</u></u> |
| Representing:   |                      |                     |
| Bank balances and cash                                      | <u><u>21,933</u></u> | <u><u>3,770</u></u> |

# NOTES TO THE FINANCIAL STATEMENTS

*For the year ended 31st December 2003*

## 1. GENERAL

The Company was incorporated in the Cayman Islands as an exempted company 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 and its shares are listed on the Growth Enterprise Market ("GEM") of The Stock Exchange of Hong Kong Limited.

Pursuant to a special resolution passed on 16th January 2003, the name of the Company changed from "Panda-Recruit Limited" to "Recruit Holdings Limited".

The Company acts as an investment holding company. Details of the principal activities of the principal subsidiaries are set out in note 31.

As at 31st December 2003, the Company's ultimate holding company is ER2 Holdings Limited, incorporated in Hong Kong.

## 2. ADOPTION OF STATEMENT OF STANDARD ACCOUNTING PRACTICE

In the current year, the Company has adopted, for the first time, the revised Statement of Standard Accounting Practice 12 "Income taxes" ("SSAP 12 (Revised)") issued by the Hong Kong Society of Accountants.

The principal effect of the implementation of SSAP 12 (Revised) is in relation to deferred tax. SSAP 12 (Revised) requires the adoption of a balance sheet liability method, whereby deferred tax is recognised in respect of all temporary differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, with limited exceptions. The retrospective adoption of SSAP 12 (Revised) has not resulted in any significant effect on the financial statements in the prior periods, and accordingly, no prior period adjustment has been made.

## 3. SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been prepared under the historical cost convention and in accordance with accounting principles generally accepted in Hong Kong. The principal accounting policies adopted are as follows:

### **Basis of consolidation**

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

All significant intercompany transactions and balances within the Group have been eliminated on consolidation.

## Notes to the Financial Statements

For the year ended 31st December 2003

### 3. SIGNIFICANT ACCOUNTING POLICIES - continued

#### Goodwill

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

Goodwill arising on the acquisition of subsidiaries is presented separately in the balance sheet. Goodwill arising on the acquisition of an associate is included within the carrying amount of the associate.

On disposal of a subsidiary or an associate, the attributable amount of unamortised goodwill is included in the determination of the profit or loss on disposal.

#### Negative goodwill

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

Negative goodwill arising on acquisition prior to 1st January 2001 continues to be held in reserves and will be credited to income at the time of disposal of the relevant subsidiary or associate.

Negative goodwill arising on acquisition after 1st January 2001 is presented as deduction from assets. To the extent that the negative goodwill is attributable to losses or expenses anticipated at the date of acquisition, it is released to income in the period in which those losses or expenses arise. The remaining negative goodwill is recognised as income on a straight-line basis over the remaining average useful life of the identifiable acquired depreciable assets. To the extent that such negative goodwill exceeds the aggregate fair value of the acquired identifiable non-monetary assets, it is recognised as income immediately.

Negative goodwill arising on the acquisition of subsidiaries is presented separately in the balance sheet as a deduction from assets. Negative goodwill arising on the acquisition of an associate is deducted from the carrying value of that associate.

#### Investments in subsidiaries

Investments in subsidiaries are included in the Company's balance sheet at cost less any identified impairment loss.

#### Interests in associates

The consolidated income statement includes the Group's share of the post-acquisition results of its associates for the year. In the consolidated balance sheet, interests in associates are stated at the Group's share of the net assets of the associates less any identified impairment loss.

The results of associates are accounted for by the Company on the basis of dividends received and receivable during the year. In the Company's balance sheet, investments in associates are stated at cost, as reduced by any identified impairment loss.



## Notes to the Financial Statements

For the year ended 31st December 2003

### 3. SIGNIFICANT ACCOUNTING POLICIES - continued

#### Revenue recognition

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 website.

Service income is recognised when services are provided.

Publication sales were recognised when the risk and reward of ownerships had been passed.

Publishing income was recognised when services were provided.

Interest income from bank deposits is accrued on a time basis by reference to the principal outstanding and at the interest rate applicable.

Rental income under operating leases are recognised on a straight line basis over the term of the relevant lease.

#### Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses.

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

|                                |   |
|--------------------------------|---|
| Furniture and fixtures         | 20%   |
| Office equipment               | 20%   |
| Leasehold improvements         | 20% - 50% or over the lease term,<br>whichever is shorter |
| Computer equipment and systems | 33 $\frac{1}{3}$ %  |
| Motor vehicles                 | 20%   |

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

#### Impairment

At each balance sheet date, the Group reviews the carrying amounts of its assets to determine whether there is any indication that those assets have suffered an impairment loss. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately.

## Notes to the Financial Statements

For the year ended 31st December 2003

### 3. SIGNIFICANT ACCOUNTING POLICIES - continued

#### Inventories

Inventories representing paper for production are stated at the lower of cost and net realisable value. Cost is calculated using the first-in, first-out method.

#### Foreign currencies

Transactions in foreign currencies are translated at the rates ruling on the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are re-translated at the rates prevailing on the balance sheet date. Gains and losses arising on exchange are dealt with in the income statement.

On consolidation, the assets and liabilities of the Group's operations outside Hong Kong are translated at exchange rates prevailing on the balance sheet date. Income and expense items are translated at the average exchange rates for the period. Exchange differences arising, if any, are classified as equity and transferred to the Group's translation reserve. Such translation differences are recognised as income or as expenses in the period in which the operation is disposed of.

#### Retirement benefit schemes

Payments to Group's retirement benefit schemes are charged as expenses as they fall due.

#### Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years, and it further excludes income statement items that are never taxable or deductible.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences, and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill (or negative goodwill) or from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the year when the liability is settled or the asset realised. Deferred tax is charged or credited to the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

## Notes to the Financial Statements

For the year ended 31st December 2003

### 3. SIGNIFICANT ACCOUNTING POLICIES - continued

#### Operating leases

Operating leases rentals are charged to the income statement on a straight line basis over the relevant lease term.

#### Website/portal development costs

All costs incurred in the development of new websites/portals and enhancement of existing websites/portals, including costs incurred in the development and enhancement of contents, are charged to the income statement as incurred.

#### Advertising and promotion expenses

Advertising and promotion expenses are charged to the income statement when incurred.

### 4. TURNOVER

Turnover represents recruitment and non-recruitment advertising income, service income, publication sales and publishing income less returns and discounts, and is analysed as follows:

|                    | 2003<br>HK\$'000 | 2002<br>HK\$'000 |
|--------------------|------------------|------------------|
| Advertising income | 49,943           | 69,223           |
| Service income     | 350              | 150              |
| Publication sales  | -                | 336              |
| Publishing income  | -                | 429              |
|                    | <u>50,293</u>    | <u>70,138</u>    |

*Notes to the Financial Statements*

*For the year ended 31st December 2003*

**5. GEOGRAPHICAL AND BUSINESS SEGMENTS**

**Geographical segments**

The Group's operations are located in Hong Kong and the People's Republic of China (other than Hong Kong) (the "PRC"). The Group's business in advertising and publishing are carried out in Hong Kong. Provision of internet technology service was carried out in the PRC.

