

A stylized map of China is shown in a light blue color on the right side of the page. A thick white swoosh starts from the left, passes behind the map, and curves around it towards the right edge of the page.

**Annual Report 2004 年報**

**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 Exchange takes no responsibility for the contents of this annual 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 annual report.

This annual report, for which the directors (the “Directors”) of Recruit Holdings Limited (the “Company”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (the “GEM Listing Rules”) for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirmed that, to the best of their knowledge and belief:- (1) the information contained in this annual 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 annual report misleading; and (3) all opinions expressed in this annual report have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

## CONTENTS

---

CORPORATE INFORMATION	E02
CHAIRMAN'S STATEMENT	E03
MANAGEMENT DISCUSSION AND ANALYSIS	E04
PROSPECTS	E06
DIRECTORS AND SENIOR MANAGEMENT PROFILE	E07
DIRECTORS' REPORT	E10
AUDITORS' REPORT	E22
CONSOLIDATED INCOME STATEMENT	E24
CONSOLIDATED BALANCE SHEET	E25
BALANCE SHEET	E26
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY	E27
CONSOLIDATED CASH FLOW STATEMENT	E28
NOTES TO THE FINANCIAL STATEMENTS	E30
FINANCIAL SUMMARY	E54
PARTICULAR OF PROPERTY INTEREST	E55

## CORPORATE INFORMATION

### BOARD OF DIRECTORS

#### Executive Directors

Mr. Lau Chuk Kin (Chairman)  
Ms Ho Suk Yi

#### Non-Executive Directors

Mr. Lee Ching Ming, Adrian  
Mr. Wan Siu Kau  
Mr. Peter Stavros Patapios Christofis  
Ms Lam Mei Lan

#### Independent Non-Executive Directors

Mrs. Ling Ching Man, Eleanor  
Mr. Cheng Ping Kuen, Franco  
Mr. Tyen Kan Hee, Anthony

### COMPANY SECRETARY

Ms Ho Suk Yi CPA, FCCA

### QUALIFIED ACCOUNTANT

Ms Ho Suk Yi CPA, FCCA

### 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  
Mr. Tyen Kan Hee, Anthony

### WEBSITE

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

### AUDITOR

Deloitte Touche Tohmatsu  
Certified Public Accountants

### LEGAL ADVISER

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

### PRINCIPAL BANKERS

Standard Chartered Bank (Hong Kong) Limited  
The Hongkong and Shanghai Banking Corporation  
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  
46th 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

### STOCK CODE

8073

## CHAIRMAN'S STATEMENT

Year 2004 was a rewarding year for the Group when earnings after tax increased by almost 13 fold to HK\$34.4 million (2003: HK\$2.5 million).

The Group's core business as represented by the Recruit magazine benefited from the recovery of Hong Kong's economy and the employment market. All aspects of the business including advertising pages, sales revenue and number of jobs advertised enjoyed solid growth.

The exclusive sales contract with China Daily (HK edition) also performed well and captured over 15% of the market for corporate and statutory announcement advertisements placed by companies listed on the Hong Kong Stock Exchange.

We are confident that the momentum will continue in 2005.



Chairman

Hong Kong, 4th February 2005

## MANAGEMENT DISCUSSION AND ANALYSIS

### FINANCIAL REVIEW

For the fourth quarter ended 31st December 2004, the Group's profit attributable to shareholders was HK\$13.7 million, an increase of approximately 9.5 times over that of HK\$1.3 million in the same period last year. The Group's turnover was HK\$31.1 million, an increase of approximately 1.4 times over that of HK\$13.1 million in the same quarter last year. The Group continued to register significant growth in the fourth quarter as a result of having achieved an advertising income of approximately HK\$15 million from the new inflight magazine advertising and a gain of HK\$1.9 million arising from the revaluation of the Group's investment property, which was acquired in October 2004.

For the year ended 31st December 2004, the Group's profit attributable to shareholders was HK\$34.4 million, an increase of approximately 12.8 times over that of HK\$2.5 million in last year. The Group recorded a turnover of HK\$104 million, an increase of approximately 1.1 times over that of HK\$50.3 million in last year. The significant sales growth was driven by the economic recovery and the new revenue generated from inflight magazine advertising this year.

### BUSINESS REVIEW

Due to the rapid economic recovery, there was a surge in new jobs and recruitment advertising activities in 2004, especially in the retail, tourism, trade and financial sectors. Amidst the booming environment of the local employment market, the Group recorded a sales growth of 33% in the recruitment advertisement revenue as compared to last year. To cater for the dynamic market needs, the Group has soft-launched its new recruitment website at the end of 2004. With the help of the new website and the active economic conditions, the recruitment advertising business will continue to perform well in the coming year.

In 2004, the advertising income from announcement division reported a sales growth of 110% as compared to last year. The economic rebound was the main driver for the growth of this division. In view of the possibility that the Hong Kong Stock Exchange may allow main board listed companies to publish summarized version of their announcements through newspaper advertisements, the Group would take a cautious view on the future growth of this business.

In the year under review, the Group diversified into the business of advertising sales in China. In April 2004, the Group was granted the exclusive right from China Eastern Airline to sell the advertising space for its inflight magazine. In October 2004, the Group became one of the advertising sales agents for China Southern Airline. We also represent Philippine Airlines as their sales agent for their inflight magazine "Mabuhay" in China. The division had a solid start with revenue of approximately HK\$32 million for the year which contributed significantly to the Group's earnings. Future prospects of this division are excellent.

## **LIQUIDITY AND FINANCIAL RESOURCES**

The Group maintained a strong liquidity position. As at 31st December 2004, the Group had cash deposits of HK\$36.2 million (2003: HK\$21.9 million) and had net current assets of HK\$48.9 million (2003: HK\$22.6 million). The Group was debt-free throughout the year.

Upon the completion of a rights issue exercise in April 2004, the Company raised a net proceed of approximately HK\$32 million which was used for the payment of approximately HK\$34.7 million in connection with the acquisition of the investment property in October 2004. The acquisition would provide an effective hedge against the Group's exposure toward volatility in the Hong Kong office rental market. Recent market condition has risen and the market value of the Group's investment property rose to approximately HK\$36.6 million with reference to the market valuation as at 31st December 2004 made by an independent surveyor.

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

The Group's transactions were mainly denominated in HK dollars, US dollars and Renminbi. As the exchange of HK dollars against US dollars and Renminbi were relatively stable during the year, the Group's exposure to currency exchange risk was minimal.

## PROSPECT

With the opening of Hong Kong Disneyland in September 2005 and further relaxation of rules relating to the entry of mainland travelers into HKSAR, the local tourism and retail industry will continue to perform well. This will give a significant boost to the demand of staff in these two sectors. The demand for merchandising staff, a sector in which the Group leads in the number of jobs advertised, will continue its strong momentum due to the competitiveness of the export led industries in the Pearl River. Given the tremendous market in China and the Group's foothold in the local recruitment advertising industry, the Group will maintain its momentum in Hong Kong and at the same time cautiously expand its market in China, including launching of a recruitment advertisement publication / website in Shanghai in the first quarter of 2005 and the formation of a printing operation servicing overseas book publishers.

The domestic Chinese airline industry enjoyed rapid expansion in 2004 and experts forecast further growth in 2005. This will benefit our magazine advertising sales division.

