

**R** *Recruit*



*1st Quarterly Report*

**2006**

第 一 季 報

## **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**

In the first three months ended 31st March 2006, the Group's revenue was recorded at HK\$ 63 million, representing a 99% increase over the same period last year. The growth was mainly attributable to the printing business, which generated HK \$17.7 million extra in the period, and the in-flight magazine business, which brought in an additional HK\$8.6 million in revenue.

Net profit attributable to shareholders for the three months ended 31st March 2006 showed an 89% increase year over year, amounting to HK\$9.1 million.

## **BUSINESS REVIEW**

### **Advertising Business**

#### **Recruitment Ads**

With the steady improvement of Hong Kong's economic environment, the job market continued to remain healthy with the unemployment rate being curbed at 5.2%, the lowest since 2001. Recruit magazine produced a high double-digit increase in revenue of 18% compared to that in the same period last year.

The Group's recruitment advertising business in Shanghai, 1010job, which kicked off in March 2005, has continued to generate revenue from advertising in the first three months. There was nevertheless an operating loss incurred in the period as the Group is still cultivating the China market and is prepared to expand its Internet based services to other parts of China. An operating loss from 1010job is anticipated to continue for the rest of the year and will have an adverse impact on the Group's results. However, the Group has successfully built up the brand name 1010job in the Shanghai market as a "premier position provider".

#### **Inflight magazine Ads**

The inflight magazine business has shown a growth of 71% in revenue reaching HK\$21million, compared to that in the same period last year. This growth is partially attributable to the securing of an agency agreement under which the Group began to act as an exclusive advertising agent for China Southern Airlines in the latter half of 2005. The economic growth in China promises very positive prospects for the inflight magazine business division and management is convinced that the business will continue to contribute significantly to the Group's earnings.

**Statutory Announcement**

The change of listing rules allowing main board listed companies to issue announcements electronically instead of publishing in the newspapers may have or have had a negative impact on the statutory announcement business. However, revenue generated for the period has been 8% higher than that in the same period of 2005. The management adopts a conservative view of the prospects for the remainder of the year and believes that the chances of further growth are very limited.

**Printing Business**

The printing business of the Group has produced nearly HK\$20 million in revenue in the first quarter, which represents a tenfold increase over the results in the same quarter of last year. The business, kicked off in March 2005, has grown significantly over the year. With its existing customer base and other competitive advantages, it is expected that the business will generate a meaningful net profit to the Group for the year.

**PROSPECT**

The Group is focusing on further solidifying its existing businesses and optimizing the growth opportunities especially in its inflight magazine and printing businesses. The Group will also continue to be active in seeking diversifications in other businesses and in territories other than Hong Kong and mainland China.

## 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, 2006 together with the comparative unaudited figures for the corresponding period in 2005 as follows:

### CONSOLIDATED INCOME STATEMENT

	<i>Note</i>	Three months ended	
		31st March	
		2006	2005
		<i>HK\$'000</i>	<i>HK\$'000</i>
Revenue and turnover	2	62,748	31,461
Direct operating costs		(35,789)	(15,582)
Gross profit		<u>26,959</u>	<u>15,879</u>
Other operating income		1,324	318
Selling and distribution costs		(10,933)	(5,874)
Administrative expenses		(7,359)	(5,301)
Other operating expenses		-	(166)
Profit from operations	3	<u>9,991</u>	<u>4,856</u>
Finance costs		(369)	-
Profit before income tax		<u>9,622</u>	<u>4,856</u>
Income tax expense	4	-	-
Profit for the period		<u><u>9,622</u></u>	<u><u>4,856</u></u>
Attributable to:			
Equity holders of the Company		9,066	4,841
Minority interests		556	15
		<u><u>9,622</u></u>	<u><u>4,856</u></u>
Earnings per share for profit attributable to the equity holders of the Company during the period			
- Basic	5	<u><u>HK3.31 cents</u></u>	<u><u>HK1.78 cents</u></u>
- Diluted	5	<u><u>HK3.29 cents</u></u>	<u><u>HK1.76 cents</u></u>

## NOTES TO THE CONSOLIDATED FINANCIAL RESULTS

### 1. Basis of preparation

The unaudited quarterly financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRS”) issued by the Hong Kong Institute of Certified Public Accountants (“the HKICPA”), and accounting principles generally accepted in Hong Kong. The principal accounting policies adopted in preparing these financial statements are consistent with those followed in the Group’s annual audited consolidated financial statements for the year ended 31st December 2005.