| 2003                                       | Hong Kong<br>HK\$'000 | PRC<br>HK\$'000 | Elimination<br>HK\$'000  | Consolidated<br>HK\$'000 |
|--|-----------------------|-----------------|--------------------------|--------------------------|
| <b>REVENUE</b>                             | <u>51,433</u>         | <u>-</u>        | <u>-</u>                 | <u>51,433</u>            |
| <b>RESULT</b>                              |                       |                 |                          |                          |
| Segment result                             | <u>1,984</u>          | <u>1,330</u>    |                          | 3,314                    |
| Interest income                            |                       |                 |                          | 96                       |
| Unallocated corporate revenue              |                       |                 |                          | 203                      |
| Unallocated corporate expenses             |                       |                 |                          | <u>(1,015)</u>           |
| Profit from operations                     |                       |                 |                          | 2,598                    |
| Finance costs                              |                       |                 |                          | <u>(115)</u>             |
| Profit before taxation                     |                       |                 |                          | 2,483                    |
| Taxation                                   |                       |                 |                          | <u>-</u>                 |
| Net profit for the year                    |                       |                 |                          | <u>2,483</u>             |
|  | Hong Kong<br>HK\$'000 | PRC<br>HK\$'000 | Consolidated<br>HK\$'000 |                          |
| <b>BALANCE SHEET</b>                       |                       |                 |                          |                          |
| <b>ASSETS</b>                              |                       |                 |                          |                          |
| Segment assets                             |                       | 31,331          | 97                       | 31,428                   |
| Interests in associates                    |                       | 7,351           | -                        | 7,351                    |
| Unallocated corporate assets               |                       | 2,483           | -                        | <u>2,483</u>             |
| Consolidated total assets                  |                       |                 |                          | <u>41,262</u>            |
| <b>LIABILITIES</b>                         |                       |                 |                          |                          |
| Segment liabilities                        |                       | 6,831           | 491                      | 7,322                    |
| Unallocated corporate liabilities          |                       | 1,465           | -                        | <u>1,465</u>             |
| Consolidated total liabilities             |                       |                 |                          | <u>8,787</u>             |
| <b>OTHER INFORMATION</b>                   |                       |                 |                          |                          |
| Additions to property, plant and equipment |                       | 2,473           | -                        | 2,473                    |
| Depreciation                               |                       | 1,456           | -                        | 1,456                    |

## Notes to the Financial Statements

For the year ended 31st December 2003

### 5. GEOGRAPHICAL AND BUSINESS SEGMENTS - continued

| 2002                  | Hong Kong<br>HK\$'000 | PRC<br>HK\$'000 | Elimination<br>HK\$'000 | Consolidated<br>HK\$'000 |
|-----------------------|-----------------------|-----------------|-------------------------|--------------------------|
| <b>REVENUE</b>        |                       |                 |                         |                          |
| External revenue      | 70,950                | 213             | -                       | 71,163                   |
| Inter-segment revenue | <u>417</u>            | <u>305</u>      | <u>(722)</u>            | <u>-</u>                 |
| Total                 | <u>71,367</u>         | <u>518</u>      | <u>(722)</u>            | <u>71,163</u>            |

Inter-segment sales are charged at market price or at cost.

|                                     |                 |                |   |                 |
|-------------------------------------|-----------------|----------------|---|-----------------|
| <b>RESULT</b>                       |                 |                |   |                 |
| Segment result                      | <u>(22,203)</u> | <u>(4,207)</u> |   | (26,410)        |
| Interest income                     |                 |                |   | 111             |
| Unallocated corporate revenue       |                 |                |   | 140             |
| Unallocated corporate expenses      |                 |                |   | <u>(3,989)</u>  |
| Loss from operations                |                 |                |   | (30,148)        |
| Finance costs                       |                 |                |   | (1)             |
| Allowance for loans to an associate | (6,032)         | -              | - | <u>(6,032)</u>  |
| Loss before taxation                |                 |                |   | (36,181)        |
| Taxation                            |                 |                |   | <u>-</u>        |
| Net loss for the year               |                 |                |   | <u>(36,181)</u> |

|  | Hong Kong<br>HK\$'000 | PRC<br>HK\$'000 | Consolidated<br>HK\$'000 |
|--|-----------------------|-----------------|--------------------------|
| <b>BALANCE SHEET</b>                             |                       |                 |                          |
| <b>ASSETS</b>                                    |                       |                 |                          |
| Segment assets                                   | 18,900                | 101             | 19,001                   |
| Interests in an associate                        | 7,281                 | -               | 7,281                    |
| Unallocated corporate assets                     |                       |                 | <u>1,876</u>             |
| Consolidated total assets                        |                       |                 | <u>28,158</u>            |
| <b>LIABILITIES</b>                               |                       |                 |                          |
| Segment liabilities                              | 13,572                | 2,067           | 15,639                   |
| Unallocated corporate liabilities                |                       |                 | <u>7,477</u>             |
| Consolidated total liabilities                   |                       |                 | <u>23,116</u>            |
| <b>OTHER INFORMATION</b>                         |                       |                 |                          |
| Additions to property, plant and equipment       | 79                    | -               | 79                       |
| Depreciation                                     | 5,526                 | 186             | 5,712                    |
| Impairment loss on property, plant and equipment | 653                   | 684             | 1,337                    |

Notes to the Financial Statements

For the year ended 31st December 2003

5. GEOGRAPHICAL AND BUSINESS SEGMENTS - continued

Business segments

For management purpose, the Group is currently organised into three operating divisions - advertising, publishing and provision of internet technology service.

The following table provides an analysis of the Group's revenue by business divisions:

|                                | Revenue by<br>business divisions     |                                      | Contribution to<br>operation         |                                      |
|--------------------------------|--------------------------------------|--------------------------------------|--------------------------------------|--------------------------------------|
|                                | Year ended<br>31.12.2003<br>HK\$'000 | Year ended<br>31.12.2002<br>HK\$'000 | Year ended<br>31.12.2003<br>HK\$'000 | Year ended<br>31.12.2002<br>HK\$'000 |
| Advertising                    | 51,433                               | 69,881                               | 3,314                                | (19,472)                             |
| Publishing                     | -                                    | 1,069                                | -                                    | (2,731)                              |
| Internet technology service    | -                                    | 213                                  | -                                    | (4,207)                              |
|                                | <u>51,433</u>                        | <u>71,163</u>                        | 3,314                                | (26,410)                             |
| Interest income                |                                      |                                      | 96                                   | 111                                  |
| Unallocated corporate revenue  |                                      |                                      | 203                                  | 140                                  |
| Unallocated corporate expenses |                                      |                                      | (1,015)                              | (3,989)                              |
| Profit (loss) from operations  |                                      |                                      | <u>2,598</u>                         | <u>(30,148)</u>                      |

The following is an analysis of the carrying amount of segment assets and additions to property, plant and equipment, analysed by business divisions for which the assets are used:

|                              | Carrying amount of<br>segment assets |                                      | Additions to property,<br>plant and equipment |                                      |
|------------------------------|--------------------------------------|--------------------------------------|---|--------------------------------------|
|                              | Year ended<br>31.12.2003<br>HK\$'000 | Year ended<br>31.12.2002<br>HK\$'000 | Year ended<br>31.12.2003<br>HK\$'000          | Year ended<br>31.12.2002<br>HK\$'000 |
| Advertising                  | 31,428                               | 18,663                               | 2,473   | 74                                   |
| Publishing                   | -                                    | 237                                  | -   | 5                                    |
| Internet technology service  | -                                    | 101                                  | -   | -                                    |
| Interests in associates      | 7,351                                | 7,281                                | -   | -                                    |
| Unallocated corporate assets | <u>2,483</u>                         | <u>1,876</u>                         | -   | -                                    |
|                              | <u>41,262</u>                        | <u>28,158</u>                        | <u>2,473</u>                                  | <u>79</u>                            |

## Notes to the Financial Statements

For the year ended 31st December 2003

### 6. OTHER OPERATING INCOME

Included in other operating income are interest earned on bank deposits of HK\$96,000 (2002: HK\$111,000) and gain on disposal of a jointly controlled entity of HK\$200,000 (2002: Nil).

During the year, the Group entered into an agreement to form a jointly controlled entity ("JCE") with 50% interest held by the Group for the purpose of engaging in the printing business. Subsequently, the Group could not reach an agreement with the partner for the control over the daily operations of the JCE and as a result, agreed to dispose of the Group's 50% equity interest to the partner for a consideration of HK\$2,000,000. The Group also agreed to pay for an aggregate amount of HK\$1,800,000 to the employees of the JCE in connection with the Group's withdrawals, resulting in a net gain of HK\$200,000.

