

**R***ecruit*



*2nd Quarterly Report*

**2006**

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## **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.**

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

Turnover for the six months ended 30 June 2006 was HK\$137.9 million, a 60% increase over the same period last year. The major contributors to revenue were (a) the printing business which brought in HK\$26.6 million more than that of last year, an increase by 144% and (b) the inflight magazine sales business which enjoyed a 73% surge to HK\$47 million. The recruitment business in Shanghai, 1010job, made its first contribution to the Group's turnover in the first half of 2006. The Group recorded net profit attributable to shareholders of HK\$20.3 million (2005: HK\$19.3 million).

The Group's turnover for the three months ended 30 June 2006 was HK\$75.1 million, an increase of 38% over the same period last year. Net profit attributable to shareholders was HK\$11.3 million. Operating profits was HK\$14.9 million, compared to HK\$9.9 million (excluding gain on partial disposal of investments in subsidiaries of approximately HK\$5 million) in the second quarter of last year, representing an increase by 50%. The main drivers of the operating profits in the second quarter were the printing business, which enjoyed approximately 41% increase in profit and the advertising business which achieved approximately 50% increase in profit.

## **BUSINESS REVIEW**

### **ADVERTISING BUSINESS**

#### **Recruitment Ads**

The success of the Group's Hong Kong recruitment ads business depends in large upon a healthy economic situation in Hong Kong. Since the Hong Kong economy has remained stable during the first half year, revenue generated by the Recruit magazine in Hong Kong was little changed from that generated during the same period of 2005, showing only a moderate 3% increase. Through the implementation of stringent cost control measures, the operating profit achieved by the business improved by 32% compared to the same period last year. However, the growth potential of the business is rather limited since the recruitment advertising in print segment in which the Recruit magazine is operating is already a mature and saturated market.

In May 2006, the Group revamped its online job posting website and changed the domain name to [www.recruitonline.com](http://www.recruitonline.com) which enjoys a clearer positioning. The Group expects that its online medium will not only complement its print presence but also explore new dimensions in online business.

The recruitment advertising business in Shanghai, 1010job, began to generate revenue to the Group in the review period. 1010job is now commonly recognized by both enterprises and jobseekers as a "premier job information provider" in Shanghai. The management is cautiously optimistic about the prospects for 1010job because the fast growing Chinese economy shows no signs of lagging and is still producing strong hiring needs throughout all industries. The Group is planning to launch a new and vigorous campaign of sales promotion to promote the brand name and to create the larger critical mass to draw in more traffic. Technology developments to further enhance online applications and user experience are also in progress. The Management expects that

stronger brand recognition and improved online features will help the business to expedite its progress towards profitability.

### **Inflight magazine Ads**

The inflight magazine business remains a driver in the Group's advertising business. This has recorded a 73% increase in revenue which can be largely attributed to an agency agreement with the China Southern Airlines which took effect in July 2005. Since double-digit growth is forecasted for China's economic growth for the remainder of 2006, the management believes that revenue growth from this part of the Group's business will continue to be strong. However, profit margins may come under pressure due to severe competition in the China advertising market, especially competitions from the online and outdoor advertising sectors.

### **Statutory Announcement**

The statutory announcement business showed steady performance in the review period. The new rules enabling main board listed companies to utilize electronic channels for fulfilling the Hong Kong Stock Exchange requirements commencing from 2007 will have an adverse effect to the statutory announcement business. The management is taking a review on the continual operation of this business unit beyond 2006.

### **PRINTING BUSINESS**

The printing business brought in revenue of HK\$45.1 million in the first half 2006, compared to HK\$18.5 million in the same period of 2005. The increase in printing revenue is mainly due to the following two factors, (a) a full six months operation in 2006 has been taken into account compared to only 4 months operation in 2005 and (b) the full commissioning of our printing facilities in China. The management considers that the printing business will continue to provide a steady and reliable source of income to the Group.

### **INVESTMENT**

The Group reported investment income of approximately HK\$0.4 million in the first half of 2006. The income was mainly generated from investing in Hong Kong listed securities. The Group continues to adopt a conservative approach for its investment strategy and invests its surplus fund prudently in the remainder of 2006.

