

The logo for Recruit Holdings Limited, featuring a large, bold, black letter 'R' followed by the word 'Recruit' in a smaller, italicized, black font with a white underline.

Recruit Holdings Limited

A rectangular button with rounded corners and a drop shadow, containing the word 'Connect' in a green, sans-serif font. The button is positioned over a large, faint graphic of a document with a folded corner.

1st Quarterly Report

2004

www.recruit.com.hk

CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET (“GEM”) OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE “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 report, makes no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this report.

This report, for which the directors (the “Directors”) of 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 GEM 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, confirm that, to the best of their knowledge and belief:- (1) the information contained in this report is accurate and complete in all material respects and not misleading; (2) there are no other matters the omission of which would make any statement in this report misleading; and (3) all opinions expressed in this report have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

FINANCIAL REVIEW

The Group continued its turnaround in the quarter ended 31st March, 2004 when it increased its net profit after tax to approximately HK\$3.5 million as compared with approximately HK\$0.4 million in the same quarter last year. Turnover also increased by 30% against the first quarter of 2003 to approximately HK\$16 million.

In April 2004, following the completion of the Company's rights issue exercise, the Company raised a net proceed of approximately HK\$32 million. This amount is expected to be used as to approximately HK\$7 million for working capital purpose and as to approximately HK\$25 million for future investment purposes should suitable opportunities arise.

BUSINESS REVIEW AND PROSPECTS

With the rebound in the Hong Kong economy and increase in the job vacancies, advertising income from the Recruit magazine reported a 21% increase from the same quarter last year. Improvement in gross profit margin coupled with our ongoing costs saving measures and improvement in distribution network have contributed to the improvement in operating results.

The China Daily statutory corporate announcement placement business recorded a full quarter of sales in 2004, as compared to only one month's revenue for the same period last year as the exclusive agreement with China Daily started in March 2003. This business unit achieved a net profit of approximately HK\$0.6 million in the first quarter of 2004. With the recent recovery in the equity market and contracts signed with over 150 listed companies, we anticipate that the statutory corporate announcement division will provide a significant contribution to our net income in 2004.

The redevelopment of Recruit's recruitment web site has been ongoing to improve operating efficiency and to enhance its competitiveness in the market. Despite having encountered unexpected delays due to technical difficulties, we are still aiming for the launch of our new website in the second quarter of 2004.

The exclusive advertising sales contract secured earlier this year by our wholly-owned subsidiary, Eastern Inflight Magazine Productions Limited, as reported in our 2003 annual report, is showing promising signs. If the present growth in consumer products advertising in the PRC continues, our co-operation with China Eastern Airline on the sale of advertising space in its inflight magazine should provide a meaningful additional income stream to the Group. We should be able to report to the shareholders more details on this business unit in our next quarterly report.

FIRST QUARTERLY RESULTS (UNAUDITED)

The Board of Directors (the “Board”) of the Company presents the unaudited results of the Company and its subsidiaries (collectively referred to as the “Group”) for the three months ended 31st March, 2004 together with the comparative unaudited figures for the corresponding period in 2003 as follows:

	<i>Note</i>	Three months ended	
		31st March	
		2004	2003
		HK\$'000	HK\$'000
Turnover	2	16,006	12,291
Direct operating costs		(6,259)	(5,728)
Gross profit		<u>9,747</u>	<u>6,563</u>
Other income		105	268
Selling and distribution costs		(3,228)	(3,474)
Administrative expenses		(2,891)	(2,916)
Other operating expenses		(217)	-
Profit from operations	3	<u>3,516</u>	<u>441</u>
Taxation	4	-	-
Net profit for the period		<u>3,516</u>	<u>441</u>
		<u>=====</u>	<u>=====</u>
Earnings per share			
- Basic	5	HK0.13 cents	HK0.02 cents
		<u>=====</u>	<u>=====</u>
- Diluted	5	HK0.13 cents	N/A
		<u>=====</u>	<u>=====</u>

Notes:

1. Basis of preparation

The principal accounting policies adopted in preparing the unaudited consolidated results for the three months ended 31st March, 2004, are consistent with those followed in the Group's annual audited consolidated financial statements for the year ended 31st December, 2003.

2. Turnover

	Three months ended	
	31st March	
	2004	2003
	<i>HK\$'000</i>	<i>HK\$'000</i>
Advertising income	16,006	12,291

3. Profit from operations

Profit from operations has been arrived at after charging:

	Three months ended	
	31st March	
	2004	2003
	<i>HK\$'000</i>	<i>HK\$'000</i>
Depreciation	388	484
Staff costs	3,429	3,772
Operating leases rental in respect of		
Rented premises	303	203
Internet access line	21	40

4. Taxation

No provision for Hong Kong profits tax or taxation in other jurisdictions has been made since the estimated assessable profit for both periods were wholly absorbed by tax losses brought forward.

The potential deferred tax asset has not been recognized in the financial statements as the probability that future taxable profit will be available against which the temporary differences can be utilized in the foreseeable future is uncertain.

