

First Quarterly Report **2001**

**Panda-Recruit Limited**

(Incorporated In The Cayman Islands With Limited Liability)



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

This announcement, for which the directors (the “Director”) of Panda-Recruit Limited (the “Company”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (the “GEM Listing Rules”) for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirmed that, to the best of their knowledge and belief: (1) the information contained in this announcement is accurate and complete in all material respects and not misleading; (2) there are no other matters the omission of which would make any statement in this announcement misleading; and (3) all opinions expressed in this announcement have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

## **HIGHLIGHTS**

- During the quarter, the Group launched its Internet-backed-by-print recruitment business in the People's Republic of China (the "PRC") and began to generate revenue from its operations in Guangzhou. The Group will concentrate on building market share during the initial period.
- The Group registered a 24.3% increase in turnover in the 1st Quarter of 2001 when compared with the same quarter of 2000.
- The Group recorded an unaudited net loss attributable to shareholders of HK\$18,126,000 for the 1st Quarter of 2001. The loss was due to a large scale advertising and promotional programme for the promotion of the brandname "PandaCareer 熊貓賢才" in Guangzhou and for the promotion of its Internet-backed-by-print recruitment business in the PRC and increased staff costs.

The Group is one of the leading recruitment advertising media operators in Hong Kong, providing an Internet-backed-by-print solution to job seekers and recruitment advertisers. Recruitment advertising is the Group's major source of revenue. The Group achieved an increase in turnover in this quarter when compared with the same quarter in 2000. However the Group incurred loss in the three months ended 31st March 2001 because the Group carried out a large scale advertising and promotional programme for the promotion of the brandname "PandaCareer 熊貓賢才" in Guangzhou and for the promotion of its Internet-backed-by-print recruitment business, and as a result of increased staff costs.

## **FINANCIAL AND OPERATIONAL SUMMARY**

	<b>Three Months ended 31st March</b>		<b>Increase/ (Decrease)</b>	
	<b>2001</b>	<b>2000</b>		
Turnover (HK\$'000)	33,724	27,141	6,583	24.3%
Loss attributable to shareholders (HK\$'000)	(18,126)	(4,804)	13,322	277.3%
Basic Loss per share (HK cents)	(1.61)	(1.11)	0.50	45.0%
No. of printed pages				
— Recruit	4,472	4,388	84	1.9%
— PandaCareer 熊貓賢才	328	N/A	N/A	N/A
	<b>As at 31st March</b>		<b>Increase/ (Decrease)</b>	
	<b>2001</b>	<b>2000</b>		
No. of advertisers				
— Hong Kong	49,658	44,920	4,738	10.5%
— Guangzhou	3,318	N/A	N/A	N/A
No. of registered members				
— Hong Kong	161,530	47,648	113,882	239.0%
— Guangzhou	18,243	N/A	N/A	N/A

## **FINANCIAL REVIEW**

The unaudited turnover of the Group in the 1st Quarter of 2001 amounted to HK\$33,724,000, representing an increase of 24.3% compared with the unaudited turnover of HK\$27,141,000 in the corresponding three months of 2000. The increase in turnover reflects the growth in the recruitment market of Hong Kong, the contribution by PandaPlanet.com (website) of the Group and the generation of revenue from the PRC operations.

The unaudited net loss of the Group for the 1st Quarter of 2001 was HK\$18,126,000. The unaudited net loss for the same period of 2000 was HK\$4,804,000. The Group incurred a loss in the 1st Quarter of 2001 because the Group commenced its operation in the PRC, carried out a large scale advertising and promotional programme in Guangzhou to introduce and strengthen its Internet-backed-by-print business model and increased staff costs.

## **BUSINESS REVIEW**

A summary of the activities of the Group's business conducted in the 1st Quarter of 2001 is given below.

### **Print Operations**

Print operations of the Group serve the important purpose of generating immediate revenue and providing an efficient base for the acquisition of recruitment advertisers.

The Group publishes Recruit, a bilingual recruitment advertising publication targeting white-collar job seekers through Hong Kong Transit Publishing Co. Limited. Recruit is distributed free of charge within the Mass Transit Railway stations of Hong Kong every Friday and Monday. Recruit's advertising revenue (consisting of revenue from both recruitment and display advertising) increased by 9.6% in the 1st Quarter of 2001 when compared with the same period last year.

The Group also publishes Central, a management and self-improvement magazine aimed at young professionals and executive readers, through Central Publisher Limited. Central's display advertising revenue increased by 39.5% in the three-month period ended 31st March 2001 compared with the same period in 2000.