### **PROSPECTS**

The Group will continue to seize the fast growing opportunities in its inflight magazine business in China and will continue to nurture the steady growth of its printing business. The Group will also focus on enhancing the performance of its recruitment advertising business, both print and online in Hong Kong. This provides the Group with an invaluable foundation from which it is well positioned to launch and develop other related businesses.

For the remainder of 2006, the Group will concentrate upon expanding its recruitment business in China through the online medium and will also extend the geographical coverage of its service in China.

## **MAJOR SUBSEQUENT EVENT**

In July 2006, a wholly-owned subsidiary of the Company, Easking Limited, entered into a provisional sale and purchase agreement with a purchaser (an independent third party) in relation to the disposal of its investment property at a consideration of approximately HK\$52,283,000 payable in cash. The expected gain accrued to the Group upon completion of the disposal is approximately HK\$12 million. The net assets of the Group will be increased by approximately HK\$12 million.

## **LIQUIDITY AND FINANCIAL RESOURCES**

During the first half of 2006, the Group had paid 2005 final dividend to shareholders of approximately HK\$11 million and paid capital expenditure of approximately HK\$23.3 million. As at 30 June 2006, the Group had bank and cash balances of approximately HK\$30.6 million (31/12/2005: HK\$44.9 million). The Group had finance lease liabilities of HK\$37.7 million (31/12/2005: HK\$20.4 million) which included a new finance lease of approximately HK\$20 million for the acquisition of machinery during the review period. Loans from minority shareholders was HK\$9.5 million (31/12/2005: HK\$9.5 million).

The finance lease facilities are at floating interest rates and the loans from minority shareholders are interest-free. All borrowings are denominated in Hong Kong dollars. The Group's gearing ratio as at 30 June 2006 was 25.5% (31/12/2005: 14.9%), which is calculated on the basis of the Group's total interest bearing debts over the total equity interest as at the reporting date.

The Group's trading transactions were mainly denominated in HK dollars, US dollars, Australian dollars and Renminbi. The Group had used forward exchange contracts to hedge its foreign currency exposure in trading activities when considered appropriate. The Group adopts a centralized treasury policies in cash and financial management and would review its liquidity and financing requirements regularly.

The Group enjoys a very strong financial position in terms of cashflow generated from operations. Upon completion of the sale of a property held by the Group at the end of the third quarter of 2006 which is valued at a consideration of approximately HK\$52 million, the Group's cash position will be further strengthened.

## **INTERIM DIVIDEND AND CLOSURE OF REGISTER OF MEMBERS**

The Board has resolved to recommend the payment of an interim dividend of HK\$0.02 per ordinary share for the six months ended 30 June 2006 (2005: Nil) to shareholders whose names appear on the register of holders of ordinary shares of the Company as at the close of business on 31 August 2006. The register of shareholders will be closed from 29 August 2006 to 31 August 2006, both days inclusive, during which period no transfer of shares will be registered. To qualify for the interim dividend, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's branch share registrars in Hong Kong, Computershare Hong Kong Investor Services Limited whose share registration public offices are located at 46th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:00 p.m. on 28 August 2006. The relevant dividend warrants will be dispatched to shareholders on or around 15 September 2006.

## INTERIM 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 six months ended 30 June 2006 together with the comparative unaudited figures for the corresponding period in 2005 as follows:

### CONSOLIDATED INCOME STATEMENT

		Three months ended		Six months ended	
		30 June		30 June	
		2006	2005	2006	2005
	<i>Note</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Revenue and turnover	3	75,106	54,552	137,854	86,013
Direct operating costs		(45,330)	(32,580)	(81,119)	(48,162)
Gross profit		29,776	21,972	56,735	37,851
Other operating income		1,510	5,472	2,834	5,790
Selling and distribution costs		(9,759)	(7,520)	(20,692)	(13,394)
Administrative expenses		(6,653)	(4,829)	(14,012)	(10,130)
Other operating expenses		(10)	(203)	(10)	(369)
Profit from operations	4	14,864	14,892	24,855	19,748
Finance costs		(700)	(18)	(1,069)	(18)
Profit before income tax		14,164	14,874	23,786	19,730
Taxation	5	(2,430)	-	(2,430)	-
Profit for the period		11,734	14,874	21,356	19,730
Attributable to:					
Equity holders of the Company		11,273	14,469	20,339	19,310
Minority interests		461	405	1,017	420
		11,734	14,874	21,356	19,730
Dividends	14	5,488	-	5,488	-
Earnings per share for profit attributable to equity holders of the Company during the period					
- Basic	7	HK4.11 cents	HK5.30 cents	HK7.41 cents	HK7.08 cents
- Diluted	7	HK4.08 cents	HK5.25 cents	HK7.37 cents	HK7.01 cents