Overall, the Group is optimistic of the prospects in 2005. Management will continue to explore business opportunities both organically and opportunistically in core business in which the Group enjoys competitive edges.



## DIRECTORS AND SENIOR MANAGEMENT PROFILE

### EXECUTIVE DIRECTORS

**Mr. Lau Chuk Kin**, aged 52, was appointed as Chairman and an Executive Director of the Group in October 2002. 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.

**Ms Ho Suk Yi**, aged 37, was appointed as an Executive Director of the Company in June 2004. She is also the Qualified Accountant and the Company Secretary of the Group. Ms Ho holds a bachelor and a master degree in accountancy and is a member of the Hong Kong Institute of Certified Public Accountants and the Association of Chartered Certified Accountants. She has extensive experience in auditing, finance and accounting.

### NON-EXECUTIVE DIRECTORS

**Mr. Lee Ching Ming, Adrian**, aged 53, was appointed as a Non-Executive Director 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, marketing and general management.

**Mr. Wan Siu Kau**, aged 53, was appointed as a Non-Executive Director in January 2003 and then appointed as an Executive Director of the Company in July 2003. He was re-designated as a Non-Executive Director of the Company in September 2004. 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 an independent non-executive director of Wai Kee Holdings Limited, a company listed on the Stock Exchange of Hong Kong Limited.

**Mr. Peter Stavros Patapios Christofis**, aged 60, was appointed as a 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.

**DIRECTORS AND SENIOR MANAGEMENT PROFILE**

**Ms Lam Mei Lan**, aged 38, was appointed as an Executive Director in October 2002. She resigned her executive role but continues to serve on the board as a Non-Executive Director in July 2003. Ms Lam is a fellow member of the Hong Kong Institute of Certified Public Accountants and the Association of Chartered Certified Accountants respectively. Ms Lam has over 16 years of experience in finance and had held senior financial position in various main board listed companies in Hong Kong. Ms. Lam is now the Financial Administrator of The Salvation Army Hong Kong and Macau Command.

**INDEPENDENT NON-EXECUTIVE DIRECTORS**

**Mrs. Ling Ching Man, Eleanor**, SBS, OBE, JP, aged 57 was appointed as an Independent Non-Executive Director in April 2000. Mrs. Ling is an Adviser to Jardine Matheson Limited and a Board 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 51, was appointed as an Independent Non-Executive Director in January 2003. Mr. Cheng has over 25 years of experience in the management of private banking and investment businesses both in Hong Kong and Canada. Mr. Cheng holds a Master Degree in Business Administration from The Chinese University of Hong Kong and is now the Chief Representative of Rothschild Bank AG in Hong Kong.

**Mr. Tyen Kan Hee, Anthony**, aged 49, was appointed as an Independent Non-Executive Director of the Company in September 2004. Mr. Tyen holds a Doctoral degree in Philosophy and a Master degree in Business Administration, both from The Chinese University of Hong Kong. He is an associate member of the Hong Kong Institute of Certified Public Accountants, a fellow member of both the Association of Chartered Certified Accountants and the Institute of Chartered Secretaries and Administrators, and a member of the Chinese Institute of Certified Public Accountants. He is currently a practising certified public accountant in Hong Kong and has over 27 years of experience in auditing, accounting, management and company secretary.

**SENIOR MANAGEMENT**

**Ms Choi Ching Kam, Dora**, aged 40, is the Chief 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.

***DIRECTORS AND SENIOR MANAGEMENT PROFILE***

**Ms Chow So Chu, Rita**, aged 32, is the General Manager of inflight magazine advertising division of the Group. Ms Chow holds a bachelor degree in Language and Communication from The Hong Kong Polytechnics University and has over 9 years experience in sales and marketing. She joined the Group in March 2004.

**Ms Lai Wing Ting, Jacklen**, aged 34, 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**, aged 34, is the Information and Technology Manager of the Group. Mr. Pang holds a bachelor degree in Computer Science from Victoria University in Australia. He has over 12 years 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 Shao Yang, Amy**, aged 36, joined the Group in May 2004. Ms Shao is the Project Manager of the Group. She has nearly 15 years of China-related experience gained from the financial and direct investment fields. Ms Shao is responsible for the Group's business expansion in Mainland China. Ms Shao holds a master degree in Business Administration and a bachelor degree in English Literature.

**Ms Yang Tin Wai, Lydia**, aged 42, 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 for the year ended 31st December 2004.

### **PRINCIPAL ACTIVITIES**

The Company acts as an investment holding company and provides corporate management services. The activities of its principal subsidiaries and associates are set out in notes 26 and 15 respectively to the financial statements.

### **RESULTS**

The results of the Group for the year ended 31st December 2004 are set out in the consolidated income statement on page 24.

The Directors do not recommend the payment of a dividend and propose that the profit for the year be retained.

### **RESERVES**

Details of movements in the reserves of the Group and of the Company during the year are set out on page 27 of the annual report and in note 20 to the financial statements respectively.

### **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 54 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 12 to the financial statements.

## **INVESTMENT PROPERTY**

During the year, the Group acquired an investment property at a cost of approximately HK\$34.7 million. A gain from change in fair value of approximately HK\$1.9 million has been credited directly to consolidated income statement.

Details of movement during the year in investment property of the Group are set out in note 13 to the financial statements.

Particulars of the investment property are set out on page 55 of the annual report.

## **SHARE CAPITAL**

A rights issue was made on the basis of one rights share for every share held by shareholders on the register of members on 6th April 2004, at an issue price of HK\$0.012 per rights share, for the purposes of financing working capital and investment of the Group. The rights issue resulted in the issue of 2,725,000,000 shares of HK\$0.01 each for a total cash consideration, before share issue expenses, of approximately HK\$33 million.

On 26th August 2004, a share consolidation on the basis that every twenty shares of HK\$0.01 each in the issued and unissued share capital of the Company being consolidated into one consolidated share of HK\$0.20 each was carried out ("Share Consolidation"). The authorised share capital of the Company remained at HK\$100,000,000, but was divided into 500,000,000 shares of HK\$0.20 each.

Details of movements during the year in the share capital of the Company are set out in note 19 to 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  
Ms Ho Suk Yi (appointed on 3rd June 2004)

### **NON-EXECUTIVE DIRECTORS**

Mr. Lee Ching Ming, Adrian  
Mr. Peter Stavros Patapios Christofis  
Ms Lam Mei Lan  
Mr. Wan Siu Kau (Note 1) (re-designated on 10th September 2004)  
Ms Tam Yuk Ling, Rosaline (resigned on 30th August 2004)

### **INDEPENDENT NON-EXECUTIVE DIRECTORS**

Mrs. Ling Ching Man, Eleanor  
Mr. Cheng Ping Kuen, Franco  
Mr. Tyen Kan Hee, Anthony (appointed on 8th September 2004)

Note 1: Mr. Wan Siu Kau was first appointed as non-executive director on 20th January 2003 and was re-designated as executive director of the Company on 16th July 2003. On 10th September 2004, Mr. Wan resigned his executive role but remains as a non-executive director of the Company.

In accordance with No. 86 and 87 of the Company's bye-laws, Ms Ho Suk Yi, Mr. Wan Siu Kau, Ms Lam Mei Lan and Mr. Tyen Kan Hee, Anthony will retire at the forthcoming annual general meeting and, being eligible, will offer themselves for re-election.