As of 31st March 2001, the Group's database contained a total of 49,658 recruitment and display advertisers.

### **Internet Operations**

During the period under review, PandaPlanet.com launched a series of marketing and advertising activities featuring new television commercials as well as print and online advertising with the objective of strengthening its brand value and usage of the website. Its membership database was further expanded through marketing events such as Education and Careers Expo 2001 and joint promotion with most of the universities in Hong Kong. PandaPlanet.com also completed its site revamp on 31st March 2001 to enhance services for both job seekers and advertisers.

In the 1st Quarter of 2001, PandaPlanet.com registered growth over the last quarter in terms of membership, number of resumes deposited by registered members and pageviews. As of 31st March 2001, PandaPlanet.com has a total of 161,530 registered members, representing an increase of 17.1% compared with that on 31st December 2000 and an increase of 239.0% compared with that on 31st March 2000. Among the registered members, 60,609 had deposited their resumes for job seeking purposes, representing a 19.7% increase over the previous quarter. Average pageviews during the 1st Quarter of 2001 was 1.4 million per week, 27.3% higher than the 4th Quarter of 2000.

## **PRC Operations**

In line with the business objectives stated in the Company's Prospectus dated 11th July 2000, the Group commenced its operation in the PRC and introduced its Internet-backed-by-print business model in Guangzhou. On 5th February 2001, "PandaCareer 熊貓賢才" was launched. "PandaCareer 熊貓賢才" is distributed with GD-HK Information Daily (粵港信息日報) throughout Guangzhou every Monday and Friday. Internet presence throughout the PRC is provided through pp11.com, a website currently operated by Nanhai Information Network Company Limited ("NINC") under the agreement entered into between the Group and NINC on 18th May 2000. As of 31st March 2001, the PRC website has a total of 18,243 registered members who have deposited their resumes for job seeking purposes. A total of 3,318 advertisers have also registered as members of the PRC website.

In order to expand the Group's PRC operations, the Group will open an office in Shenzhen. Preparations were in the final stage. The negotiations with a publishing company in Shanghai for a co-operative arrangement continued.

## **RESULTS (UNAUDITED)**

The Board of Directors (the "Board") of the Company is pleased to announce the unaudited results of the Group for the three months ended 31st March 2001 together with the comparative unaudited figures for the corresponding period in 2000 as follows:

		<b>Three Months ended</b>	
		<b>31st March</b>	
		<b>2001</b>	<b>2000</b>
	<b>Notes</b>	<b>HK\$'000</b>	<b>HK\$'000</b>
Turnover	2	33,724	27,141
Other revenue		1,250	1,027
Raw materials and consumables used		(5,928)	(4,699)
Printing costs		(6,421)	(6,504)
Content/Website development costs		(1,563)	(628)
Depreciation of property, plant and equipment		(2,678)	(564)
Staff costs		(13,216)	(5,695)
Advertising and promotion expenses		(11,096)	(1,765)
Other operating expenses		<u>(11,447)</u>	<u>(7,637)</u>
(Loss)/Profit from operations		(17,375)	676
Finance costs		—	—
Share of results of associates		<u>(737)</u>	<u>(4,634)</u>
Loss before taxation		(18,112)	(3,958)
Taxation	3	<u>(14)</u>	<u>(846)</u>
Loss attributable to shareholders		<u><u>(18,126)</u></u>	<u><u>(4,804)</u></u>
Loss per share			
— Basic (cents)	4	<u><u>(1.61)</u></u>	<u><u>(1.11)</u></u>

Notes:

### **1. Basis of presentation**

Pursuant to a group reorganisation (the "Reorganisation") in preparation for the listing of the Company's shares on GEM, the Company became the ultimate holding company of the Group on 25th May 2000. Details of the Reorganisation are set out in the Prospectus of the Company dated 11th July 2000. The results of the Group comprise the results of all companies now comprising the Group using the merger basis of accounting as if the current group structure had been in existence since 1st January 2000 and, where applicable, from their respective dates of the acquisition and disposal by the Group, whichever is later.

The principal accounting policies adopted in preparing the unaudited consolidated results are consistent with those followed in the Group's annual financial statements for the year ended 31st December 2000.

## 2. Turnover

Turnover represents recruitment and non-recruitment advertising income, publication sales, publishing income and service income.

## 3. Taxation

Three Months ended 31st March	
2001	2000
HK\$'000	HK\$'000

The charge comprises:

Provision for Hong Kong Profits Tax attributable to the Company and its subsidiaries	(14)	(356)
Share of taxation attributable to associate	—	(490)
	<u>(14)</u>	<u>(846)</u>

Hong Kong Profits Tax has been provided at the rate of 16% on the estimated assessable profits. No provision for PRC income tax has been made in the unaudited financial statement as all the Group's PRC subsidiaries incurred tax losses.