## CONSOLIDATED BALANCE SHEET

	<i>Note</i>	Unaudited As at 30 June 2006 <i>HK\$'000</i>	Audited As at 31 December 2005 <i>HK\$'000</i>
<b>ASSETS AND LIABILITIES</b>			
<i>Non-current assets</i>			
Property, plant and equipment	8	79,226	41,971
Investment properties		39,800	39,800
		<u>119,026</u>	<u>81,771</u>
<i>Current assets</i>			
Inventories		12,106	8,599
Trade and other receivables and deposits	9	65,942	77,746
Financial assets at fair value through profit or loss		1,135	162
Advances to associates		3,389	5,365
Cash and cash equivalents		30,609	44,934
		<u>113,181</u>	<u>136,806</u>
<i>Current liabilities</i>			
Trade and other payables	10	33,593	50,446
Finance lease liabilities	11	7,487	3,808
Taxation payable		1,430	-
		<u>42,510</u>	<u>54,254</u>
<i>Net current assets</i>		<u>70,671</u>	<u>82,552</u>
<i>Total assets less current liabilities</i>		<u>189,697</u>	<u>164,323</u>
<i>Non-current liabilities</i>			
Finance lease liabilities	11	30,200	16,586
Loans from minority shareholders		9,476	9,476
Deferred tax liabilities		2,060	1,060
		<u>41,736</u>	<u>27,122</u>
<i>Net assets</i>		<u>147,961</u>	<u>137,201</u>
<b>EQUITY</b>			
<i>Equity attributable to Company's equity holders</i>			
Share capital	12	54,883	54,844
Reserves		91,882	71,209
Proposed final dividend		-	10,969
		<u>146,765</u>	<u>137,022</u>
<i>Minority interests</i>		1,196	179
<i>Total equity</i>		<u>147,961</u>	<u>137,201</u>



## CONDENSED CASH FLOW STATEMENT

	For the six months ended 30 June	
	2006 <i>HK\$'000</i>	2005 <i>HK\$'000</i>
Net cash generated from operating activities	21,866	4,356
Investing activities		
Purchase of property, plant and equipment	(23,280)	(15,254)
Payment for purchase of investment in securities	(9,101)	(905)
Interest received	315	37
Proceeds from disposal of investment in securities	8,600	262
Proceeds from dilution of interest in subsidiaries	-	6,000
Repayment from an associate	1,976	666
Net cash used in investing activities	<u>(21,490)</u>	<u>(9,194)</u>
Financing activities		
Interest paid on obligations under finance lease	(1,069)	(19)
Payment of final dividend	(10,977)	-
Proceeds from issue of new shares	55	270
Share issue expenses paid	(3)	(6)
Repayment of obligations under finance lease	(2,707)	(43)
Net cash generated from financing activities	<u>(14,701)</u>	<u>202</u>
Net decrease in cash and cash equivalents	(14,325)	(4,636)
Cash and cash equivalents at the beginning of the period	44,934	36,245
Cash and cash equivalents at the end of the period	<u><u>30,609</u></u>	<u><u>31,609</u></u>
Analysis of balances of cash and cash equivalent		
Bank balances and cash	<u><u>30,609</u></u>	<u><u>31,609</u></u>

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Equity attributable to equity holders of the Company										Minority Interests	Total
	Share Capital	Share Premium	Employee Compensation Reserve	Exchange Reserve	Merger Reserve	Contributed Surplus	Goodwill Reserve	Capital Contribution	Proposed Final Dividend	Retained Profit		
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>2006</b>												
At 1 January	54,844	54,065	951	65	(43,897)	34,031	-	521	10,969	25,473	179	137,201
Shares issued at premium	39	16	-	-	-	-	-	-	-	-	-	55
Share issue expenses	-	(3)	-	-	-	-	-	-	-	-	-	(3)
Equity-settled share based payment expenses	-	-	332	-	-	-	-	-	-	-	-	332
Currency translation	-	-	-	(3)	-	-	-	-	-	-	-	(3)
Distribution of final dividend	-	-	-	-	-	(8)	-	-	(10,969)	-	-	(10,977)
Profit for the period	-	-	-	-	-	-	-	-	-	20,339	1,017	21,356
At 30 June	54,883	54,078	1,283	62	(43,897)	34,023	-	521	-	45,812	1,196	147,961