#### **DIRECTORS' SERVICE CONTRACTS**

Mr. Tyen Kan Hee, Anthony, an independent non-executive director, has entered into a service contract with the Company for a term of one year from 8th September 2004. The remaining independent non-executive directors and non-executive directors have not entered into any service contract with the Company but is subject to retirement by rotation and re-election in accordance with the bye-laws of the Company.

Each of the independent non-executive directors has confirmed his independence to the Company pursuant to Rule 5.09 of the Rules Governing the Listing of Securities on the Growth Enterprise Market (the "GEM Listing Rules") of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") and the Company considers the independent non-executive directors to be independent.

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' INTEREST IN CONTRACTS OF SIGNIFICANCE**

Save as the related party transactions disclosed in note 25 to the financial statements, no contract 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.

## DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS IN SECURITIES

As at 31st December 2004, the interests of the Directors and Chief Executives of the Company in the shares of the Company as recorded in the register required to be kept under section 352 of the Securities and Futures Ordinance (the "SFO") were as follows:

### Long position

<u>Name of Director</u>	<u>Beneficial owner</u> (Shares)	<u>Held by spouse</u> (Shares)	<u>Held by controlled corporation</u> (Shares)	<u>Total Interests</u> (Shares)	<u>Percentage to the issued share capital of the Company</u> (%)
Mr. Lau Chuk Kin ( <i>Note 1</i> )	Nil	Nil	179,086,000	179,086,000	65.72
Mr. Lee Ching Ming, Adrian ( <i>Note 2</i> )	100,500	50,000	Nil	150,500	0.06
Mr. Peter Stavros Patapios Christofis	670,500	Nil	Nil	670,500	0.25
Mr. Cheng Ping Kuen, Franco	204,000	Nil	Nil	204,000	0.07

### *Notes:*

- Of the 179,086,000 shares, 1,132,000 shares and 177,954,000 shares are beneficially owned by ER2 Holdings Limited ("ER2") and City Apex Limited respectively. As at 31st December 2004, Mr. Lau Chuk Kin beneficially owned 67% of the issued share capital of ER2, which is the ultimate holding company of City Apex Limited. Accordingly, Mr. Lau Chuk Kin is deemed to be interested in the said shares pursuant to Part XV of the SFO.
- Of the 150,500 shares, 50,000 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.

Other than disclosed above and share options held by a director disclosed below, none of the directors, chief executive nor their associates had any interests or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations as at 31st December 2004.



## SHARE OPTIONS

Particulars of the Company's share option scheme are set out in note 19 to the financial statements.

The following table discloses movements in the Company's share options during the year:

<u>Grantees</u>	<u>Share option type</u>	<u>Number of share options</u>				<u>Outstanding at 31.12.2004</u>
		<u>Outstanding at 1.1.2004</u>	<u>Granted during the year</u>	<u>Cancelled/ lapsed during the year</u>	<u>Consolidation during the year (note)</u>	
<b>Director</b>						
Ms Ho Suk Yi	2004 (a)	-	5,000,000	-	(4,750,000)	250,000
	2004 (b)	-	250,000	-	-	250,000
Sub-total		-	5,250,000	-	(4,750,000)	500,000
<b>Employees</b>						
	2003	22,500,000	-	-	(21,375,000)	1,125,000
	2004 (a)	-	55,000,000	(5,000,000)	(47,500,000)	2,500,000
Sub-total		22,500,000	55,000,000	(5,000,000)	(68,875,000)	3,625,000
<b>Total</b>		<u>22,500,000</u>	<u>60,250,000</u>	<u>(5,000,000)</u>	<u>(73,625,000)</u>	<u>4,125,000</u>

Details of the share options are as follows:

<u>Share option type</u>	<u>Date of grant</u>	<u>Vesting period</u>	<u>Exercisable period</u>	<u>Exercise price per share (HK\$)</u>
2003	2.7.2003	2.7.2003 to 1.7.2004	2.7.2004 to 2.7.2013	0.24 (note)
2004 (a)	17.5.2004	17.5.2004 to 16.5.2005	17.5.2005 to 2.7.2013	0.28 (note)
2004 (b)	9.12.2004	9.12.2004 to 8.12.2005	9.12.2005 to 2.7.2013	0.43

*note:* Following Share Consolidation, the exercise prices of the share options were adjusted to HK\$0.24 and HK\$0.28 from the initial exercise price of HK\$0.012 and HK\$0.014 respectively. The number of share options was also adjusted as a result of Share Consolidation.

The closing price of the shares of HK\$0.20 each of the Company quoted on the Stock Exchange on 30th June, 2003, 14th May, 2004 and 8th December, 2004, being the business date immediately before the date on which share options were granted, was HK\$0.24, HK\$0.28 and HK\$0.43 respectively.

The fair values of options granted under the relevant Share Option Scheme on 2nd July 2003, 17th May 2004 and 9th December 2004, measured at the date of grant, were approximately HK\$170,000, HK\$467,000 and HK\$69,000 respectively. The following significant assumptions were used to derive the fair values, using the Black-Scholes option pricing model:

<u>Date of grant</u>	<u>9/12/2004</u>	<u>17/5/2004</u>	<u>2/7/2003</u>
Expected volatility (based on the annualised historical volatility of the closing price of the shares in the Company from 1st July 2000 to the date of grant)	77.90%	80.52%	74.33%
Expected life (in years)	5	5	5
Risk-free interest rate (being the approximate yield of 5-year Exchange Fund on the grant date)	2.68%	3.77%	2.95%
Expected dividend yield	Nil	Nil	Nil

The Black-Scholes option pricing model requires the input of highly subjective assumptions, including the volatility of share price. Because changes in subjective input assumptions can materially affect the fair value estimate, in the directors' opinion, the existing model does not necessarily provide a reliable single measure of the fair value of the share options.

#### **ARRANGEMENT TO PURCHASE SHARES OR DEBENTURES**

Other than the share options disclosed above, at no time during the year was the Company or any of 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 DIRECTORS' INTERESTS IN CONTRACTS**

### **Exempted connected transactions**

During the year, the Group received rental income and professional services income of HK\$90,000 and HK\$150,000 respectively from ER2, a substantial shareholder of the Company. The provisions of such services, which were on normal commercial terms, were exempted continuing connected transactions under the Rule 20.25 of the GEM Listing Rules.

### **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 per cent 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.