### 7. PROFIT (LOSS) FROM OPERATIONS

|  | 2003<br>HK\$'000 | 2002<br>HK\$'000 |
|--|------------------|------------------|
| Profit (loss) from operations has been arrived<br>at after charging (crediting): |                  |                  |
| Auditors' remuneration   |                  |                  |
| Current year   | 250              | 676              |
| Overprovision in prior year  | <u>(65)</u>      | <u>(4)</u>       |
|  | 185              | 672              |
| Depreciation   | 1,456            | 5,712            |
| Staff costs  | 14,245           | 33,082           |
| (Gain) loss on disposal and write off of property, plant<br>and equipment        | (5)              | 1,067            |
| Operating lease rental in respect of:  |                  |                  |
| Rented premises  | 591              | 3,517            |
| Website hosting  | -                | 333              |
| Internet access line   | <u>112</u>       | <u>346</u>       |
|  | 703              | 4,196            |
| Operating lease rental income in respect of subleasing of<br>office premises     | <u>(219)</u>     | <u>(189)</u>     |

### 8. FINANCE COSTS

|                                 | 2003<br>HK\$'000 | 2002<br>HK\$'000 |
|---------------------------------|------------------|------------------|
| Interest on:                    |                  |                  |
| Amount due to a related company | 115              | -                |
| Bank overdraft                  | <u>-</u>         | <u>1</u>         |
|                                 | <u>115</u>       | <u>1</u>         |

Notes to the Financial Statements

For the year ended 31st December 2003

9. DIRECTORS' REMUNERATION

|   | 2003<br>HK\$'000  | 2002<br>HK\$'000    |
|---|-------------------|---------------------|
| Fees:                                     |                   |                     |
| Executive directors                       | 30                | -                   |
| Non-executive directors                   | 90                | 300                 |
| Independent non-executive directors       | <u>60</u>         | <u>200</u>          |
|   | <u>180</u>        | <u>500</u>          |
| Other emoluments for executive directors: |                   |                     |
| Basic salaries and other benefits         | 346               | 7,234               |
| Retirement benefit scheme contributions   | <u>7</u>          | <u>289</u>          |
|   | <u>353</u>        | <u>7,523</u>        |
|   | <u><u>533</u></u> | <u><u>8,023</u></u> |

The emoluments of the directors were within the following bands:

|                               | 2003<br>Number of directors | 2002<br>Number of directors |
|-------------------------------|-----------------------------|-----------------------------|
| Nil - HK\$1,000,000           | 11                          | 12                          |
| HK\$2,000,001 - HK\$2,500,000 | -                           | 1                           |
| HK\$5,000,001 - HK\$5,500,000 | <u>-</u>                    | <u>1</u>                    |

The executive directors received individual emolument for the year ended 31st December 2003 of approximately HK\$30,000 (2002: Nil), HK\$47,000 (2002: Nil), Nil (2002: HK\$132,000), Nil (2002: HK\$5,056,000) and Nil (2002: HK\$2,335,000). No emolument was paid to the remaining executive director for the year ended 31st December 2003 (2002: Nil).

Three (2002: three) of the non-executive directors with each received director's fee for the year ended 31st December 2003 of approximately HK\$30,000 (2002: HK\$100,000) and one (2002: Nil) of the non-executive directors received individual emolument for the year ended 31st December 2003 of approximately HK\$306,000 (2002: Nil) in the capacity of executive director. No emolument was paid to the remaining non-executive director for the year ended 31st December 2003 (2002: Nil). The independent non-executive directors received directors' fee for the year ended 31st December 2003 of HK\$30,000 (2002: HK\$100,000), HK\$30,000 (2002: Nil) and Nil (2002: HK\$100,000).



## Notes to the Financial Statements

For the year ended 31st December 2003

### 10. EMPLOYEES' REMUNERATION

The five highest paid individuals of the Group did not include any (2002: two) executive directors of the Company, whose emoluments are included in note 9 above. The emoluments of the five (2002: three) individuals are as follows:

|   | <b>2003</b>     | 2002         |
|---|-----------------|--------------|
|   | <b>HK\$'000</b> | HK\$'000     |
| Basic salaries and other benefits       | 2,080           | 2,303        |
| Retirement benefit scheme contributions | 78              | 143          |
| Compensation for loss of office         | -               | 68           |
|   | <u>2,158</u>    | <u>2,514</u> |

The aggregate emoluments of each of the employees during the year were within the emoluments bands ranging from Nil to HK\$1,000,000.

During each of the two years ended 31st December 2003, no emoluments were paid by the Group to the directors and the five highest paid individuals (including directors and employees) as an inducement to join or upon joining the Group and no director waived any emoluments during each of the two years ended 31st December 2003.

### 11. TAXATION

No tax is payable on the estimated assessable profit arising in Hong Kong since the estimated assessable profit of the Company and its subsidiaries are wholly absorbed by tax losses brought forward. There are no known tax liabilities elsewhere.

Details of deferred taxation of the Group are set out in note 25.

The nil provision for the year can be reconciled from taxation based on profit (loss) per income statement as follows:

|   | <b>2003</b>     | 2002            |
|---|-----------------|-----------------|
|   | <b>HK\$'000</b> | HK\$'000        |
| Profit (loss) before taxation                                     | <u>2,483</u>    | <u>(36,181)</u> |
| Tax at the domestic tax rate of 17.5% (2002: 16%)                 | 435             | (5,789)         |
| Tax effect of income not taxable for tax purpose                  | (280)           | (120)           |
| Tax effect of expenses not deductible for tax purpose             | 588             | 1,456           |
| Tax effect of general allowance for doubtful debts not recognised | 106             | 67              |
| Tax effect of utilisation of tax losses not previously recognised | (1,208)         | (141)           |
| Tax effect of tax losses not recognised                           | 208             | 4,076           |
| Others  | <u>151</u>      | <u>451</u>      |
| Tax charge for the year   | <u>-</u>        | <u>-</u>        |

Note: The domestic tax rate in the jurisdiction where the operation of the Group is substantially based is used.

Notes to the Financial Statements

For the year ended 31st December 2003

12. EARNINGS (LOSS) PER SHARE

The calculation of the diluted earnings (loss) per share for the year is based on the following data:

|  | 2003<br>HK\$'000                     | 2002<br>HK\$'000                     |
|--|--------------------------------------|--------------------------------------|
| Earnings (loss) for the purposes of basic and diluted earnings (loss) per share                  | <u>2,483</u>                         | <u>(36,181)</u>                      |
|  | <b>Number<br/>of shares<br/>'000</b> | <b>Number<br/>of shares<br/>'000</b> |
| Weighted average number of ordinary shares for the purposes of basic earnings (loss) per share   | 2,514,589                            | 1,125,000                            |
| Effect of dilutive potential ordinary shares in respect of share options granted                 | <u>4,356</u>                         | <u>N/A</u>                           |
| Weighted average number of ordinary shares for the purposes of diluted earnings (loss) per share | <u>2,518,945</u>                     | <u>N/A</u>                           |

13. PROPERTY, PLANT AND EQUIPMENT

|                                       | Furniture<br>and<br>fixtures<br>HK\$'000 | Office<br>equipment<br>HK\$'000 | Leasehold<br>improvements<br>HK\$'000 | Computer<br>equipment<br>and systems<br>HK\$'000 | Motor<br>vehicles<br>HK\$'000 | Total<br>HK\$'000 |
|---------------------------------------|--|---------------------------------|---------------------------------------|--|-------------------------------|-------------------|
| <b>THE GROUP COST</b>                 |  |                                 |                                       |  |                               |                   |
| At 1st January 2003                   | 661                                      | 1,433                           | 323                                   | 33,367   | 233                           | 36,017            |
| Additions                             | 4  | 4                               | 256                                   | 2,073  | 136                           | 2,473             |
| Disposals/write-off                   | <u>-</u>                                 | <u>(305)</u>                    | <u>(323)</u>                          | <u>(11,334)</u>                                  | <u>-</u>                      | <u>(11,962)</u>   |
| At 31st December 2003                 | <u>665</u>                               | <u>1,132</u>                    | <u>256</u>                            | <u>24,106</u>                                    | <u>369</u>                    | <u>26,528</u>     |
| <b>DEPRECIATION AND IMPAIRMENT</b>    |  |                                 |                                       |  |                               |                   |
| At 1st January 2003                   | 645                                      | 1,292                           | 323                                   | 32,033   | 233                           | 34,526            |
| Provided for the year                 | 7  | 80                              | 81                                    | 1,263  | 25                            | 1,456             |
| Eliminated on disposals/<br>write-off | <u>-</u>                                 | <u>(305)</u>                    | <u>(323)</u>                          | <u>(11,334)</u>                                  | <u>-</u>                      | <u>(11,962)</u>   |
| At 31st December 2003                 | <u>652</u>                               | <u>1,067</u>                    | <u>81</u>                             | <u>21,962</u>                                    | <u>258</u>                    | <u>24,020</u>     |
| <b>NETBOOK VALUES</b>                 |  |                                 |                                       |  |                               |                   |
| At 31st December 2003                 | <u>13</u>                                | <u>65</u>                       | <u>175</u>                            | <u>2,144</u>                                     | <u>111</u>                    | <u>2,508</u>      |
| At 31st December 2002                 | <u>16</u>                                | <u>141</u>                      | <u>-</u>                              | <u>1,334</u>                                     | <u>-</u>                      | <u>1,491</u>      |