	Equity attributable to equity holders of the Company										Minority Interests	Total
	Share Capital	Share Premium	Employee Compensation Reserve	Exchange Reserve	Merger Reserve	Contributed Surplus	Goodwill Reserve	Capital Contribution	Proposed Final Dividend	Retained Profit/(Accumulated Losses)		
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>2005</b>												
At 1 January, as previously reported	54,500	53,970	-	5	(43,897)	45,000	13,440	-	-	(24,679)	-	98,339
Effect on changes in accounting policies:												
- Initial adoption of HKFRS2	-	-	382	-	-	-	-	-	-	(382)	-	-
- Initial adoption of HKFRS3	-	-	-	-	-	-	(13,440)	-	-	13,440	-	-
At 1 January, as restated	54,500	53,970	382	5	(43,897)	45,000	-	-	-	(11,621)	-	98,339
Shares issued at premium	208	62	-	-	-	-	-	-	-	-	-	270
Share issue expenses	-	(6)	-	-	-	-	-	-	-	-	-	(6)
Equity-settled share based payment expenses	-	-	209	-	-	-	-	-	-	-	-	209
Dilution of interest in subsidiaries	-	-	-	-	-	-	-	-	-	-	1,002	1,002
Currency translation	-	-	-	22	-	-	-	-	-	-	-	22
Profit for the period	-	-	-	-	-	-	-	-	-	19,310	420	19,730
At 30 June	54,708	54,026	591	27	(43,897)	45,000	-	-	-	7,689	1,422	119,566

## NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS

### 1. Basis of preparation

The unaudited interim 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 31 December 2005.

### 2. Segment information

#### Primary reporting format – Business segments

The entity’s primary format for reporting segment information is business segments. Principal activities are as follows:

- Advertising - providing advertising services on different publications and magazines.
- Printing - printing of books and magazines.
- Investment income - trading of financial assets at fair value through profit or loss

#### Six months ended 30 June 2006

	<b>Advertising</b> <i>HK\$’000</i>	<b>Printing</b> <i>HK\$’000</i>	<b>Investment income</b> <i>HK\$’000</i>	<b>Eliminations</b> <i>HK\$’000</i>	<b>Consolidated</b> <i>HK\$’000</i>
<b>Revenue</b>					
- External sales	92,714	45,140	-	-	137,854
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
<b>Segment results</b>	18,242	5,108	422	502	24,274
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	
Unallocated corporate income					1,190
Unallocated corporate expenses					(609)
Operating profits					<u>24,855</u>
Finance costs					(1,069)
Profit before taxation					<u>23,786</u>
Taxation					(2,430)
<b>Profit for the period</b>					<u>21,356</u>

**Six months ended 30 June  
2005**

	<b>Advertising</b> <i>HK\$'000</i>	<b>Printing</b> <i>HK\$'000</i>	<b>Investment income</b> <i>HK\$'000</i>	<b>Eliminations</b> <i>HK\$'000</i>	<b>Consolidated</b> <i>HK\$'000</i>
<b>Revenue</b>					
- External sales	67,495	18,518	-	-	86,013
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
<b>Segment results</b>	12,678	1,778	-	-	14,456
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Unallocated corporate income					5,657
Unallocated corporate expenses					(365)
					<u>          </u>
Operating profits					19,748
Finance costs					(18)
					<u>          </u>
Profit before taxation					19,730
Taxation					-
					<u>          </u>
<b>Profit for the period</b>					<u>19,730</u>

**Secondary reporting format – Geographical segments**

The Group's operations are located in six main geographical areas. The following table provides an analysis of the Group's sales by geographical market based on the country in which the customer is located.