## SUBSTANTIAL SHAREHOLDERS

As at 31st December 2004, pursuant to Part XV of the SFO, the Company had been notified of the following long interests, being 5% or more in the issued share capital of the Company:

<u>Name</u>	<u>Number of shares</u>	<u>Percentage to the issued share capital of the Company %</u>
Mr. Lau Chuk Kin ( <i>Note 1</i> )	179,086,000	65.72
ER2 ( <i>Note 1</i> )	179,086,000	65.72
City Apex Limited ( <i>Note 1</i> )	177,954,000	65.30
Tai Wah Investment Company Limited ( <i>Note 2</i> )	22,000,000	8.07
Chan Family Investment Corporation Limited ( <i>Note 2</i> )	26,677,333	9.79
Great Eagle Holdings Limited ( <i>Note 3</i> )	22,076,000	8.10
Jolly Trend Limited ( <i>Note 3</i> )	22,076,000	8.10
The Great Eagle Company, Limited ( <i>Note 3</i> )	22,076,000	8.10
Dr. Lo Ka Shui ( <i>Note 4</i> )	22,226,000	8.16
JAIC-Somerley Corporate Development Fund Limited ( <i>Note 5</i> )	16,788,178	6.16
Japan Asia Investment Company Limited ( <i>Note 5</i> )	16,788,178	6.16
HSBC International Trustee Limited ( <i>Note 6</i> )	16,788,178	6.16

*Notes:*

- Of the 179,086,000 shares, Mr. Lau Chuk Kin is deemed to be interested in the 1,132,000 shares directly held by ER2. Each of Mr. Lau Chuk Kin and ER2 is deemed to be interested in the 177,954,000 shares owned by City Apex Limited.
- Of these shares, 3,679,333 shares are directly owned by Chan Family Investment Corporation Limited, 998,000 shares and 22,000,000 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 Great Eagle Holdings Limited and Jolly Trend Limited is deemed to be interested in the 22,076,000 shares owned by The Great Eagle Company, Limited.
- Of these shares, 22,076,000 shares are duplicated in the interest described in note 3, as 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 150,000 shares.

5. Japan Asia Investment Company Limited is deemed to be interested in the 16,788,178 shares owned by JAIC-Somerley Corporate Development Fund Limited.
6. 16,788,178 shares relate to the same block of shares as described in note 5. HSBC International Trustee Limited, in which the corporations mentioned in note 5 are the beneficiaries, is interested and/or deemed to be interested in the said 16,788,178 shares.

Save as disclosed above, the register of substantial shareholders maintained by the Company pursuant to section 336 of the SFO discloses no person as having a notifiable interest or short position in the issued share capital of the Company as at 31st December 2004.

#### **MAJOR SUPPLIERS AND CUSTOMERS**

The top five suppliers and the largest supplier of the Group accounted for approximately 85% and 26% respectively for the Group's total purchases for the year ended 31st December 2004.

Aggregate sales attributable to the Group's five largest customers were less than 30% of total turnover.

At no time during the year did a director, an associate of a director or a shareholder of the Company (which to the knowledge of the directors owns more than 5% of the Company's share capital) have any interest in the Group's five largest suppliers or customers.

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

During the year ended 31st December 2004, 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 compete with the business of the Group.

#### **BOARD PRACTICES AND PROCEDURES**

During the year ended 31st December 2004, the Company was in compliance with board practices and procedures as set out in Rules 5.34 to 5.45 of the GEM Listing Rules.

## **CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS BY DIRECTORS**

The Company has adopted the rules set out in Rules 5.48 to 5.67 of the GEM Listing Rules as the code for dealing in securities of the Company by the directors (the "Code"). Having made specific enquiry of all directors, the Company was not aware of any non-compliance with the required standard as set out in the Code.

## **AUDIT COMMITTEE**

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

During the year, the audit committee held four meetings 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.

## **EMPLOYEES AND EMOLUMENT POLICY**

As at 31st December 2004, the Group had around 60 employees (2003: 60). 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 employee benefits include provident fund, insurance and medical cover. Options to subscribe for an aggregate of 4,125,000 shares of the Company had been granted to certain full-time employees, including an executive director of the Company, 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. The remuneration of directors is from time to time determined by the board of directors of the Company by reference to their duties and responsibilities.

## **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.

**AUDITORS**

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



On behalf of the Board  
Lau Chuk Kin  
Chairman

Hong Kong, 4th February 2005

## AUDITORS' REPORT

**Deloitte.**  
德勤

### TO THE SHAREHOLDERS OF RECRUIT HOLDINGS LIMITED

才庫媒體集團有限公司

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

We have audited the financial statements on pages 24 to 53 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 Institute of Certified Public 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 2004 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, 4th February 2005

**CONSOLIDATED INCOME STATEMENT**  
**FOR THE YEAR ENDED 31ST DECEMBER 2004**

	<u>NOTES</u>	<u>2004</u> HK\$'000	<u>2003</u> HK\$'000
Turnover	4	103,995	50,293
Direct operating costs		<u>(48,598)</u>	<u>(26,143)</u>
Gross profit		55,397	24,150
Other operating income		4,418	2,179
Selling and distribution costs		(14,067)	(11,700)
Administrative expenses		(11,062)	(10,664)
Other operating expenses		<u>(290)</u>	<u>(1,367)</u>
Profit from operations	6	34,396	2,598
Finance cost	7	-	(115)
Profit before taxation		34,396	2,483
Taxation	10	<u>(28)</u>	<u>-</u>
Net profit for the year		<u>34,368</u>	<u>2,483</u>
Earnings per share	11		
Basic (2003: <i>restated</i> )		<u>HK14.70 cents</u>	<u>HK1.78 cents</u>
Diluted (2003: <i>restated</i> )		<u>HK14.63 cents</u>	<u>HK1.77 cents</u>

**CONSOLIDATED BALANCE SHEET**  
**AT 31ST DECEMBER 2004**

	<u>NOTES</u>	<u>2004</u> HK\$'000	<u>2003</u> HK\$'000
Non-current Assets			
Property, plant and equipment	12	3,407	2,508
Investment property	13	36,660	-
Interests in associates	15	7,351	7,351
Deposit paid for acquisition of property, plant and equipment		2,001	-
		<u>49,419</u>	<u>9,859</u>
Current Assets			
Trade and other receivables	17	21,472	9,470
Bank balances and cash		36,245	21,933
		<u>57,717</u>	<u>31,403</u>
Current Liabilities			
Trade and other payables	18	8,797	8,787
Net Current Assets			
		<u>48,920</u>	<u>22,616</u>
		<u>98,339</u>	<u>32,475</u>
Capital and Reserves			
Share capital	19	54,500	27,250
Share premium and reserves		43,839	5,225
		<u>98,339</u>	<u>32,475</u>

The financial statements on pages 24 to 53 were approved and authorised for issue by the Board of Directors on 4th February 2005 and are signed on its behalf by:



\_\_\_\_\_  
 DIRECTOR



\_\_\_\_\_  
 DIRECTOR

**BALANCE SHEET**  
**AT 31ST DECEMBER 2004**

	<u>NOTES</u>	<u>2004</u> HK\$'000	<u>2003</u> HK\$'000
Non-current Assets			
Investments in subsidiaries	14	1	-
Interest in an associate	15	70	70
Amounts due from subsidiaries	16	83,088	33,140
		<u>83,159</u>	<u>33,210</u>
Current Assets			
Other receivables		226	210
Bank balances and cash		3,923	111
		<u>4,149</u>	<u>321</u>
Current Liabilities			
Other payables		13	1,439
Amount due to a subsidiary		45	150
		<u>58</u>	<u>1,589</u>
Net Current Assets (Liabilities)		<u>4,091</u>	<u>(1,268)</u>
		<u>87,250</u>	<u>31,942</u>
Capital and Reserves			
Share capital	19	54,500	27,250
Share premium and reserves	20	32,750	4,692
		<u>87,250</u>	<u>31,942</u>



\_\_\_\_\_  
 DIRECTOR



\_\_\_\_\_  
 DIRECTOR

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY  
 FOR THE YEAR ENDED 31ST DECEMBER 2004**

	Share capital HK\$'000	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
At 1st January 2003	56,250	40,774	5	(43,897)	-	13,440	(61,530)	5,042
Shares issued at premium	16,000	10,400	-	-	-	-	-	26,400
Share issue expenses	-	(1,450)	-	-	-	-	-	(1,450)
Capital reorganisation (note 19)	(45,000)	-	-	-	45,000	-	-	-
Net profit for the year	-	-	-	-	-	-	2,483	2,483
At 31st December 2003	27,250	49,724	5	(43,897)	45,000	13,440	(59,047)	32,475
Issue of rights shares	27,250	5,450	-	-	-	-	-	32,700
Share issue expenses	-	(1,204)	-	-	-	-	-	(1,204)
Net profit for the year	-	-	-	-	-	-	34,368	34,368
At 31st December 2004	54,500	53,970	5	(43,897)	45,000	13,440	(24,679)	98,339

The accumulated losses of the Group include accumulated losses of HK\$2,002,000 (2003: HK\$2,002,000) attributable to an 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.