## Notes to the Financial Statements

For the year ended 31st December 2003

### 14. INVESTMENTS IN SUBSIDIARIES

|                              | THE COMPANY      |                  |
|------------------------------|------------------|------------------|
|                              | 2003<br>HK\$'000 | 2002<br>HK\$'000 |
| Unlisted shares, at cost     | 62,029           | 62,029           |
| Impairment losses recognised | <u>(62,029)</u>  | <u>(59,229)</u>  |
|                              | <u>-</u>         | <u>2,800</u>     |

The cost of the Company's investments in subsidiaries is determined by the directors on the basis of the underlying net assets of the subsidiaries at the time they were acquired by the Company pursuant to a group reorganisation in 2000.

In view of the losses incurred by the subsidiaries, an impairment loss of HK\$2,800,000 (2002:HK\$10,076,000) was recognised as the directors considered that the expected cash flows from these subsidiaries were not sufficient to recover the investment cost.

Details of principal subsidiaries are set out in note 31.

### 15. INTERESTS IN ASSOCIATES

|                                     | THE GROUP        |                  | THE COMPANY      |                  |
|-------------------------------------|------------------|------------------|------------------|------------------|
|                                     | 2003<br>HK\$'000 | 2002<br>HK\$'000 | 2003<br>HK\$'000 | 2002<br>HK\$'000 |
| Unlisted shares, at cost            | -                | -                | -                | -                |
| Share of net assets                 | -                | -                | -                | -                |
| Loans to associates                 | 16,092           | 16,022           | 70               | -                |
| Allowance for loans to an associate | <u>(8,741)</u>   | <u>(8,741)</u>   | <u>-</u>         | <u>-</u>         |
|                                     | <u>7,351</u>     | <u>7,281</u>     | <u>70</u>        | <u>-</u>         |

Loans to associates are unsecured and interest free. In the opinion of the directors, no repayment will be demanded within the next twelve months. Accordingly the loans are classified as non-current asset.

Details of the associates as at 31st December 2003 are as follows:

| Name of Company         | Place of incorporation | Class of shares held | Proportion of nominal value of issued capital held by the Company |            | Principal activity |
|-------------------------|------------------------|----------------------|---|------------|--------------------|
|                         |                        |                      | Directly  | Indirectly |                    |
| PPG Investments Limited | British Virgin Islands | Ordinary             | -   | 20%        | Investment holding |
| Trion Pacific Limited   | Hong Kong              | Ordinary             | 35%   | -          | Inactive           |

Notes to the Financial Statements

For the year ended 31st December 2003

15. INTERESTS IN ASSOCIATES - continued

The following details have been extracted from the latest unaudited financial statements of PPG Investments Limited, the Group's significant associate, for the nine months ended 30th September 2003.

Results

|   | 1.1.2003<br>to<br>30.9.2003<br>HK\$'000 | 1.1.2002<br>to<br>31.12.2002<br>HK\$'000 |
|---|---|--|
| Loss from ordinary activities before taxation                           | <u>(5,473)</u>                          | <u>(9,645)</u>                           |
| Loss from ordinary activities before taxation attributable to the Group | <u>-</u>                                | <u>-</u>                                 |

Financial position

|   | At<br>30.9.2003<br>HK\$'000 | At<br>31.12.2002<br>HK\$'000 |
|---|-----------------------------|------------------------------|
| Non-current assets                        | 51,436                      | 56,909                       |
| Current assets                            | 103                         | 126                          |
| Current liabilities                       | (95)                        | (117)                        |
| Non-current liabilities                   | <u>(80,110)</u>             | <u>(80,111)</u>              |
| Net liabilities                           | <u>(28,666)</u>             | <u>(23,193)</u>              |
| Net liabilities attributable to the Group | <u>-</u>                    | <u>-</u>                     |

16. AMOUNTS DUE FROM SUBSIDIARIES

|   | THE COMPANY      |                  |
|---|------------------|------------------|
|   | 2003<br>HK\$'000 | 2002<br>HK\$'000 |
| Amounts due from subsidiaries               | 72,309           | 52,849           |
| Allowance for amounts due from subsidiaries | <u>(39,169)</u>  | <u>(44,854)</u>  |
|   | <u>33,140</u>    | <u>7,995</u>     |

The amounts due from subsidiaries are unsecured and interest free. In the opinion of directors, no repayment will be demanded within the next twelve months. Accordingly, the amounts are classified as non-current assets.

## Notes to the Financial Statements

For the year ended 31st December 2003

### 17. TRADE AND OTHER RECEIVABLES

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

The following is an aged analysis of accounts receivable at the balance sheet date:

|                         | <b>2003</b>     | 2002          |
|-------------------------|-----------------|---------------|
|                         | <b>HK\$'000</b> | HK\$'000      |
| 0-60 days               | 4,743           | 5,043         |
| 61-120 days             | 2,171           | 3,263         |
| >120 days               | <u>553</u>      | <u>1,349</u>  |
| Total trade receivables | 7,467           | 9,655         |
| Other receivables       | <u>2,003</u>    | <u>2,149</u>  |
|                         | <u>9,470</u>    | <u>11,804</u> |

### 18. AMOUNT DUE FROM A RELATED COMPANY

#### THE GROUP

Particulars of amount due from a related company are as follows:

| Name of related company                | Balance at<br>31.12.2003<br>HK\$'000 | Balance at<br>1.1.2003<br>HK\$'000 | Maximum amount<br>outstanding<br>during the year<br>HK\$'000 |
|--|--------------------------------------|------------------------------------|--|
| Premier Printing Group Limited ("PPG") | <u>-</u>                             | <u>267</u>                         | <u>267</u>   |

PPG is an associate of PPG Investments Limited.

The former directors, Dr. Lo Ka Shui, Mr. Chow Yung and Ms. Ifan Chan have beneficial interests in PPG.

The amount due from PPG was unsecured, interest free and was fully repaid during the year.

*Notes to the Financial Statements*

*For the year ended 31st December 2003*

**19. PLEDGED BANK DEPOSIT**

The pledged bank deposit at 31st December 2002 was placed in a designated bank account in favour of a bank as part of the security for the short term banking facilities granted to the Group by the bank and the pledge was released during the year.

**20. TRADE AND OTHER PAYABLES**

The following is an aged analysis of accounts payable at the balance sheet date:

|                      | <b>2003</b>     | 2002          |
|----------------------|-----------------|---------------|
|                      | <b>HK\$'000</b> | HK\$'000      |
| 0-60 days            | 1,260           | -             |
| 61-120 days          | <u>31</u>       | <u>-</u>      |
| Total trade payables | 1,291           | -             |
| Other payables       | <u>7,496</u>    | <u>13,490</u> |
|                      | <u>8,787</u>    | <u>13,490</u> |

**21. AMOUNT DUE TO A RELATED COMPANY**

The amount due to a related company represents trade balance with PPG. The following is the aged analysis of payable at the reporting date:

|             | <b>2003</b>     | 2002         |
|-------------|-----------------|--------------|
|             | <b>HK\$'000</b> | HK\$'000     |
| 0-60 days   | -               | 2,167        |
| 61-120 days | <u>-</u>        | <u>2,459</u> |
|             | <u>-</u>        | <u>4,626</u> |

**22. SHAREHOLDER'S LOAN**

Pursuant to a conditional subscription agreement ("Subscription Agreement") entered into between the Company and a substantial shareholder, City Apex Limited ("City Apex"), on 27th September 2002, City Apex conditionally agreed to subscribe for shares in the Company. According to another agreement entered into on 17th December 2002, City Apex advanced an interest free loan of HK\$5,000,000 to the Company and on 17th January 2003, a loan of HK\$10,000,000 was drawn under a standby credit facility provided by City Apex under the Subscription Agreement. A promissory note of HK\$10,000,000 was executed, which bore interest at 2% per annum. These loans were treated as part of the subscription money payable by City Apex to the Company and City Apex agreed to waive the interest on the promissory note pursuant to the Subscription Agreement upon completion on 18th February 2003. The director, Mr. Lau Chuk Kin has a beneficial interest in City Apex.