## 4. Loss per share

The calculation of the basic loss per share for the three months ended 31st March 2001 is based on the unaudited consolidated loss attributable to shareholders of HK\$18,126,000 (2000: HK\$4,804,000) and on the weighted average number of 1,125,000,000 (2000: 432,280,941) shares in issue on the assumption that the Reorganisation had been effective on 1st January 2000.

As there were no potential ordinary shares outstanding during the three months ended 31st March 2000 and 2001, no diluted loss per share is presented.

## 5. Interim dividend

The Directors do not recommend the payment of an interim dividend for the period (2000: Nil).

## 6. Movement in reserves

	Three Months ended 31st March	
	2001	2000
	HK\$'000	HK\$'000
Exchange Reserves		
Balance brought forward	3	—
Translation of overseas operations	<u>3</u>	<u>—</u>
Balance carried forward	<u><u>6</u></u>	<u><u>—</u></u>

## **DIRECTORS' AND CHIEF EXECUTIVE'S INTEREST IN SECURITIES**

As at 31st March 2001, the interests of the Directors and chief executive of the Company in the shares of the Company as recorded in the register required to be maintained under Section 29 of the Securities (Disclosure of Interests) Ordinance (the "SDI Ordinance") were as follows:

<b>Name of Director</b>	<b>Personal Interest</b>	<b>Family Interest</b>	<b>Corporate Interest</b>	<b>Other Interest</b>	<b>Total</b>
Chow Yung	153,650,000	Nil	Nil	Nil	153,650,000
Ifan Chan	17,809,000	Nil	Nil	Nil	17,809,000
Lo Ka Shui	1,500,000	Nil	331,140,000 <sup>#</sup>	Nil	332,640,000
Barrie Calvert Goodridge	650,000	Nil	Nil	Nil	650,000
Peter Stavros Patapios Christofis	650,000	Nil	Nil	Nil	650,000

<sup>#</sup> The shares were beneficially owned by Century Faith Investment Limited. Great Eagle Holdings Limited is the ultimate holding company of Century Faith Investment Limited holding approximately 66.67 per cent of the issued share capital of Century Faith Investment Limited. As at 31st March 2001, Dr. Lo Ka Shui is interested and/or deemed to be interested in approximately 61 per cent of issued share capital of Great Eagle Holdings Limited.

Save as disclosed above, none of the Directors or chief executive of the Company has any interest in the equity or debt securities of the Company or its associated corporations (as defined in the SDI Ordinance) as recorded in the register required to be maintained under Section 29 of the SDI Ordinance or as otherwise notified to the Company and the Exchange pursuant to the minimum standards of dealing by directors as referred to in Rule 5.40 of the GEM Listing Rules.

## **DIRECTORS' AND CHIEF EXECUTIVE'S RIGHT TO ACQUIRE SHARES**

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

As at 31st March 2001, the Company had not granted any option under the Company's share option scheme.

As at 31st March 2001, the Company had not granted any right to subscribe for equity or debt securities of the Company to any Director or chief executive of the Company or to his or her spouse or children under 18 years of age.



## **SUBSTANTIAL SHAREHOLDERS**

As at 31st March 2001, in addition to those interests as disclosed above in respect of the Directors, according to the register of substantial shareholders required to be maintained under S16(1) of the SDI Ordinance, the Company had been notified of the following interests, being 10 per cent or more in the issued share capital of the Company.

<b>Name</b>	<b>Number of Shares</b>
Mr. Chow Yung and Ms. Ifan Chan (Note 1)	171,459,000
Shui Sing Holdings Limited (Note 2)	331,140,000
Shui Sing (BVI) Limited (Note 2)	331,140,000
Great Eagle Holdings Limited (Note 2)	331,140,000
Jolly Trend Limited (Note 2)	331,140,000
The Great Eagle Company, Limited (Note 2)	331,140,000
Century Faith Investment Limited (Note 2)	331,140,000
Publigrroupe Limited (Note 3)	264,912,000
Publi Promotion Network Asia Holdings Limited (Note 3)	264,912,000
Jean Claude Decaux (Note 4)	117,745,000
Danielle Decaux (Note 4)	117,745,000
Jean Charles Decaux (Note 4)	117,745,000
Jean Sebastien Decaux (Note 4)	117,745,000
Jean Francois Decaux (Note 4)	117,745,000
Robert Caudron (Note 4)	117,745,000
JC Decaux International (Note 4)	117,745,000
Decaux S. A. (Note 4)	117,745,000
JC Decaux Communication (T) (Note 4)	117,745,000
JC Decaux Asia (S) Pte Ltd. (Note 4)	117,745,000
Avenir (Note 4)	117,745,000
United Communication Limited (Note 4)	117,745,000
JC Decaux Pearl & Dean Limited (Note 4)	117,745,000