The contributed surplus of the Group arising during the year ended 31st December 2003 represented the reduction in share capital in accordance with the Group's capital reorganisation as detailed in note 19.

During the year, the Group undertook a share consolidation as detailed in note 19.

**CONSOLIDATED CASH FLOW STATEMENT  
 FOR THE YEAR ENDED 31ST DECEMBER 2004**

	<u>2004</u> HK\$'000	<u>2003</u> HK\$'000
Operating activities		
Profit from operations	34,396	2,598
Adjustments for:		
Depreciation	1,360	1,456
Interest income	(222)	(96)
Loss (gain) on disposal and write off of property, plant and equipment	1	(5)
Gain from change in fair value of investment property	(1,945)	-
Gain on disposal of a jointly controlled entity	-	(200)
	<hr/>	<hr/>
Operating cash flows before movements in working capital	33,590	3,753
Decrease in inventories	-	1,275
(Increase) decrease in trade and other receivables	(12,002)	2,334
Decrease in amount due from a related company	-	267
Increase (decrease) in trade and other payables	10	(4,703)
Decrease in amount due to a related company	-	(4,626)
	<hr/>	<hr/>
Cash generated from (used in) operations	21,598	(1,700)
Hong Kong Profits Tax (paid) refunded	(28)	270
Interest paid	-	(115)
	<hr/>	<hr/>
Net cash generated from (used in) operating activities	21,570	(1,545)
Investing activities		
Payment for acquisition of investment property	(34,715)	-
Purchase of property, plant and equipment	(2,370)	(2,473)
Payment of deposit for acquisition of property, plant and equipment	(2,001)	-
Interest received	222	96
Proceeds on disposal of property, plant and equipment	110	5
Decrease in pledged bank deposit	-	2,000
Net proceeds on disposal of a jointly controlled entity	-	200
Loan advanced to an associate	-	(70)
	<hr/>	<hr/>
Net cash used in investing activities	(38,754)	(242)

**CONSOLIDATED CASH FLOW STATEMENT**

*For the year ended 31st December 2004*

	<u>2004</u>	<u>2003</u>
	HK\$'000	HK\$'000
Financing activities		
Proceeds on issue of rights shares	32,700	-
Share issue expenses paid	(1,204)	(1,450)
Proceeds on issue of ordinary shares	-	11,400
Loan advanced from a shareholder	-	10,000
	<u>31,496</u>	<u>19,950</u>
Net cash from financing activities	31,496	19,950
Net increase in cash and cash equivalents	14,312	18,163
Cash and cash equivalents at 1st January	<u>21,933</u>	<u>3,770</u>
Cash and cash equivalents at 31st December, represented by bank balances and cash	<u><u>36,245</u></u>	<u><u>21,933</u></u>

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st December 2004

### 1. GENERAL

The Company was incorporated in Cayman Islands as an exempted company and redomiciled to Bermuda by way of de-registration in 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 (the "Stock Exchange").

The Company acts as an investment holding company and provides corporate management services. Details of principal activities of its principal subsidiaries are set out in note 26.

As at 31st December, 2004, the Company's ultimate holding company is ER2, which was incorporated in Hong Kong.

### 2. EARLY ADOPTION OF A HONG KONG ACCOUNTING STANDARD

The Hong Kong Institute of Certified Public Accountants has issued a number of new or revised Hong Kong Financial Reporting Standards ("HKFRS") and Hong Kong Accounting Standards ("HKAS") (collectively referred to as "new HKFRSs") which are effective for accounting periods beginning on or after 1st January 2005. The Group has not early adopted these new HKFRSs in the financial statements for the year ended 31 December 2004 except as mentioned below.

In the current year, the Group has adopted HKAS 40 *Investment Property* in advance of its effective date. HKAS 40 introduces both cost model and fair value model for the measurement of investment property. For fair value model, HKAS 40 requires fair value changes be recognised to the income statement in the period in which they arise. The Group has elected to apply the fair value model in measuring its investment property and recognises the fair value changes to the income statement in the period in which they arise. The early adoption of HKAS 40 does not have impact to the result of the Group in previous years as the Group did not have any investment property in previous years.

The Group has already commenced an assessment of the impact of the other new HKFRSs but is not yet in a position to state whether these HKFRSs would have a significant impact on its results of operations and financial position.

### 3. SIGNIFICANT ACCOUNTING POLICIES

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



### **3. SIGNIFICANT ACCOUNTING POLICIES - continued**

#### **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.

#### **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 in 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.

**3. SIGNIFICANT ACCOUNTING POLICIES - continued**

**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.

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.

**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 the website.

Service income is recognised when services are provided.

Publication sales are recognised when the risk and reward of ownerships has passed.

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.

### **3. SIGNIFICANT ACCOUNTING POLICIES - continued**

#### **Property, plant and equipment**

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

#### **Investment property**

Investment property including a property interest that is held under an operating lease, which is property held to earn rentals and/or for capital appreciation, is stated at fair value at the balance sheet date. Gains or losses arising from changes in the fair value of investment property are included in profit or loss for the period in which they arise.

#### **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.

**3. SIGNIFICANT ACCOUNTING POLICIES - continued**

**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 exchange 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 amounts 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 taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

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.

**3. SIGNIFICANT ACCOUNTING POLICIES - continued****Taxation - continued**

Deferred tax is calculated at the tax rates that are expected to apply in the year when the liability is settled or the asset is 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.

**Operating leases**

Operating lease 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 advertising income, service income and publication sales less discounts, and is analysed as follows:

	<u>2004</u> HK\$'000	<u>2003</u> HK\$'000
Advertising income	103,615	49,943
Service income	350	350
Publication sales	30	-
	<u>103,995</u>	<u>50,293</u>

**5. SEGMENTAL INFORMATION**

Segmental information is not presented as the Group is principally engaged in advertising and publishing business in Hong Kong and substantial identifiable assets of the Group are located in Hong Kong.