## Notes to the Financial Statements

For the year ended 31st December 2003

### 23. SHARE CAPITAL

|  | Number of shares  |                  | Share capital    |                  |
|--|-------------------|------------------|------------------|------------------|
|  | 2003<br>'000      | 2002<br>'000     | 2003<br>HK\$'000 | 2002<br>HK\$'000 |
| Ordinary shares of HK\$0.01<br>(2002: HK\$0.05) each |                   |                  |                  |                  |
| Authorised:  |                   |                  |                  |                  |
| At beginning of year                                 | 2,000,000         | 2,000,000        | 100,000          | 100,000          |
| Capital reorganisation                               | <u>8,000,000</u>  | <u>-</u>         | <u>-</u>         | <u>-</u>         |
| At end of year                                       | <u>10,000,000</u> | <u>2,000,000</u> | <u>100,000</u>   | <u>100,000</u>   |
| Issued and fully paid:                               |                   |                  |                  |                  |
| At beginning of year                                 | 1,125,000         | 1,125,000        | 56,250           | 56,250           |
| Capital reorganisation                               | -                 | -                | (45,000)         | -                |
| Shares issued at premium                             | <u>1,600,000</u>  | <u>-</u>         | <u>16,000</u>    | <u>-</u>         |
| At end of year                                       | <u>2,725,000</u>  | <u>1,125,000</u> | <u>27,250</u>    | <u>56,250</u>    |

#### Capital reorganisation

During the year, the Group undertook a capital reorganisation which involved (i) a reduction of the nominal value of the shares from HK\$0.05 each to HK\$0.01 each by cancelling the issued capital to the extent of HK\$0.04 paid up on each of the issued shares and the sub-division of each unissued share into five unissued new shares; and (ii) maintaining, after implementation of the reduction in nominal value of each share as referred to 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. The credit in the sum of HK\$45,000,000 arising from the capital reduction was credited to the contributed surplus account of the Company.

#### Issue of shares

Pursuant to a special resolution passed on 16th February 2003, 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 was generally and unconditionally approved, confirmed and satisfied. The 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 City Apex. The shares were issued for the purpose of financing the working capital of the Group.

*Notes to the Financial Statements*

*For the year ended 31st December 2003*

**23. SHARE CAPITAL - continued**

**Share option scheme**

The Company's share option scheme (the "Share Option Scheme"), was adopted pursuant to a resolution passed on 3rd July 2000 for the purpose of providing incentives to directors and eligible employees, and will expire on 2nd July 2010. The committee of the Board of Directors constituted to administer the Share Option Scheme may, at its discretion, offer to full time employees, including Executive Directors in the full time employment of the Company or any of its subsidiaries, options to subscribe for shares in the Company at a price not less than the highest of: (i) the closing price of the shares of the Company on the Stock Exchange on the date of offer of the option; (ii) the average of the closing prices of the shares on the Stock Exchange for the five trading days immediately preceding the date of the grant of the options; and (iii) the nominal value of a share. A nominal consideration of HK\$1 is payable on acceptance of the grant of an option.

Pursuant to Chapter 23 of the GEM Listing Rules, unless shareholders' prior approval otherwise is obtained, the maximum number of shares in respect of which options may be granted shall not exceed 10% of the issued share capital of the Company and the maximum number of shares in respect of which options may be granted to any one employee in any 12-month period shall not exceed 1% of the issued share capital.

The following table discloses details of the Company's share options granted to certain employees of the Group on 2nd July 2003 and movements in such holding:

| Exercisable period               | Exercise price<br>HK\$ | Granted during<br>the year | Lapsed during<br>the year | Outstanding at<br>31st December 2003 |
|----------------------------------|------------------------|----------------------------|---------------------------|--------------------------------------|
| 2nd July 2004 -<br>2nd July 2013 | 0.012                  | 37,500,000                 | (15,000,000)              | 22,500,000                           |

No share option was exercised during the year.



## Notes to the Financial Statements

For the year ended 31st December 2003

### 24. SHARE PREMIUM AND RESERVES

|                                  | Share<br>premium<br>HK\$'000 | Exchange<br>reserve<br>HK\$'000 | Merger<br>reserve<br>HK\$'000 | Contributed<br>surplus<br>HK\$'000 | Goodwill<br>reserve<br>HK\$'000 | Accumulated<br>losses<br>HK\$'000 | Total<br>HK\$'000 |
|----------------------------------|------------------------------|---------------------------------|-------------------------------|------------------------------------|---------------------------------|-----------------------------------|-------------------|
| <b>THE GROUP</b>                 |                              |                                 |                               |                                    |                                 |                                   |                   |
| Balance at 1st January 2002      | 40,774                       | 5                               | (43,897)                      | -                                  | 13,440                          | (25,349)                          | (15,027)          |
| Net loss for the year            | -                            | -                               | -                             | -                                  | -                               | (36,181)                          | (36,181)          |
| Balance at 31st December 2002    | 40,774                       | 5                               | (43,897)                      | -                                  | 13,440                          | (61,530)                          | (51,208)          |
| Shares issued at premium         | 10,400                       | -                               | -                             | -                                  | -                               | -                                 | 10,400            |
| Share issue expenses             | (1,450)                      | -                               | -                             | -                                  | -                               | -                                 | (1,450)           |
| Capital reorganisation (note 23) | -                            | -                               | -                             | 45,000                             | -                               | -                                 | 45,000            |
| Net profit for the year          | -                            | -                               | -                             | -                                  | -                               | 2,483                             | 2,483             |
| Balance at 31st December 2003    | <u>49,724</u>                | <u>5</u>                        | <u>(43,897)</u>               | <u>45,000</u>                      | <u>13,440</u>                   | <u>(59,047)</u>                   | <u>5,225</u>      |

|                                  | Share<br>premium<br>HK\$'000 | Contributed<br>surplus<br>HK\$'000 | Accumulated<br>losses<br>HK\$'000 | Total<br>HK\$'000 |
|----------------------------------|------------------------------|------------------------------------|-----------------------------------|-------------------|
| <b>THE COMPANY</b>               |                              |                                    |                                   |                   |
| Balance at 1st January 2002      | 40,774                       | 17,919                             | (84,785)                          | (26,092)          |
| Net loss for the year            | -                            | -                                  | (25,096)                          | (25,096)          |
| Balance at 31st December 2002    | 40,774                       | 17,919                             | (109,881)                         | (51,188)          |
| Share issued at premium          | 10,400                       | -                                  | -                                 | 10,400            |
| Share issue expenses             | (1,450)                      | -                                  | -                                 | (1,450)           |
| Capital reorganisation (note 23) | -                            | 45,000                             | -                                 | 45,000            |
| Net profit for the year          | -                            | -                                  | 1,930                             | 1,930             |
| Balance at 31st December 2003    | <u>49,724</u>                | <u>62,919</u>                      | <u>(107,951)</u>                  | <u>4,692</u>      |

The accumulated losses of the Group include accumulated losses of HK\$2,002,000 (2002: HK\$2,002,000) attributable to associate of the Group.

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 (formerly known as Panda-Recruit (BVI) Limited).

The contributed surplus of the Company as at 1st January 2002 also 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 on which the group reorganisation became effective over the nominal amount of the share capital of the Company issued under the group reorganisation.

The contributed surplus of the Group and the Company arising during the year represents the reduction in share capital in accordance with the Company's capital reorganisation as detailed in note 23.

*Notes to the Financial Statements*

*For the year ended 31st December 2003*

## 24. SHARE PREMIUM AND RESERVES - continued

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

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

- (a) it is, or would after the payment be, unable to pay its liabilities as they become due; or
- (b) the realisable value of its assets would thereby be less than the aggregate of its liabilities and its issued share capital and share premium accounts.