5. Earnings per share

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

	Three months ended	
	31st March	
	2004	2003
	HK\$'000	HK\$'000
Earnings for the purposes of basic and diluted earnings per share for the period	3,516	441
	<u>3,516</u>	<u>441</u>
	Number of shares ('000)	
Weighted average number of ordinary shares for the purposes of basic earnings per share	2,725,000	1,871,667
Effect of dilutive potential ordinary shares in respect of share options granted	13,190	Nil
	<u>2,738,190</u>	<u>N/A</u>
Weighted average number of ordinary shares for the purposes of diluted earnings per share	2,738,190	N/A
	<u>2,738,190</u>	<u>N/A</u>

6. Movement in reserve

	Share Premium HK\$'000	Exchange Reserve HK\$'000	Merger Reserve HK\$'000	Contributed Surplus HK\$'000	Goodwill Reserve HK\$'000	Accumulated Losses HK\$'000	Total HK\$'000
2004							
At 1st January	49,724	5	(43,897)	45,000	13,440	(59,047)	5,225
Profit for the period	-	-	-	-	-	3,516	3,516
At 31st March	<u>49,724</u>	<u>5</u>	<u>(43,897)</u>	<u>45,000</u>	<u>13,440</u>	<u>(55,531)</u>	<u>8,741</u>
	<u>49,724</u>	<u>5</u>	<u>(43,897)</u>	<u>45,000</u>	<u>13,440</u>	<u>(55,531)</u>	<u>8,741</u>
2003							
At 1st January	40,774	5	(43,897)	-	13,440	(61,530)	(51,208)
Capital Reorganization	-	-	-	45,000	-	-	45,000
Issue of shares	10,400	-	-	-	-	-	10,400
Share issuing expenses	(1,450)	-	-	-	-	-	(1,450)
Profit for the period	-	-	-	-	-	441	441
At 31st March	<u>49,724</u>	<u>5</u>	<u>(43,897)</u>	<u>45,000</u>	<u>13,440</u>	<u>(61,089)</u>	<u>3,183</u>
	<u>49,724</u>	<u>5</u>	<u>(43,897)</u>	<u>45,000</u>	<u>13,440</u>	<u>(61,089)</u>	<u>3,183</u>

DIVIDEND

The Board does not recommend the payment of an interim dividend for the three months ended 31st March, 2004 (2003: Nil).

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS IN SECURITIES

As at 31st March, 2004, the interests and short positions of the directors and chief executive of the Company in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) as recorded in the register required to be kept under Section 352 of the SFO or otherwise notified to the Company and the Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to Rules 5.46 of the GEM Listing Rules were as follows:

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

Notes:

1. These shares are beneficially owned by City Apex Limited. As at 31st March, 2004, Mr. Lau Chuk Kin beneficially owned 79% of the issued share capital of ER2 Holdings Limited, which is the ultimate holding company of City Apex Limited. Accordingly, Mr. Lau Chuk Kin is deemed to be interested in the 1,779,540,000 shares owned by City Apex Limited pursuant to Part XV of the SFO.
2. These shares are beneficially owned by the wife of Mr. Lee Ching Ming, Adrian, who is deemed to be interested in the said shares under Part XV of the SFO.

Saved as disclosed above, as at 31st March, 2004, to the knowledge of the Company, none of the directors or chief executive of the Company had or was deemed to have any interests or short positions in the shares, underlying shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be maintained under section 352 of Part XV of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the required standard of dealings by directors as referred to in Rule 5.46 of the GEM Listing Rules.

SUBSTANTIAL SHAREHOLDERS

As at 31st March, 2004, so far as is known to any director or chief executive of the Company, other than a director or chief executive of the Company, the following persons had interests or short positions in the shares or underlying shares of the Company, being 5% or more in the issued share capital of the Company as recorded in the register required to be kept by the Company under Section 336 of the SFO:

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

Notes:

- Each of Mr. Lau Chuk Kin and ER2 Holdings Limited is deemed to be interested in the 1,779,540,000 shares owned by City Apex Limited.
- Of these shares, 36,793,333 shares are directly owned by Chan Family Investment Corporation Limited, 9,980,000 shares and 220,000,000 shares are respectively held by Earnyear Limited and Tai Wah Investment Company Limited. Both Earnyear Limited and Tai Wah Investment Company Limited are wholly-owned subsidiaries of Chan Family Investment Corporation Limited.
- Each of Shui Sing Holdings Limited, Shui Sing (BVI) Limited, Great Eagle Holdings Limited and Jolly Trend Limited is deemed to be interested in the 220,760,000 shares owned by The Great Eagle Company, Limited.
- Of these shares, 220,760,000 shares are duplicated in the interest described in note 3, as The Great Eagle Company, Limited is a wholly-owned subsidiary of Great Eagle Holdings Limited. Dr. Lo Ka Shui is 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.
- 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 March, 2004, so far as is known to any director or chief executive of the Company, other than a director or chief executive of the Company, no persons had interests or short position in the shares or underlying shares which were recorded in the register required to be kept by the Company under Section 336 of the SFO.

FINANCIAL ASSISTANCE

As previously reported, the Group had provided financial assistance to PPG Investments Limited (“PPGI”) of approximately HK\$16 million, which was proportional to the Group’s 20 per cent equity interest in PPGI. The financial assistance is unsecured, interest free and there is no fixed term of repayment. As at 31st March, 2004, the Group’s advance to PPGI, net of allowance, was approximately HK\$7 million (2003: HK\$7 million). The Directors believe that no further allowance for the amount due from PPGI is required as PPGI is currently holding a 50% stake in a Hong Kong printing company which was at net current asset position throughout the period. The latest unaudited balance sheet of PPGI as at 30th September, 2003 is as follows:

	HK\$’000
Non-current Assets	51,436
Current Assets	103
Current Liabilities	(95)
Non-current Liabilities	(80,110)
	<hr/>
	(28,666)
	<hr/> <hr/>

During the period, the Group did not provide any new financial assistance to PPGI.

PURCHASE, SALE OR REDEMPTION OF SHARES

During the period ended 31st March, 2004, neither the Company nor any of its subsidiaries had 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) has any business or interest that competes or may competes with the business of the Group.

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.

The audit committee had met with the management to review the Company's first quarterly report for the three months ended 31st March, 2004 and had the opinion that such report was complied with the applicable accounting standards and adequate disclosures had been made.

By Order of the Board
Ho Suk Yi
Qualified Accountant
and Company Secretary

Hong Kong, 14th May, 2004