**6. PROFIT FROM OPERATIONS**

	<u>2004</u> HK\$'000	<u>2003</u> HK\$'000
Profit from operations has been arrived at after charging (crediting):		
Auditors' remuneration	250	185
Depreciation	1,360	1,456
Staff costs	15,322	14,245
Loss (gain) on disposal and write off of property, plant and equipment	1	(5)
Minimum lease payments paid under operating leases in respect of:		
Rented premises	1,211	591
Internet access line	91	112
Gain from changes in fair value of investment property	(1,945)	-
Interest income	(222)	(96)
Gain on disposal of a jointly controlled entity	-	(200)
Operating lease rental income from:		
Subleasing of office premises	(90)	(219)
Investment property	(88)	-
	<u>          </u>	<u>          </u>

**7. FINANCE COST**

	<u>2004</u> HK\$'000	<u>2003</u> HK\$'000
Interest on amount due to a related company	-	115
	<u>          </u>	<u>          </u>

**8. DIRECTORS' REMUNERATION**

	<u>2004</u> HK\$'000	<u>2003</u> HK\$'000
Fees:		
Executive directors	-	30
Non-executive directors	150	90
Independent non-executive directors	140	60
	<u>290</u>	<u>180</u>
Other emoluments for executive directors:		
Basic salaries and other benefits	294	346
Retirement benefit scheme contributions	7	7
	<u>301</u>	<u>353</u>
	<u>591</u>	<u>533</u>

The emoluments paid or payable to the directors were as follows:

	<u>2004</u> HK\$'000	<u>2003</u> HK\$'000
Mr. Lau Chuk Kin	-	-
Mr. Cheung Wing Hung, Vincent	n/a	47
Ms Ho Suk Yi	301	-
Mr. Lee Ching Ming, Adrian	30	30
Mr. Barrie Calvert Goodridge	n/a	30
Mr. Peter Stavros Patapios Christofis	30	30
Ms Lam Mei Lan	30	306
Mr. Wan Siu Kau	30	30
Ms Tam Yuk Ling, Rosaline	30	-
Mrs. Ling Ching Man, Eleanor	60	30
Mr. Cheng Ping Kuen, Franco	60	30
Mr. Tyen Kan Hee, Anthony	20	-
Mr. Cheung Chun Yuen, Barry	n/a	-
	<u>591</u>	<u>533</u>

**9. EMPLOYEES' REMUNERATION**

The emoluments of the five highest paid individuals of the Group, none of them is a director of the Company for both years, are as follows:

	<u>2004</u> HK\$'000	<u>2003</u> HK\$'000
Basic salaries and other benefits	2,089	2,080
Retirement benefit scheme contributions	81	78
Compensation for loss of office	-	-
	<u>2,170</u>	<u>2,158</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 2004, no emoluments were paid by the Group to the directors and the five highest paid individuals 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 2004.

**10. TAXATION**

Hong Kong Profits Tax is calculated at 17.5% (2003: 17.5%) of the estimated assessable profit. There are no known tax liabilities in other jurisdiction.

No tax was payable on the estimated assessable profit arising in Hong Kong for both years since the estimated assessable profits of the Company and its subsidiaries were wholly absorbed by tax losses brought forward. The charge for the year represents an underprovision in respect of prior year.

Details of deferred taxation of the Group are set out in note 21.



**10. TAXATION - continued**

The tax charge for the year can be reconciled to the profit per income statement as follows:

	<u>2004</u> HK\$'000	<u>2003</u> HK\$'000
Profit before taxation	34,396	2,483
Hong Kong Profits Tax at a rate of 17.5% (2003: 17.5%)	6,019	435
Tax effect of income not taxable for tax purpose	(456)	(280)
Tax effect of expenses not deductible for tax purpose	63	739
Tax effect of deferred tax assets not recognised	77	314
Utilisation of tax losses previously not recognised	(5,703)	(1,208)
Underprovision in respect of prior year	28	-
Tax charge for the year	<u>28</u>	<u>-</u>

**11. EARNINGS PER SHARE**

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

	<u>THE GROUP</u>	
	<u>2004</u> HK\$'000	<u>2003</u> HK\$'000
Earnings for the purposes of basic and diluted earnings per share	34,368	2,483
	<u>Number of shares '000</u>	<u>Number of shares '000</u> (Restated)
Weighted average number of ordinary shares for the purposes of basic earnings per share	233,784	139,699
Effect of dilutive potential ordinary shares in respect of share options granted	1,142	242
Weighted average number of ordinary shares for the purposes of diluted earnings per share	<u>234,926</u>	<u>139,941</u>

**11. EARNINGS PER SHARE - continued**

The comparative figures of earnings per share for the year ended 31st December 2003 had been re-calculated to reflect a rights issue and a share consolidation occurred during the year. Details of these are set out in note 19 to the financial statements.

**12. PROPERTY, PLANT AND EQUIPMENT**

	Furniture and fixtures HK\$'000	Office equipment HK\$'000	Leasehold improvements HK\$'000	Computer equipment and systems HK\$'000	Motor vehicles HK\$'000	Total HK\$'000
<b>THE GROUP</b>						
<b>COST</b>						
At 1st January 2004	665	1,132	256	24,106	369	26,528
Additions	-	-	-	2,370	-	2,370
Disposals/write-off	-	-	-	(4)	(136)	(140)
At 31st December 2004	665	1,132	256	26,472	233	28,758
<b>DEPRECIATION AND IMPAIRMENT</b>						
At 1st January 2004	652	1,067	81	21,962	258	24,020
Provided for the year	7	39	85	1,227	2	1,360
Eliminated on disposals/ write-off	-	-	-	(2)	(27)	(29)
At 31st December 2004	659	1,106	166	23,187	233	25,351
<b>NET BOOK VALUE</b>						
At 31st December 2004	6	26	90	3,285	-	3,407
At 31st December 2003	13	65	175	2,144	111	2,508

**13. INVESTMENT PROPERTY**

	<u>THE GROUP</u> HK\$'000
FAIR VALUE	
At 1st January 2004	-
Additions	34,715
Gain from changes in fair value	<u>1,945</u>
At 31st December 2004	<u><u>36,660</u></u>

The Group's investment property was revalued at 31st December 2004 by Dynasty Pemium Asset Valuation and Real Estate Consultancy Limited, an independent firm of professional property valuer, on fair value basis. The gain from changes in fair value has been credited to the consolidated income statement.

The investment property is situated in Hong Kong and held under a medium term operating lease.

The Group leases out the investment property under an operating lease.

**14. INVESTMENTS IN SUBSIDIARIES**

	<u>THE COMPANY</u>	
	<u>2004</u> HK\$'000	<u>2003</u> HK\$'000
Unlisted shares, at cost	62,030	62,029
Impairment losses recognised	<u>(62,029)</u>	<u>(62,029)</u>
	<u><u>1</u></u>	<u><u>-</u></u>

An impairment loss of HK\$2,800,000 was recognised for the year ended 31st December, 2003 as the directors considered that the expected cash flows from the subsidiaries were not sufficient to recover the investment cost.

Details of principal subsidiaries are set out in note 26.

**15. INTERESTS IN ASSOCIATES**

	<u>THE GROUP</u>		<u>THE COMPANY</u>	
	<u>2004</u> HK\$'000	<u>2003</u> HK\$'000	<u>2004</u> HK\$'000	<u>2003</u> HK\$'000
Unlisted shares at cost, less impairment loss	-	-	-	-
Share of net assets	-	-	-	-
Loans to associates	16,092	16,092	70	70
Allowance for loans to an associate	(8,741)	(8,741)	-	-
	<u>7,351</u>	<u>7,351</u>	<u>70</u>	<u>70</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 assets.