In the opinion of the directors, the Company had no reserve available for distribution to shareholders at 31st December 2003 and 2002.

## 25. DEFERRED TAXATION

At the balance sheet date, the Group have provided for deferred tax liabilities of HK\$323,000 (2002: Nil) and recognised deferred tax asset of HK\$323,000 (2002: Nil) in respect of accelerated tax depreciation and tax loss respectively. The deferred tax asset and liabilities have been offset for the purpose of balance sheet presentation.

At the balance sheet date, the major components of unprovided deferred tax assets (liabilities) are as follows:

|   | THE GROUP        |                  | THE COMPANY      |                  |
|---|------------------|------------------|------------------|------------------|
|   | 2003<br>HK\$'000 | 2002<br>HK\$'000 | 2003<br>HK\$'000 | 2002<br>HK\$'000 |
| Tax effect of temporary differences<br>because of:            |                  |                  |                  |                  |
| Difference between depreciation<br>and depreciation allowance | 97               | (58)             | -                | -                |
| Tax losses  | 14,653           | 14,290           | 1,058            | 814              |
| Other temporary differences                                   | <u>162</u>       | <u>73</u>        | <u>-</u>         | <u>-</u>         |
|   | <u>14,912</u>    | <u>14,305</u>    | <u>1,058</u>     | <u>814</u>       |

The net deferred tax asset has not been recognised in the financial statements as it is not probable that taxable profit will be available against which the tax losses or other deductible temporary differences can be utilised due to the unpredictability of future profit streams.

## 26. MAJOR NON-CASH TRANSACTION

During the year, the Company allotted and issued 1,600,000,000 new shares to City Apex for a consideration of HK\$26,400,000. Loans amount of HK\$15,000,000 advanced by City Apex were treated as part of the subscription money payable by City Apex to the Company. Details of the transaction was set out in note 23.

## Notes to the Financial Statements

For the year ended 31st December 2003

### 27. OPERATING LEASE COMMITMENTS

At the balance sheet date, the Group had commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

|  | Rented premises |          | Internet access line |           |
|--|-----------------|----------|----------------------|-----------|
|  | 2003            | 2002     | 2003                 | 2002      |
|  | HK\$'000        | HK\$'000 | HK\$'000             | HK\$'000  |
| Within one year                        | 1,128           | -        | -                    | 97        |
| In the second to fifth years inclusive | <u>1,629</u>    | <u>-</u> | <u>-</u>             | <u>-</u>  |
|  | <u>2,757</u>    | <u>-</u> | <u>-</u>             | <u>97</u> |

Operating lease payments represent rentals payable by the Group for its office properties and internet access line. The lease of rental premises was negotiated for a term of three years with fixed rentals over the term of the leases and the premises were subleased to related parties on monthly basis as disclosed in note 30. No tenancy agreement was entered into between the Group and the related parties.

At the balance sheet date, the Company had no commitments under non-cancellable operating leases (2002: Nil).

### 28. CAPITAL COMMITMENTS

|  | 2003       | 2002       |
|--|------------|------------|
|  | HK\$'000   | HK\$'000   |
| Capital expenditure in respect of the acquisition of property, plant and equipment contracted for but not provided for in the financial statements | <u>930</u> | <u>-</u>   |
| Capital expenditure in respect of additional capital investment in one of its subsidiaries   | <u>-</u>   | <u>390</u> |

*Notes to the Financial Statements*

*For the year ended 31st December 2003*

**29. RETIREMENT BENEFITS SCHEMES**

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

The retirement benefits cost charged to income statement represents contributions payable to the schemes by the Group at rates specified in the rules of the schemes.

For members of the MPF Scheme, the Group contributes 5% of the relevant payroll costs to the Scheme, which contribution is matched by the employee.

The ORSO Scheme is funded by monthly contributions from both employees and the Group at rates ranging from 5% to 7.5% of the employee's basic salary, depending on the length of service with the Group.

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

The amount of retirement benefits contributions for the Group's employees, net of forfeited contributions, which has been dealt with in the income statement of the Group for each of the two years ended 31st December 2003 are as follows:

|  | <b>2003</b>     | 2002         |
|--|-----------------|--------------|
|  | <b>HK\$'000</b> | HK\$'000     |
| Gross retirement benefits scheme contributions         | 614             | 1,320        |
| Less: Forfeited contributions for the year             | <u>(663)</u>    | <u>(670)</u> |
| Net retirement benefits scheme (refunds) contributions | <u>(49)</u>     | <u>650</u>   |

There was no significant amount of forfeited contributions available to reduce future contributions payable by the Group as at 31st December 2003 and 2002.

## Notes to the Financial Statements

For the year ended 31st December 2003

### 30. RELATED PARTY TRANSACTIONS

During the year, the Group entered into the following transactions with related parties:

| Name of related parties          | Nature of transaction             | 2003<br>HK\$'000 | 2002<br>HK\$'000 |
|----------------------------------|-----------------------------------|------------------|------------------|
| PPG (note a)                     | Advertising and publishing income | -                | 29               |
|                                  | Rental income                     | 9                | 189              |
|                                  | Sales of waste paper              | (27)             | 418              |
|                                  | Printing cost                     | -                | 16,027           |
|                                  | Storage charge                    | -                | 429              |
|                                  | Interest expense                  | 115              | -                |
| ER2 Holdings Limited (note b)    | Service income                    | 350              | -                |
|                                  | Rental income                     | 210              | -                |
| Capstone Limited (note c)        | Consultancy fee                   | 150              | -                |
| Sit, Fung, Kwong & Shum (note d) | Legal fee                         | <u>-</u>         | <u>208</u>       |

#### Notes:

- PPG is an associate of PPG Investments Limited, an associate of the Group. The former directors, Dr. Lo Ka Shui, Mr. Chow Yung and Ms. Ifan Chan have beneficial interests in PPG.
- The director, Mr. Lau Chuk Kin, has a beneficial interest in ER2 Holdings Limited.
- The director, Ms. Rosaline Tam, has a beneficial interest in Capstone Limited.
- A former director, Mr. Sit Kien Ping, Peter, is a senior partner of the firm.

In the opinion of the directors, the rental income was determined with reference to market price.

All other transactions were carried out at market price or where no market price was available, at cost plus a percentage profit mark-up.

*Notes to the Financial Statements*

*For the year ended 31st December 2003*

**31. PARTICULARS OF PRINCIPAL SUBSIDIARIES**

| Name of company  | Place of incorporation or registration/ operation | Class of shares | Issued and fully paid share capital/ registered capital | Proportion of nominal value of issued capital/ registered capital<br>% | Principal activities   |
|--|---|-----------------|---|--|--|
| Recruit (BVI) Limited<br>(formerly known as<br>Panda - Recruit (BVI) Limited)            | British Virgin Islands/<br>Hong Kong              | Ordinary        | US\$10,000  | 100  | Investment holding   |
| The Recruit Publishing Company Limited<br>(formerly known as<br>PandaPlanet.com Limited) | Hong Kong   | Ordinary        | HK\$52,000,000  | 100  | Publishing of "Recruit",<br>advertising business<br>and investment holding |
| Panda Planet (China) Limited<br>(formerly known as<br>PandaPlanet.com (China) Limited)   | Hong Kong   | Ordinary        | HK\$10,000  | 100  | Investment holding   |
| Recruit Company Limited<br>(formerly known as<br>Recruit Holdings Limited)               | Hong Kong   | Ordinary        | HK\$213,536   | 100  | Investment holding   |
| SAR Media Limited  | Hong Kong   | Ordinary        | HK\$10,000  | 100  | Provision of advertising<br>services                                       |
| Recruit Information Technology Limited   | Hong Kong   | Ordinary        | HK\$1,000   | 100  | Provision of website<br>development services                               |

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

The above table lists the subsidiaries of the Company of which, in the opinion of the Directors, principally affected the results or net assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

None of the subsidiaries had any debt securities outstanding at 31st December 2003 or at any time during the year.