Sales by geographical markets:

	<b>Six months ended 30 June</b>	
	<b>2006</b>	<b>2005</b>
	<b><i>HK\$'000</i></b>	<b><i>HK\$'000</i></b>
Hong Kong	45,737	42,656
Mainland China	49,926	24,963
Australia	32,169	15,441
United States	1,920	2,296
United Kingdom	7,684	657
New Zealand	418	-
	<u>          </u>	<u>          </u>
	<b>137,854</b>	<b>86,013</b>
	<u>          </u>	<u>          </u>

### 3. Revenue and turnover

	Three months ended 30 June		Six months ended 30 June	
	2006 <i>HK\$'000</i>	2005 <i>HK\$'000</i>	2006 <i>HK\$'000</i>	2005 <i>HK\$'000</i>
Advertising income	49,316	38,023	91,880	67,487
Printing income	25,402	16,524	45,140	18,518
Publication sales and other service income	388	5	834	8
	<u>75,106</u>	<u>54,552</u>	<u>137,854</u>	<u>86,013</u>

### 4. Profit from operations

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

	Three months ended 30 June		Six months ended 30 June	
	2006 <i>HK\$'000</i>	2005 <i>HK\$'000</i>	2006 <i>HK\$'000</i>	2005 <i>HK\$'000</i>
Depreciation				
Owned assets	2,076	924	3,706	1,578
Leased assets	1,154	-	1,750	-
Employee compensation and benefits expense	9,252	7,394	18,465	13,346
Operating leases rental in respect of				
Rented premises	868	642	1,598	1,187
Internet access line	21	21	42	42
Loss on disposal of property, plant and equipment	80	-	75	-
Interest income	(125)	(35)	(315)	(37)
Rental income	(357)	(357)	(715)	(620)
Realized and unrealized gains on financial assets at fair value through profit or loss	(37)	(20)	(472)	(20)

## 5. Taxation

The amount of taxation charged to the consolidated income statement represents:

	Three months ended		Six months ended	
	30 June		30 June	
	2006	2005	2006	2005
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
The charge comprises:				
Profits tax for the period				
- Hong Kong	1,430	-	1,430	-
Deferred taxation	1,000	-	1,000	-
	<u>2,430</u>	<u>-</u>	<u>2,430</u>	<u>-</u>
	=====	=====	=====	=====

Hong Kong profits tax is calculated at the rate of 17.5% (2005: 17.5%) of the estimated assessable profits derived from Hong Kong for the period.

The Group did not have any significant unprovided deferred taxation for the period.

## 6. Share options

The Company has a share option scheme for eligible employees of the Group. Details of the share options outstanding during the current period are as follows:

	Number of share options
Outstanding at the beginning of the period	3,557,000
Granted during the period	-
Forfeited during the period	-
Exercised during the period	(198,000)
Expired during the period	-
	<u>3,359,000</u>
	=====

In accordance with HKFRS 2 Share-based Payments, fair value of share options granted to employees determined at the date of grant is expensed over the vesting period, with a corresponding adjustment to the Group's share option reserve. In the current period, an amount of share option expense of HK\$332,000 has been recognised, with a corresponding adjustment recognised in the Group's share option reserve.

The closing price of the shares of HK\$0.20 each of the Company quoted on the Growth Enterprise Market of the Stock Exchange on 30 June 2003, 14 May 2004, 8 December 2004 and 6 July 2005, being the business date immediately before the date on which share options were granted, was HK\$0.24, HK\$0.28, HK\$0.43 and HK\$0.75 respectively.

The weighted average closing price of the Company's shares quoted on the Stock Exchange immediately before the dates on which the options were exercised was approximately HK\$1.

The following assumptions were used to calculate the fair values of share options:

<u>Date of grant</u>	7/7/2005	9/12/2004	17/5/2004	2/7/2003
Expected volatility (based on the annualized historical volatility of the closing price of the shares in the Company from 1 July 2000 to the date of grant)	80.80%	77.90%	80.52%	74.33%
Expected life (in years)	5	5	5	5
Risk-free interest rate (being the approximate yield of 5-year Exchange Fund on the grant date)	3.32%	2.68%	3.77%	2.95%
Expected dividend yield	Nil	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 director's opinion, the existing model does not necessarily provide a reliable single measure of fair value of the share options.