Details of the associates as at 31st December 2004 are as follows:

<u>Name of company</u>	<u>Form of business structure</u>	<u>Place of incorporation/ operation</u>	<u>Class of shares held</u>	<u>Proportion of nominal value of issued capital held by the Company</u>		<u>Principal activity</u>
				<u>Directly</u>	<u>Indirectly</u>	
PPG Investments Limited	Incorporated	British Virgin Islands/ Hong Kong	Ordinary	-	20%	Investment holding
Trion Pacific Limited	Incorporated	Hong Kong	Ordinary	35%	-	Inactive

**16. AMOUNTS DUE FROM SUBSIDIARIES**

	<u>THE COMPANY</u>	
	<u>2004</u> HK\$'000	<u>2003</u> HK\$'000
Amounts due from subsidiaries	99,142	72,309
Allowances for amounts due from subsidiaries	(16,054)	(39,169)
	<u>83,088</u>	<u>33,140</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.

**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 trade receivable at the balance sheet date:

	<u>THE GROUP</u>	
	<u>2004</u> HK\$'000	<u>2003</u> HK\$'000
0-30 days	6,153	2,768
31-60 days	5,191	1,975
61-90 days	2,436	1,286
91-120 days	2,689	885
Over 120 days	1,312	553
Total trade receivables	<u>17,781</u>	<u>7,467</u>
Other receivables	3,691	2,003
	<u>21,472</u>	<u>9,470</u>

**18. TRADE AND OTHER PAYABLES**

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

	THE GROUP	
	2004 HK\$'000	2003 HK\$'000
0-60 days	172	1,260
61-120 days	-	31
Total trade payables	172	1,291
Other payables	8,625	7,496
	<u>8,797</u>	<u>8,787</u>

**19. SHARE CAPITAL**

	Number of shares		Share capital	
	2004 '000	2003 '000	2004 HK\$'000	2003 HK\$'000
Authorised:				
Ordinary shares of HK\$0.01 (2003: HK\$0.05) each at beginning of year	10,000,000	2,000,000	100,000	100,000
Capital reorganisation	-	8,000,000	-	-
Share consolidation	(9,500,000)	-	-	-
Ordinary shares of HK\$0.20 (2003: HK\$0.01) each at end of year	<u>500,000</u>	<u>10,000,000</u>	<u>100,000</u>	<u>100,000</u>
Issued and fully paid:				
Ordinary shares of HK\$0.01 (2003: HK\$0.05) each at beginning of year	2,725,000	1,125,000	27,250	56,250
Capital reorganisation	-	-	-	(45,000)
Shares issued at premium	-	1,600,000	-	16,000
Rights shares issued at premium	2,725,000	-	27,250	-
Share consolidation	(5,177,500)	-	-	-
Ordinary shares of HK\$0.20 (2003: HK\$0.01) each at end of year	<u>272,500</u>	<u>2,725,000</u>	<u>54,500</u>	<u>27,250</u>

**19. SHARE CAPITAL - continued**

**Capital reorganisation**

During the year ended 31st December 2003, 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 above, 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, a subscription agreement relating to subscription of 1,600,000,000 new shares of HK\$0.01 each in the capital of the Company at a 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 Limited, a substantial shareholder of the Company. The shares were issued for the purpose of financing the working capital of the Group.

**Rights issue**

A special resolution was passed on 6th April 2004 to approve a rights issue on the basis of one rights share for every share held by shareholders on the register of members on 6th April 2004, at an issue price of HK\$0.012 per right share, for the purposes of financing working capital and investment of the Group. The rights issue resulted in the issue of 2,725,000,000 shares of HK\$0.010 each for a total cash consideration, before share issue expenses, of approximately HK\$33 million.

**Share consolidation**

Pursuant to a special resolution passed on 26th August 2004, a share consolidation on the basis that every twenty shares of HK\$0.01 each in the issued and unissued share capital of the Company being consolidated into one consolidated share of HK\$0.20 each was carried out ("Share Consolidation"). The authorised share capital of the Company remained at HK\$100,000,000, but was divided into 500,000,000 shares of HK\$0.20 each.

**19. 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 Rules Governing the Listing of Securities on the GEM, 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 movements in the share options of the Company:

During the year ended 31st December 2004

<u>Grantees</u>	<u>Share option type</u>	<u>Number of share options</u>				<u>Outstanding at 31.12.2004</u>
		<u>Outstanding at 1.1.2004</u>	<u>Granted during the year</u>	<u>Cancelled/ lapsed during the year</u>	<u>Consolidation during the year (note i)</u>	
<b>Director</b>	2004 (a)	-	5,000,000	-	(4,750,000)	250,000
	2004 (b)	-	250,000	-	-	250,000
Sub-total		-	5,250,000	-	(4,750,000)	500,000
<b>Employees</b>	2003	22,500,000	-	-	(21,375,000)	1,125,000
	2004 (a)	-	55,000,000	(5,000,000)	(47,500,000)	2,500,000
Sub-total		22,500,000	55,000,000	(5,000,000)	(68,875,000)	3,625,000
<b>Total</b>		22,500,000	60,250,000	(5,000,000)	(73,625,000)	4,125,000



**19. SHARE CAPITAL - continued**

During the year ended 31st December 2003

<u>Grantees</u>	<u>Share option type</u>	<u>Outstanding at 1.1.2003</u>	<u>Number of share options</u>		<u>Outstanding at 31.12.2003</u>
			<u>Granted during the year</u>	<u>Cancelled/lapsed during the year</u>	
<b>Employees</b>	2003	-	37,500,000	(15,000,000)	22,500,000

Details of the share options are as follows:

<u>Share option type</u>	<u>Date of grant</u>	<u>Vesting period</u>	<u>Exercisable period</u>	<u>Exercise price per share HK\$</u>
2003	2.7.2003	2.7.2003 to 1.7.2004	2.7.2004 to 2.7.2013	0.24 (note i)
2004 (a)	17.5.2004	17.5.2004 to 16.5.2005	17.5.2005 to 2.7.2013	0.28 (note i)
2004 (b)	9.12.2004	9.12.2004 to 8.12.2005	9.12.2005 to 2.7.2013	0.43

notes:

- (i) Following the Share Consolidation, the exercise prices of the share options were adjusted to HK\$0.24 and HK\$0.28 from the initial exercise price of HK\$0.012 and HK\$0.014 respectively. The number of share options was also adjusted as a result of Share Consolidation.
- (ii) Total consideration received during the year from employees for taking up the options granted amounted to HK\$15 (2003: HK\$3).
- (iii) The financial impact of share options granted is not recorded in the Company's or the Group's balance sheet until such time as the options are exercised, and no charge is recognised in the income statement in respect of the value of options granted in the year. Upon the exercise of the share options, the resulting shares issued are recorded by the Company as additional share capital at the nominal value of the shares, and the excess of the exercise price per share over the nominal value of the shares is recorded by the Company in the share premium account. Options which lapse or are cancelled prior to their exercise date are deleted from the register of outstanding options.