# FINANCIAL SUMMARY

## FINANCIAL RESULTS

|  | Financial year ended 31st December |                 |                 |                 |               |
|--|------------------------------------|-----------------|-----------------|-----------------|---------------|
|  | 1999                               | 2000            | 2001            | 2002            | 2003          |
|  | HK\$'000                           | HK\$'000        | HK\$'000        | HK\$'000        | HK\$'000      |
| Turnover   | <u>70,902</u>                      | <u>129,058</u>  | <u>106,343</u>  | <u>70,138</u>   | <u>50,293</u> |
| Profit (loss) from operations<br>after finance costs | 5,613                              | (12,153)        | (55,166)        | (30,149)        | 2,483         |
| Allowance for loans to an associate                  | -                                  | -               | (2,709)         | (6,032)         | -             |
| Share of results of associates                       | <u>(795)</u>                       | <u>(8,148)</u>  | <u>(537)</u>    | -               | -             |
| Profit (loss) before taxation                        | 4,818                              | (20,301)        | (58,412)        | (36,181)        | 2,483         |
| Taxation   | <u>(270)</u>                       | <u>(701)</u>    | <u>(29)</u>     | -               | -             |
| Profit (loss) attributable to<br>shareholders        | <u>4,548</u>                       | <u>(21,002)</u> | <u>(58,441)</u> | <u>(36,181)</u> | <u>2,483</u>  |

## ASSETS AND LIABILITIES

|                     | As at 31st December |                 |                 |                 |                |
|---------------------|---------------------|-----------------|-----------------|-----------------|----------------|
|                     | 1999                | 2000            | 2001            | 2002            | 2003           |
|                     | HK\$'000            | HK\$'000        | HK\$'000        | HK\$'000        | HK\$'000       |
| Total Assets        | 81,436              | 121,730         | 59,358          | 28,158          | 41,262         |
| Total Liabilities   | <u>(31,282)</u>     | <u>(22,068)</u> | <u>(18,135)</u> | <u>(23,116)</u> | <u>(8,787)</u> |
| Shareholders' Funds | <u>50,154</u>       | <u>99,662</u>   | <u>41,223</u>   | <u>5,042</u>    | <u>32,475</u>  |

### Notes:

1. The Company was incorporated in the Cayman Islands on 13th March 2000 and became the holding company of the Group with effect from 25th May 2000 as a result of the group reorganisation as set out in the prospectus of the Company dated 11th July 2000.
2. The results of the Group for the year ended 31st December 1999 have been prepared on a combined basis as if the current group structure had been in existence throughout the year concerned and have been extracted from the prospectus of the Company dated 11th July 2000.

## NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT the annual general meeting of the members of Recruit Holdings Limited (the "Company") will be held at 26/F, 625 King's Road, North Point, Hong Kong on Thursday, 22nd April 2004 at 3:00p.m. for the following purposes:-

### Ordinary Business

1. To receive and consider the audited financial statements and the reports of the directors and auditors of the Company and its subsidiaries for the year ended 31st December 2003;
2. (A) To re-elect directors; and  
  
(B) To authorise the directors to fix their remuneration for the year ending 31st December 2004; and  
  
(C) To determine a maximum number of directors at twelve (12) and authorise the board of directors to appoint additional directors;
3. To re-appoint auditors and authorise the directors to fix their remuneration;

### Special Business

4. As special business, to consider and, if thought fit, pass the following resolution, with or without amendments, as an ordinary resolution:-

**"THAT:-**

- (A) subject to paragraph (C) below, pursuant to the Rules (the "Listing Rules") Governing the Listing of Securities on the Growth Enterprise Market ("GEM") of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), the exercise by the directors of the Company during the Relevant Period (as defined below) of all the powers of the Company to allot, issue and otherwise deal with unissued shares (the "Shares") in the capital of the Company or securities convertible into Shares and to make or grant offers, agreement and options which might require the exercise of such powers be and the same is hereby generally and unconditionally approved;
- (B) the approval in paragraph (A) above shall authorise the directors of the Company during the Relevant Period to make or grant offers, agreements and options which might require the exercise of such powers after the end of the Relevant Period;
- (C) the aggregate nominal amount of share capital allotted or agreed conditionally or unconditionally to be allotted (whether pursuant to options or otherwise) by the directors of the Company pursuant to the approval in paragraph (A) above, otherwise than pursuant to (i) a Rights Issue (as defined below); or (ii) the exercise of any options granted under the share option scheme of the Company; or (iii) any scrip dividend or similar arrangements providing for the allotment and issue of Shares in lieu of the whole or part of a dividend on Shares in accordance with the bye-laws of the Company in force from time to time; or (iv) the exercise of rights of subscription or conversion under the terms of any warrants of the Company or any securities which are convertible into Shares, shall not exceed (a) 20 per cent. of the aggregate nominal amount of the share capital of the Company in issue on the date of passing this resolution or (b) if the proposed rights issue of the Company, the details of which are set out in the circular of the Company dated on or about 19th March 2004 ( the "2004 Rights Issue" ) becomes unconditional, 20 per cent. of the aggregate nominal amount of the share capital of the Company in issue on the date of passing this resolution as enlarged by the issue of 2,725,000,000 shares to be issued under the 2004 Rights Issue following completion of the 2004 Rights Issue, and the said approval



## Notice of Annual General Meeting

shall be limited accordingly;

(D) for the purpose of this resolution:

“Relevant Period” means the period from the date of the passing of this resolution until whichever is the earliest of:

- (i) the conclusion of the next annual general meeting of the Company;
- (ii) the expiration of the period within which the next annual general meeting of the Company is required by the bye-laws of the Company, the Companies Act 1981 of Bermuda or any other applicable law of Bermuda to be held; and
- (iii) the passing of an ordinary resolution by the shareholders of the Company in general meeting revoking or varying the authority given to the directors of the Company by this resolution;

“Rights Issue” means an offer of Shares, or offer or issue of warrants, options or other securities giving rights to subscribe for Shares open for a period fixed by the directors of the Company to holders of Shares on the register on a fixed record date in proportion to their then holdings of Shares (subject to such exclusion or other arrangements as the directors of the Company may deem necessary or expedient in relation to fractional entitlements, or having regard to any restrictions or obligations under the laws of, or the requirements of, or the expense or delay which may be involved in determining the existence or extent of any restrictions or obligations under the laws of, or the requirements of, any jurisdiction outside Hong Kong or any recognised regulatory body or any stock exchange outside Hong Kong).”

5. As special business, to consider and, if thought fit, pass the following resolution, with or without amendments, as an ordinary resolution:-

**“THAT**

- (A) subject to paragraph (B) below, the exercise by the directors of the Company during the Relevant Period (as defined below) of all powers of the Company to purchase Shares in the capital of the Company on GEM of the Stock Exchange or any other stock exchange on which the Shares may be listed and recognised by the Securities and Futures Commission of Hong Kong (the “SFC”) and the Stock Exchange for such purpose, and otherwise in accordance with the rules and regulations of the SFC, the Stock Exchange, the Companies Act 1981 of Bermuda and all other applicable laws in this regard, be and the same is hereby generally and unconditionally approved;
- (B) the aggregate nominal amount of Shares which may be purchased by the Company pursuant to the approval in paragraph (A) during the Relevant Period shall not exceed (a) 10 per cent. of the aggregate nominal amount of the issued share capital of the Company as at the date of the passing of this resolution or (b) if the proposed rights issue of the Company, the details of which are set out in the circular of the Company dated on or about 19th March 2004 becomes unconditional, 10 per cent. of the aggregate nominal amount of the share capital of the Company in issue on the date of passing of this resolution as enlarged by the issue of 2,725,000,000 shares to be issued under that rights issue following completion of that rights issue and the authority granted pursuant to paragraph (A) of this resolution shall be limited accordingly; and
- (C) for the purposes of this resolution, “Relevant Period” means the period from the date of the passing of this resolution until whichever is the earliest of:
  - (i) the conclusion of the next annual general meeting of the Company;

*Notice of Annual General Meeting*

- (ii) the expiration of the period within which the next annual general meeting of the Company is required by the bye-laws of the Company, the Companies Act 1981 of Bermuda or any other applicable law of Bermuda to be held; and
- (iii) the passing of an ordinary resolution by the shareholders of the Company in general meeting revoking or varying the authority given to the directors of the Company by this resolution.”