Notes:

1. A total of 153,650,000 shares of the Company are held by Mr. Chow Yung, representing approximately 13.66 per cent of the share capital of the Company, and the remaining 17,809,000 shares of the Company, representing approximately 1.58 per cent of the share capital of the Company, are held by Ms. Ifan Chan, the wife of Mr. Chow Yung and an Executive Director.
2. All the above 331,140,000 shares of the Company are the same parcel of shares referred to in "corporate interest" of Dr. Lo Ka Shui under "Directors' and Chief Executive's Interest in Securities".
3. Publigrroupe Limited is the holding company of Publi Promotion Network Asia Holdings Limited. By virtue of the SDI Ordinance, Publigrroupe Limited is deemed to be interested in the 264,912,000 shares of the Company held by Publi Promotion Network Asia Holdings Limited.
4. Each of Jean Claude Decaux, Danielle Decaux, Jean Charles Decaux, Jean Sebastien Decaux, Jean Francois Decaux, Robert Caudron, JC Decaux International, Decaux S. A., JC Decaux Communication (T), JC Decaux Asia (S) Pte Ltd., Avenir and United Communication Limited are deemed to be interested in the 117,745,000 shares of the Company owned by JC Decaux Pearl & Dean Limited pursuant to Section 8 of the SDI Ordinance.

## **MANAGEMENT SHAREHOLDERS**

So far as the Directors are aware, there are no other person other than the Initial Management Shareholders, namely Mr. Chow Yung and Ms. Ifan Chan, Dr. Lo Ka Shui, Mr. Barrie Calvert Goodridge, Mr. Peter Stavros Patapios Christofis, Century Faith Investment Limited, Publi Promotion Network Asia Holdings Limited and JC Decaux Pearl & Dean Limited who will be directly or indirectly interested (as defined in the SDI Ordinance) in five per cent or more of the shares of the Company then in issue and who are able as a practical matter, to direct or influence the management of the Company.

## **SPONSORS' INTEREST**

To the best knowledge of ING Barings Asia Limited ("ING Barings"), the Company's sponsor, its directors, employees and associates were not interested in the shares of the Company as at 31st March 2001.

ING Barings has entered into a sponsorship agreement with the Company whereby, for a fee, ING Barings will act as the Company's continuing sponsor for the purpose of Chapter 6 of the GEM Listing Rules for the period from 20th July 2000 to 31st December 2002.

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

During the period from 1st January 2001 to 31st March 2001, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

## **COMPETING INTEREST**

The following Initial Management Shareholders had interests in the following businesses:

Great Eagle Holdings Limited, being one of the Initial Management Shareholders, operates and has interest in various websites providing information on property, home decoration and music that are not related to recruitment advertising. Great Eagle Holdings Limited also has interest in a company that develops and markets an integrated suite of computer software for e-commerce solutions.

JC Decaux Pearl & Dean Limited, being one of the Initial Management Shareholders, engages in advertising business in print advertising and outdoor display advertising in Hong Kong.

Publi Promotion Network Asia Holdings Limited, being one of the Initial Management Shareholders, engages in promotion of print advertising in various publications in the Asian region. It is also involved in the sale of Internet banner display advertisements and the publication of in-flight magazines for airlines.

The Directors believe that the principal business objectives of the Group are different from those of Great Eagle Holdings Limited and its associates, JC Decaux Pearl & Dean Limited and Publi Promotion Network Asia Holdings Limited. Whilst the Group is focusing on recruitment advertising and the provision of related services, the websites and the advertising businesses currently operated by Great Eagle Holdings Limited, JC Decaux Pearl & Dean Limited and Publi Promotion Network Asia Holdings Limited cover various aspects other than recruitment advertising and are aimed at non-recruitment advertising clients. As such, the Directors are not aware of any significant impact or compromise in the past relating to business competition between the Group and its Initial Management Shareholders and believe that such competition should not have any significant impact on the future business development of the Group.

Save as otherwise disclosed above, none of the Directors and the Initial Management Shareholders had any investments in businesses which compete with the recruitment advertising business of the Group as at 31st March 2001.

By Order of the Board  
**Law Kwong Wah**  
Company Secretary

Hong Kong, 10th May 2001