### 2. Revenue and turnover

	Three months ended	
	31st March	
	2006	2005
	<i>HK\$'000</i>	<i>HK\$'000</i>
Advertising income	42,564	29,464
Printing income	19,738	1,994
Publication sales	20	3
Service income	426	-
	<u>62,748</u>	<u>31,461</u>

### 3. Profit from operations

Profit from operations has been arrived at after charging:

	Three months ended	
	31st March	
	2006	2005
	<i>HK\$'000</i>	<i>HK\$'000</i>
Depreciation	2,226	654
Employee benefits expense	9,213	5,952
Operating leases rental in respect of		
Rented premises	730	545
Internet access line	21	21

#### 4. Income tax expense

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:

	<b>Three months ended</b>	
	<b>31st March</b>	
	<b>2006</b>	<b>2005</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
Earnings for the purposes of basic and diluted earnings per share for the period	<b>9,066</b>	4,841
	<b>=====</b>	<b>=====</b>
	<b>Number of shares ('000)</b>	
Weighted average number of ordinary shares for the purposes of basic earnings per share	<b>274,348</b>	272,608
Effect of dilutive potential ordinary shares in respect of share options granted	<b>1,452</b>	2,476
	<b>-----</b>	<b>-----</b>
Weighted average number of ordinary shares for the purposes of diluted earnings per share	<b>275,800</b>	275,084
	<b>=====</b>	<b>=====</b>

## 6. Movement in reserve

	Share Premium HK\$'000	Employee Compensation Reserve HK\$'000	Exchange Reserve HK\$'000	Merger Reserve HK\$'000	Contributed Surplus HK\$'000	Goodwill Reserve HK\$'000	Capital Contribution HK\$'000	Proposed Final Dividend HK\$'000	Retained Profit HK\$'000	Total HK\$'000
<b>2006</b>										
At 1st January	54,065	951	65	(43,897)	34,031	-	521	10,969	25,473	82,178
Shares issued at premium	16	-	-	-	-	-	-	-	-	16
Shares issue expenses	(3)	-	-	-	-	-	-	-	-	(3)
Equity-settled share based payment expenses	-	166	-	-	-	-	-	-	-	166
Currency translation	-	-	(3)	-	-	-	-	-	-	(3)
Profit for the period	-	-	-	-	-	-	-	-	9,066	9,066
At 31st March	<u>54,078</u>	<u>1,117</u>	<u>62</u>	<u>(43,897)</u>	<u>34,031</u>	<u>-</u>	<u>521</u>	<u>10,969</u>	<u>34,539</u>	<u>91,420</u>
	Share Premium HK\$'000	Employee Compensation Reserve HK\$'000	Exchange Reserve HK\$'000	Merger Reserve HK\$'000	Contributed Surplus HK\$'000	Goodwill Reserve HK\$'000	Capital Contribution HK\$'000	Proposed Final Dividend HK\$'000	Accumulated Losses HK\$'000	Total HK\$'000
<b>2005</b>										
At 1st January, as previously reported	53,970	-	5	(43,897)	45,000	13,440	-	-	(24,679)	43,839
Effect on changes in accounting policies:										
- Initial adoption of HKFRS2	-	382	-	-	-	-	-	-	(382)	-
- Initial adoption of HKFRS3	-	-	-	-	-	(13,440)	-	-	13,440	-
At 1st January, as restated	<u>53,970</u>	<u>382</u>	<u>5</u>	<u>(43,897)</u>	<u>45,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(11,621)</u>	<u>43,839</u>
Shares issued at premium	22	-	-	-	-	-	-	-	-	22
Shares issue expenses	(3)	-	-	-	-	-	-	-	-	(3)
Equity-settled share based payment expenses	-	134	-	-	-	-	-	-	-	134
Currency translation	-	-	15	-	-	-	-	-	-	15
Profit for the period	-	-	-	-	-	-	-	-	4,841	4,841
At 31st March	<u>53,989</u>	<u>516</u>	<u>20</u>	<u>(43,897)</u>	<u>45,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(6,780)</u>	<u>48,848</u>



## DIVIDEND

The Board does not recommend the payment of an interim dividend for the three months ended 31st March 2006. (2005: Nil).

## DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS IN SECURITIES

As at 31st March 2006, 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 the required standard of dealing by the Directors under Rule 5.46 of the GEM Listing Rules, were as follows::

### (a) Long Position in the shares of the Company

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 ( <i>Note 1</i> )	Nil	Nil	179,392,000	179,392,000	65.37
Mr. Lee Ching Ming, Adrian ( <i>Note 2</i> )	100,500	50,000	Nil	150,500	0.05
Mr. Peter Stavros Patapios Christofis	670,500	Nil	Nil	670,500	0.24
Mr. Cheng Ping Kuen, Franco	204,000	Nil	Nil	204,000	0.07

### (b) Options to subscribe for share of the Company

Name of Directors	Number of share options				
	Outstanding at 1.1.2006	Granted during the period	Exercised during the period	Cancelled/lapsed during the period	Outstanding at 31.3.2006
Ms Ho Suk Yi ( <i>Note 3</i> )	500,000	-	-	-	500,000

#### Notes:

1. Of 179,392,000 shares, 1,438,000 shares and 177,954,000 shares are beneficially owned by ER2 Holdings Limited and City Apex Limited respectively. As at 31st March 2006, Mr. Lau Chuk Kin beneficially owned 67% 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 said shares pursuant to Part XV of the SFO.