## 7. 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>Six months ended</b>	
	<b>30 June</b>		<b>30 June</b>	
	<b>2006</b>	2005	<b>2006</b>	2005
	<b>HK\$'000</b>	HK\$'000	<b>HK\$'000</b>	HK\$'000
Earnings for the purposes of basic and diluted earnings per share for the period	<b>11,273</b>	14,469	<b>20,339</b>	19,310
	=====	=====	=====	=====
	<b>Number of shares ('000)</b>			
Weighted average number of ordinary shares for the purposes of basic earnings per share	<b>274,416</b>	273,276	<b>274,382</b>	272,944
Effect of dilutive potential ordinary shares in respect of share options granted	<b>1,756</b>	2,380	<b>1,606</b>	2,471
	-----	-----	-----	-----
Weighted average number of ordinary shares for the purposes of diluted earnings per share	<b>276,172</b>	275,656	<b>275,988</b>	275,415
	=====	=====	=====	=====

## 8. Property, plant and equipment

	Furniture and fixtures <i>HK\$'000</i>	Office equipment <i>HK\$'000</i>	Leasehold improve- ments <i>HK\$'000</i>	Computer equipment and systems <i>HK\$'000</i>	Motor vehicles <i>HK\$'000</i>	Machinery <i>HK\$'000</i>	Leasehold properties <i>HK\$'000</i>	Total <i>HK\$'000</i>
<b>Cost</b>								
At 1 January 2006	1,874	1,594	11,637	31,869	1,089	24,218	-	72,281
Additions	329	85	1,074	809	108	39,372	1,508	43,285
Disposals/written off	-	(14)	-	(663)	(233)	-	-	(910)
At 30 June 2006	<u>2,203</u>	<u>1,665</u>	<u>12,711</u>	<u>32,015</u>	<u>964</u>	<u>63,590</u>	<u>1,508</u>	<u>114,656</u>
<b>Accumulated Depreciation</b>								
At 1 January 2006	789	1,167	1,412	26,028	315	599	-	30,310
Provided for the period	135	54	1,284	1,654	125	2,189	15	5,456
Eliminated on disposals	-	(14)	-	(89)	(233)	-	-	(336)
At 30 June 2006	<u>924</u>	<u>1,207</u>	<u>2,696</u>	<u>27,593</u>	<u>207</u>	<u>2,788</u>	<u>15</u>	<u>35,430</u>
<b>Net Book Values</b>								
As at 30 June 2006	<u>1,279</u>	<u>458</u>	<u>10,015</u>	<u>4,422</u>	<u>757</u>	<u>60,802</u>	<u>1,493</u>	<u>79,226</u>
As at 31 December 2005	<u>1,085</u>	<u>427</u>	<u>10,225</u>	<u>5,841</u>	<u>774</u>	<u>23,619</u>	<u>-</u>	<u>41,971</u>

The cost of property, plant and equipment includes an amount of HK\$46,174,000 (2005: HK\$23,824,000) in respect of assets held under finance lease and the related accumulated depreciation amounts to HK\$2,346,000 (2005: HK\$596,000).



## 9. Trade and other receivables and deposits

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

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

	<b>30/06/2006</b> <i>HK\$'000</i>	31/12/2005 <i>HK\$'000</i>
0 - 30 days	21,362	13,355
31 - 60 days	12,419	12,310
61 - 90 days	11,918	11,982
91 - 120 days	7,521	16,969
121 - 150 days	3,747	6,647
Over 150 days	1,872	2,249
Total trade receivables	<u>58,839</u>	<u>63,512</u>
Other receivables and deposits	7,103	14,234
	<u><u>65,942</u></u>	<u><u>77,746</u></u>

## 10. Trade and other payables

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

	<b>30/06/2006</b> <i>HK\$'000</i>	31/12/2005 <i>HK\$'000</i>
0 - 30 days	6,175	6,044
31 - 60 days	2,881	7,552
61 - 90 days	3,922	9,292
91 - 120 days	-	4,361
Over 120 days	-	5,818
Total trade payables	<u>12,978</u>	<u>33,067</u>
Other payables and accrued expenses	20,615	17,379
	<u><u>33,593</u></u>	<u><u>50,446</u></u>

## 11. Finance lease liabilities

The analysis of the obligations under finance lease is as follows:

	<b>30/06/2006</b> <i>HK\$'000</i>	31/12/2005 <i>HK\$'000</i>
Due within one year	<b>9,904</b>	5,168
Due in the second to fifth years	<b>34,111</b>	18,954
	<u><b>44,015</b></u>	<u>24,122</u>
Future finance charges on finance lease	<b>(6,328)</b>	(3,728)
	<u><b>37,687</b></u>	<u>20,394</u>
Present value of finance lease liabilities	<u><u><b>37,687</b></u></u>	<u><u>20,394</u></u>