**20. SHARE PREMIUM AND RESERVES OF THE COMPANY**

	Share premium HK\$'000	Contributed surplus HK\$'000	Accumulated losses HK\$'000	Total HK\$'000
At 1st January 2003	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 19)	-	45,000	-	45,000
Net profit for the year	-	-	1,930	1,930
At 31st December 2003	49,724	62,919	(107,951)	4,692
Issue of rights shares	5,450	-	-	5,450
Share issue expenses	(1,204)	-	-	(1,204)
Net profit for the year	-	-	23,812	23,812
At 31st December 2004	53,970	62,919	(84,139)	32,750

The contributed surplus of the Company comprises:

- (i) an amount of HK\$17,919,000 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 when the group reorganisation became effective over the nominal amount of the share capital of the Company issued under the group reorganisation.
- (ii) an amount of HK\$45,000,000 represents reduction in share capital in accordance with the Company's capital reorganisation in 2003 as detailed in note 19.

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 2004 and 2003.

## 21. DEFERRED TAXATION

At the balance sheet date, the Group has provided for deferred tax liabilities of HK\$566,000 (2003: HK\$323,000) and recognised deferred tax asset of HK\$566,000 (2003: HK\$323,000) 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 deductible temporary difference are as follows:

	<u>THE GROUP</u>		<u>THE COMPANY</u>	
	<u>2004</u> HK\$'000	<u>2003</u> HK\$'000	<u>2004</u> HK\$'000	<u>2003</u> HK\$'000
Difference between depreciation and depreciation allowance	874	554	-	-
Tax losses	48,623	83,731	2,189	6,046
Other temporary differences	440	926	-	-
	<u>49,937</u>	<u>85,211</u>	<u>2,189</u>	<u>6,046</u>

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

## 22. OPERATING LEASES

### The Group as lessee

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

	<u>Rented premises</u>		<u>Internet access line</u>	
	<u>2004</u> HK\$'000	<u>2003</u> HK\$'000	<u>2004</u> HK\$'000	<u>2003</u> HK\$'000
Within one year	1,128	1,128	84	-
In the second to fifth years inclusive	501	1,629	42	-
	<u>1,629</u>	<u>2,757</u>	<u>126</u>	<u>-</u>

**22. OPERATING LEASES - continued**

Operating lease payments represent rentals payable by the Group for its office premises 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.

The Company had no commitments under non-cancellable operating leases in both years.

**The Group as lessor**

Leases are negotiated for an average term of two years. At the balance sheet date, the Group had contracted with tenants for the following future minimum lease payments:

	<u>THE GROUP</u>	
	<u>2004</u>	<u>2003</u>
	HK\$'000	HK\$'000
Within 1 year	1,335	-
After 1 year but within 5 years	238	-
	<u>1,573</u>	<u>-</u>

**23. COMMITMENTS**

	<u>2004</u>	<u>2003</u>
	HK\$'000	HK\$'000
<u>THE GROUP</u>		
Capital expenditure in respect of the acquisition of property, plant and equipment contracted for but not provided for in the financial statements	-	930
	<u>-</u>	<u>930</u>
<u>THE COMPANY</u>		
Capital expenditure in respect of capital investment in a subsidiary to be established	4,680	-
	<u>4,680</u>	<u>-</u>

**24. 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 2004 are as follows:

	<u>2004</u> HK\$'000	<u>2003</u> HK\$'000
Gross retirement benefits scheme contributions	610	614
Less: Forfeited contributions for the year	<u>(286)</u>	<u>(663)</u>
Net retirement benefits scheme contributions (refunds)	<u>324</u>	<u>(49)</u>

There was no significant amount of forfeited contributions available to reduce future contributions payable by the Group as at 31st December 2004 and 2003.

**25. RELATED PARTY TRANSACTIONS**

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

<u>Name of related parties</u>	<u>Nature of transaction</u>	<u>2004</u> HK\$'000	<u>2003</u> HK\$'000
PPG (note a)	Rental income	-	9
	Sales of waste paper	-	(27)
	Interest expense	-	115
ER2 (note b)	Service income	150	350
	Rental income	90	210
Capstone Limited (note c)	Consultancy fee	-	150

Notes:

- a. 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.
- b. The directors, Mr. Lau Chuk Kin and Mr. Wan Siu Kau, have beneficial interests in ER2.
- c. The former director, Ms Rosaline Tam, has a beneficial interest in Capstone Limited.

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.

**26. PARTICULARS OF PRINCIPAL SUBSIDIARIES**

<u>Name of company</u>	<u>Place of incorporation or registration/ operation</u>	<u>Class of shares</u>	<u>Issued and fully paid share capital</u>	<u>Proportion of nominal value of issued capital %</u>	<u>Principal activities</u>
Easking Limited	Hong Kong	Ordinary	HK\$1	100	Investment holding
Recruit (BVI) Limited	British Virgin Islands	Ordinary	US\$10,000	100	Investment holding
Recruit (China) Holdings Limited	British Virgin Islands	Ordinary	US\$1	100	Investment holding
Recruit Company Limited	Hong Kong	Ordinary	HK\$213,536	100	Investment holding
Recruit Information Technology Limited	Hong Kong	Ordinary	HK\$1,000	100	Provision of website development and information technology services
SAR Media Limited	Hong Kong	Ordinary	HK\$10,000	100	Provision of advertising services
The Recruit Publishing Company Limited	Hong Kong	Ordinary	HK\$52,000,000	100	Publishing and advertising business and investment holding

All 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 2004 or at any time during the year.

## FINANCIAL SUMMARY

### FINANCIAL RESULTS

	Financial year ended 31st December				
	<u>2000</u> HK\$'000	<u>2001</u> HK\$'000	<u>2002</u> HK\$'000	<u>2003</u> HK\$'000	<u>2004</u> HK\$'000
Turnover	<u>129,058</u>	<u>106,343</u>	<u>70,138</u>	<u>50,293</u>	<u>103,995</u>
Profit (loss) from operations after finance costs	(12,153)	(55,166)	(30,149)	2,483	34,396
Allowance for loans to an associate	-	(2,709)	(6,032)	-	-
Share of results of associates	<u>(8,148)</u>	<u>(537)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Profit (loss) before taxation	(20,301)	(58,412)	(36,181)	2,483	34,396
Taxation	<u>(701)</u>	<u>(29)</u>	<u>-</u>	<u>-</u>	<u>(28)</u>
Profit (loss) attributable to shareholders	<u>(21,002)</u>	<u>(58,441)</u>	<u>(36,181)</u>	<u>2,483</u>	<u>34,368</u>
	As at 31st December				
	<u>2000</u> HK\$'000	<u>2001</u> HK\$'000	<u>2002</u> HK\$'000	<u>2003</u> HK\$'000	<u>2004</u> HK\$'000
ASSETS AND LIABILITIES					
Total Assets	121,730	59,358	28,158	41,262	107,136
Total Liabilities	<u>(22,068)</u>	<u>(18,135)</u>	<u>(23,116)</u>	<u>(8,787)</u>	<u>(8,797)</u>
Shareholders' Funds	<u>99,662</u>	<u>41,223</u>	<u>5,042</u>	<u>32,475</u>	<u>98,339</u>



## PARTICULAR OF PROPERTY INTEREST

### INVESTMENT PROPERTY

<u>Location</u>	<u>Term of lease/ land use right</u>	<u>Purpose</u>	<u>Gross floor area</u>	<u>Group's interest</u>
26th Floor, K. Wah Centre No.191 Java Road, Hong Kong	Medium term	Commercial	11,915 sq.ft	100%

---