2. Of 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.
3. Of 500,000 share options granted to Ms Ho Suk Yi, 250,000 and 250,000 share options were granted on 17th May 2004 and 9th December 2004 respectively. Details of the share options are set out below:

Date of grant	Number of share options granted	Exercise price per share (HK\$)	Vesting period	Exercisable period	Percentage to the issued share capital of the Company (%)
17.5.2004	250,000	0.28	17.5.2004 – 16.5.2005	17.5.2005 – 2.7.2013	0.09
9.12.2004	250,000	0.43	9.12.2004 – 8.12.2005	9.12.2005 – 2.7.2013	0.09

Saved as disclosed above, as at 31st March 2006, 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 2006, 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 of shareholder	Number of shares	Percentage to the issued share capital of the Company %
Mr. Lau Chuk Kin ( <i>Note 1</i> )	179,392,000	65.37
ER2 Holdings Limited ( <i>Note 1</i> )	179,392,000	65.37
City Apex Limited ( <i>Note 1</i> )	177,954,000	64.85
Tai Wah Investment Company Limited ( <i>Note 2</i> )	22,000,000	8.02
Chan Family Investment Corporation Limited ( <i>Note 2</i> )	26,677,333	9.72
Great Eagle Holdings Limited ( <i>Note 3</i> )	22,076,000	8.04
Jolly Trend Limited ( <i>Note 3</i> )	22,076,000	8.04
The Great Eagle Company, Limited ( <i>Note 3</i> )	22,076,000	8.04
Dr. Lo Ka Shui ( <i>Note 4</i> )	22,226,000	8.10
JAIC-Somerley Corporate Development Fund Limited ( <i>Note 5</i> )	16,788,178	6.12
Japan Asia Investment Company Limited ( <i>Note 5</i> )	16,788,178	6.12
HSBC International Trustee Limited ( <i>Note 6</i> )	16,788,178	6.12

*Notes:*

1. Of the 179,392,000 shares, Mr. Lau Chuk Kin is deemed to be interested in the 1,438,000 shares directly held by ER2 Holdings Limited. Each of Mr. Lau Chuk Kin and ER2 Holdings Limited is deemed to be interested in the 177,954,000 shares owned by City Apex Limited.
2. 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.
3. 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.
4. Of these shares, 22,076,000 shares are duplicated in the interest described in note 3, as The Great Eagle Company, Limited is a wholly-owned subsidiary of Great Eagle Holdings Limited. Dr. Lo Ka Shui was interested and/or deemed to be interested in the issued share capital of Great Eagle Holdings Limited. In addition, Dr. Lo Ka Shui has personal interest in 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, as at 31st March 2006, 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 reported in previous 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 ("PPGI"). The financial assistance is unsecured, interest free and there is no fixed term of repayment.

As at 31st March 2006, the Group's advance to PPGI, net of allowance, was approximately HK\$4 million (2005: HK\$7 million). The Directors believe that no further allowance for the amount due from PPGI is required.

## PURCHASE, SALE OR REDEMPTION OF SHARES

During the period ended 31st March 2006, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities.

## COMPETING INTERESTS

Interests of the directors of the Company in competing businesses required to be disclosed pursuant to Rule 11.04 of the GEM Listing Rules are as follows:

<b>Name of director</b>	<b>Name of companies</b>	<b>Nature of competing business</b>	<b>Nature of interest</b>
Mr. Lau Chuk Kin	International Resources Group Limited	Executive search in the United Kingdom	As a director and shareholder
	Amrop Hever Hong Kong and Shanghai	Executive search in Hong Kong and the PRC	As a shareholder
Mr. Wan Siu Kau	Amrop Hever Hong Kong and Shanghai	Executive search in Hong Kong and the PRC	As a director and shareholder

Having considered (i) the nature, geographical market, scope and size of the above businesses; and (ii) the nature and extent of the above-named directors' respective interest in these businesses, the directors of the Company believe that there is unlikely to be any significant competitions caused to the businesses of the Group.

Save as disclosed in this section, none of 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 compete with the business of the Group.

## 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.

The audit committee had met with the management to review the Company's first quarterly report for the three months ended 31st March 2006 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  
Executive Director

Hong Kong, 15th May 2006