The present value of finance lease liabilities is as follows:

Due within one year	<b>7,487</b>	3,808
Due in the second to fifth years	<b>30,200</b>	16,586
	<u><b>37,687</b></u>	<u>20,394</u>
Less: Portion due within one year included under current liabilities	<b>(7,487)</b>	(3,808)
	<u><b>30,200</b></u>	<u>16,586</u>
Non-current portion included under non-current liabilities	<u><u><b>30,200</b></u></u>	<u><u>16,586</u></u>

## 12. Share capital

	No. of shares ( <i>'000</i> )	<i>HK\$ '000</i>
Authorised:		
Ordinary shares of HK\$0.20 each	500,000	100,000
	<u>=====</u>	<u>=====</u>
Issued and fully paid:		
As at 1 January 2006	274,218	54,844
Exercise of share options	198	39
	<u>-----</u>	<u>-----</u>
As at 30 June 2006	<u><u>274,416</u></u>	<u><u>54,883</u></u>

### 13. Capital commitments

As at 30 June 2006, the Group had no capital commitment (31/12/2005: HK\$1,884,000).

### 14. Dividends

(a) Dividends attributable to the previous financial year, approved and paid during the interim period

	<b>Six months ended 30 June</b>	
	<b>2006</b>	<b>2005</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
Final dividend in respect of the year ended 31 December 2005, approved and paid during the period, of HK\$0.04 per share (2004: Nil)	<b>10,969</b>	-
Additional final dividend paid on exercise of share options subsequent to 31 December 2005	<b>8</b>	-
	<hr/>	<hr/>
	<b>10,977</b>	-
	<hr/> <hr/>	<hr/> <hr/>

(b) Dividends attributable to the interim period

	<b>2006</b>	<b>2005</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
Interim dividend - HK\$0.02 per shares (2005: Nil)	<b>5,488</b>	-
	<hr/> <hr/>	<hr/> <hr/>

#### Notes:

- (i) On 24 February 2006, the Directors proposed a final dividend of HK\$0.04 per share. The final dividend was paid on 28 April 2006.
- (ii) The amount of the interim dividend declared for the six months ended 30 June 2006, which will be payable in cash, has been calculated by reference to the 274,416,000 issued ordinary shares outstanding as at the date of this report. The interim dividend is not reflected as dividend payable in the financial statements, but will be reflected as an appropriation of retained earnings for the year ending 31 December 2006.

## 15. Related party transactions

As at 30 June 2006, the Company's ultimate holding company is ER2 Holdings Limited, which was incorporated in Hong Kong.

### *Trading Transaction*

The Group paid printing costs of HK\$6,540,000 (30/6/2005: HK\$8,245,000) to Premier Printing Group Limited ("PPG"), an associate in which the Group has 20 per cent interest for the six months ended 30 June 2006. The transactions were on normal commercial terms and carried out with reference to market prices.

### *Compensation of key management personnel*

The directors of the Company were considered to be key management personnel of the Group. The remuneration of key management personnel is determined by the remuneration committee having regard to the performance of individuals and market trends.

	<b>Six months ended 30th June</b>	
	<b>2006</b>	<b>2005</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
Short-term employee benefits	360	301
Post-employment benefit	6	6
Share-based payment	-	49
	<u>366</u>	<u>356</u>
	=====	=====

## 16. Contingent liabilities

As at 30 June 2006, the Group had no significant contingent liabilities (31/12/2005: Nil).

## DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS IN SECURITIES

As at 30 June 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:

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

### 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 30 June 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. These shares are beneficially owned by the wife of Mr. Lee Ching Ming, Adrian, who is deemed to be interested in the said shares under Part XV of the SFO.

## SHARE OPTION SCHEME

The Company has adopted a share option scheme approved by a resolution passed by the shareholders of the Company on 3 July 2000, under which it may grant options to full-time employees, including executive directors of the Company or of its subsidiaries, to subscribe for shares in the Company.