6. As special business, to consider and, if thought fit, pass the following resolution, with or without amendments, as an ordinary resolution:-

“THAT conditional upon the resolutions set out in items 4 and 5 in the notice convening this meeting being duly passed, the general mandate granted to the directors of the Company to exercise the powers of the Company to allot and issue Shares pursuant to the resolution set out in item 4 in the notice convening this meeting be and is hereby extended by the addition to the aggregate nominal amount of the share capital which may be allotted or agreed conditionally or unconditionally to be allotted and issued by the directors of the Company pursuant to such general mandate of an amount representing the aggregate nominal amount of the share capital of the Company purchased by the Company under the authority granted pursuant to the resolution set out in item 5 in the notice convening this meeting, provided that such an amount shall not exceed (a) 10 per cent. of the aggregate nominal amount of the issued share capital of the Company as at the date of the passing of this resolution or (b) if the proposed rights issue of the Company, the details of which are set out in the circular of the Company dated on or about 19th March 2004 becomes unconditional, 10 per cent. of the aggregate nominal amount of the share capital of the Company in issue on the date of passing of this resolution as enlarged by the issue of 2,725,000,000 shares to be issued under that rights issue following completion of that rights issue.”

7. As special business, to consider and, if thought fit, pass the following resolution as a special resolution:

“THAT the bye-laws of the Company be amended in the following manner:

**Bye-law 1**

1. By inserting the following new definition of “associate” in Bye-law 1:  
“associate” the meaning attributed to it in the rules of the Designated Stock Exchange.”
2. By deleting the words “a recognised clearing house within the meaning of Section 2 of the Securities and Futures (Clearing House) Ordinance of Hong Kong or” from the definition of “clearing house” in Bye-law 1.

**Bye-law 6**

By inserting the words “, save for the use of share premium as expressly permitted by the Act,” after the words “share capital or” in, and deleting the words “in any manner permitted by law” from, Bye-law 6.

**Bye-law 43**

By inserting the words “, in respect of any shares that are not fully paid,” after the words “held by him and” in existing Bye-law 43(1)(a).

**Bye-law 76**

1. By re-numbering existing Bye-law 76 as Bye-law 76(1);

## *Notice of Annual General Meeting*

### 2. By inserting the following as new Bye-law 76(2):

“(2) Where any Member is, under the rules of the Designated Stock Exchange, required to abstain from voting on any particular resolution or restricted to voting only for or only against any particular resolution, any votes cast by or on behalf of such Member in contravention of such requirement or restriction shall not be counted.”

### **Bye-law 84(2)**

By inserting the words “deemed to have been duly authorized without further evidence of the facts and be” after the words “shall be” in the sixth line of Bye-law 84(2).

### **Bye-law 86(4)**

By deleting the word “special” in the second line of Bye-law 86(4) and replacing it with the word “ordinary”.

### **Bye-law 88**

By deleting the words “not less than seven (7) clear days but not more than fourteen (14) clear days before the date of the general meeting” in the last sentence of Bye-law 88 and replacing therewith the following proviso:

“provided that the minimum length of the period, during which such Notice(s) are given, shall be at least seven (7) days and that the period for lodgment of such Notice(s) shall commence no earlier than the day after the dispatch of the notice of the general meeting appointed for such election and end no later than seven (7) days prior to the date of such general meeting.”

### **Bye-law 89**

By deleting the words “whereupon the Board resolves to accept such resignation” in Bye-law 89(1).

### **Bye-law 103**

By deleting the existing Bye-law 103 in its entirety and replacing therewith the following new Bye-law 103:

103.(1) A Director shall not vote (nor be counted in the quorum) on any resolution of the Board approving any contract or arrangement or any other proposal in which he or any of his associate is materially interested, but this prohibition shall not apply to any of the following matters namely:

- (i) any contract or arrangement for the giving to such Director or his associate(s) any security or indemnity in respect of money lent by him or any of his associates or obligations incurred or undertaken by him or any of his associates at the request of or for the benefit of the Company or any of its subsidiaries;
- (ii) any contract or arrangement for the giving of any security or indemnity to a third party in respect of a debt or obligation of the Company or any of its subsidiaries for which the Director or his associate(s) has himself/themselves assumed responsibility in whole or in part whether alone or jointly under a guarantee or indemnity or by the giving of security;
- (iii) any contract or arrangement concerning an offer of shares or debentures or other securities of or by the Company or any other company which the Company may promote or be interested in for subscription or purchase, where the Director or his associate(s) is/are or is/are to be interested as a participant in the underwriting or sub-underwriting of the offer;

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- (iv) any contract or arrangement in which the Director or his associate(s) is/are interested in the same manner as other holders of shares or debentures or other securities of the Company or any of its subsidiaries by virtue only of his/their interest in shares or debentures or other securities of the Company;
  - (v) any contract or arrangement concerning any other company in which the Director or his associate(s) is/are interested only, whether directly or indirectly, as an officer or executive or a shareholder other than a company in which the Director and/or his associate(s) is/are beneficially interested in five (5) per cent or more of the issued shares or of the voting rights of any class of shares of such company (or any third company through which his interest or that of any of his associates is derived); or
  - (vi) any proposal concerning the adoption, modification or operation of a share option scheme, a pension fund or retirement, death or disability benefits scheme or other arrangement which relates both to directors, his associates and employees of the Company or of any of its subsidiaries and does not provide in respect of any Director, or his associate(s), as such any privilege or advantage not accorded to the employees to which such scheme or fund relates.
- (2) A company shall be deemed to be a company in which a Director and/or his associate(s) own(s) five (5) per cent. or more if and so long as (but only if and so long as) he and/or his associates, (either directly or indirectly) is/are the holder(s) of or beneficially interested in five (5) per cent. or more of any class of the equity share capital of such company or of the voting rights available to members of such company (or of any third company through which his interest or that of any of his associates is derived). For the purpose of this paragraph there shall be disregarded any shares held by a Director or his associate(s) as bare or custodian trustee and in which he or any of them has no beneficial interest, any shares comprised in a trust in which the interest of the Director or his associate(s) is/are in reversion or remainder if and so long as some other person is entitled to receive the income thereof, and any shares comprised in an authorised unit trust scheme in which the Director is interested only as a unit holder and any shares which carry no voting right at general meetings and very restrictive dividend and return of capital right.
- (3) Where a company in which a Director and/or his associate(s) hold(s) five (5) per cent. or more is materially interested in a transaction, then that Director and/or his associate(s) shall also be deemed materially interested in such transaction.
- (4) If any question shall arise at any meeting of the Board as to the materiality of the interest of a Director (other than the chairman of the meeting) or his associate(s) or as to the entitlement of any Director (other than such chairman) to vote and such question is not resolved by his voluntarily agreeing to abstain from voting, such question shall be referred to the chairman of the meeting and his ruling in relation to such other Director shall be final and conclusive except in a case where the nature or extent of the interest of the Director and/or his associate(s) concerned as known to such Director has not been fairly disclosed to the Board. If any question as aforesaid shall arise in respect of the chairman of the meeting such question shall be decided by a resolution of the Board (for which purpose such chairman shall not vote thereon) and such resolution shall be final and conclusive except in a case where the nature or extent of the interest of such chairman as known to such chairman has not been fairly disclosed to the Board.

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8. To transact any other business of the Company.

By Order of the Board  
Ho Suk Yi  
Company Secretary

Hong Kong, 19th March 2004

**Principal Office:**

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

**Registered Office:**

Clarendon House  
2 Church Street  
Hamilton HM 11, Bermuda

**Notes:**

1. Any member of the Company entitled to attend and vote at the Annual General Meeting is entitled to appoint a proxy to attend and vote in his stead and any member who is the holder of 2 or more shares in the Company is entitled to appoint more than one proxy to attend and vote in his stead. A proxy need not be a member of the Company.
2. To be valid, a form of proxy and the power of attorney or other authority, if any, under which it is signed, or a certified copy of such power or authority must be deposited at the Company's branch share registrar, Computershare Hong Kong Investor Services Limited at Rooms 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong not less than 48 hours before the time appointed for holding the Annual General Meeting or any adjournment thereof. Completion and return of the proxy form will not preclude you from attending the meeting should you so wish.
3. A circular containing further details regarding resolutions set out in items 4 to 7 as required by the GEM Listing Rules will be despatched to members together with the 2003 Annual Report.