The following table discloses movements in the share options of the Company during the period:

	Share option type	Share Outstanding at 1.1.2006	Number of share options			Outstanding at 30.6.2006
			Granted during the period	Exercised during the period	Cancelled/lapsed during the period	
<b>Director</b>						
Ms. Ho Suk Yi	2004(a)	250,000	-	-	-	250,000
Ms. Ho Suk Yi	2004(b)	250,000	-	-	-	250,000
Sub-total		<u>500,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>500,000</u>
<b>Employees</b>						
In aggregate	2003	585,000	-	-	-	585,000
In aggregate	2004	1,322,000	-	(198,000)	-	1,124,000
In aggregate	2005	1,150,000	-	-	-	1,150,000
Sub-total		<u>3,057,000</u>	<u>-</u>	<u>(198,000)</u>	<u>-</u>	<u>2,859,000</u>
<b>Total</b>		<u><u>3,557,000</u></u>	<u><u>-</u></u>	<u><u>(198,000)</u></u>	<u><u>-</u></u>	<u><u>3,359,000</u></u>

Details of the share options are as follows:

Share option type	Date of grant	Vesting period	Exercisable period	Exercise price per share (HK\$)
2003	2.7.2003	2.7.2003 to 1.7.2004	2.7.2004 to 2.7.2013	0.24
2004 (a)	17.5.2004	17.5.2004 to 16.5.2005	17.5.2005 to 2.7.2013	0.28
2004 (b)	9.12.2004	9.12.2004 to 8.12.2005	9.12.2005 to 2.7.2013	0.43
2005	7.7.2005	7.7.2005 to 6.7.2006	7.7.2006 to 2.7.2013	0.80

*Notes:*

- (i) Options granted in the year of 2003, 2004 and 2005 were granted under the Share Option Scheme pursuant to the resolution passed on 3 July 2000.
- (ii) Consideration paid for each grant of options was HK\$1.00.
- (iii) The closing price of the shares of HK\$0.20 each of the Company quoted on the Growth Enterprise Market of the Stock Exchange on 30 June 2003, 14 May 2004, 8 December 2004 and 6 July 2005, being the business date immediately before the date on which share options were granted, was HK\$0.24, HK\$0.28, HK\$0.43 and HK\$0.75 respectively.

The fair values of options granted under the relevant Share Option Scheme on 2 July 2003, 17 May 2004, 9 December 2004 and 7 July 2005, measured at the date of grant, were approximately HK\$170,000, HK\$467,000, HK\$69,000 and HK\$663,000 respectively.

All the options forfeited before expiry of the options will be treated as lapsed options under the relevant share options scheme.

Saved as disclosed above, as at 30 June 2006, to the knowledge of the Company, none of the directors or chief executive of the Company and their respective associates 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 30 June 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:

- 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.
- 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.

## **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 30 June 2006, the Group's advance to PPGI, net of allowance, was approximately HK\$3 million (31/12/2005: HK\$5 million). The Directors believe that no further allowance for the amount due from PPGI is required.

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

During the six months ended 30 June 2006, neither the Company nor any of its subsidiaries has 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.

## CODE ON CORPORATE GOVERNANCE PRACTICES

In the opinion of the Board, the Company has complied with the code provisions on corporate governance practices (the "Code Provision") as set out in Appendix 15 of the GEM Listing Rules throughout the six months ended 30 June 2006 save as disclosed below:

### **Code Provision A.2.1**

The Company does not have a separate chairman and chief executive and Mr. Lau Chuk Kin currently holds both positions. The Board considers that the current structure facilitates the execution of the Group's business strategies and maximizes effectiveness of its operation. The Board shall review the structure from time to time to ensure appropriate move is being taken should suitable circumstances arise.

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

The Company has adopted a code of conduct regarding directors' securities transactions on terms no less exactly than the required standard of dealings as set out in Rules 5.48 to 5.67 of the GEM Listing Rules throughout the six months ended 30 June 2006. The Company also had made specific enquiry of all directors and the Company was not aware of any non-compliance with the required standard of dealings and its code of conduct regarding securities transactions by directors.

## **EMPLOYEES AND EMOLUMENT POLICY**

As at 30 June 2006, the Group had around 168 full-time employees (2005: 157). 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. As at 30 June 2006, outstanding options to subscribe for an aggregate of 3,359,000 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. Exercise prices of which range from HK\$0.24 to HK\$0.75.

## **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 interim report for the six months ended 30 June 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, 11 August 2006