

**PANDA-RECRUIT LTD :
NO THANK YOU, ROBERT**

One of the most intriguing questions, on reading the prospectus of one of the latest entrants to the rolls of The GEM, The Growth Enterprise Market of The Stock Exchange of Hongkong Ltd, is trying to understand the reason that the Mass Transit Railway Corporation (MTRC), an entity of the Government of the Hongkong Special Administrative Region (HKSAR) of the People's Republic of China (PRC), would enter into an exclusive, 10-year contract with a wholly owned subsidiary of Panda-Recruit Ltd.

Not that there is anything untoward in respect of this MTRC-Panda-Recruit, 10-year exclusive contract, which gave Panda-Recruit the exclusive right to distribute its publication, '*Recruit*', at all MTRC stations until the year 2002, but one must wonder:

1. Under what circumstances was the contract awarded?
2. Did the MTRC go to tender, inviting other potential competitors to make bids on the same or similar concept to '*Recruit*' in order to guarantee that the MTRC was squeezing out the best possible contract for the people of the HKSAR?
3. What was the MTRC's authority to grant such an exclusive contract?

There are many other questions that could be raised with regard to this contract because it is the '*nut*' of the success of '*Recruit*' -- if one may call '*Recruit*' a success.

Perhaps, one of the most important and intriguing questions, to be considered, today, is whether or not the MTRC will go to tender in July 2002 -- when the Panda-Recruit Contract expires.

And will such a move spike the proverbial guns of Mr Chow Yung?

The MTRC obtains an annual licence fee from Panda-Recruit equal to 30 percent of the Net Profit of Hongkong Transit Publishing Company Ltd, a wholly owned subsidiary of Panda-Recruit.

The Prospectus of Panda-Recruit, at Page 101, states that during the 15-month period, ended December 31, 1998, Panda-Recruit paid over to the MTRC about \$HK5 million in respect of the annual licence fee.

For the Financial Year, ended December 31, 1999, the amount of money, paid over to the MTRC in respect of the annual licence fee amounted to about \$HK1.85 million.

So the MTRC is, not exactly, making a lot of money from Panda-Recruit, leaving, one would imagine, the door wide open for Management of the MTRC to consider any and all newcomers to try to compete with Panda-Recruit at MTR stations.

The concept of '*Recruit*' is, without question, meritorious, to be sure, and Mr Robert Chow Yung, President and Chief Executive Officer of Panda-Recruit, is to be congratulated for his nous and perspicacity in starting the concept of creating a medium, specifically aimed at job-seekers.

Through one avenue or another, he was able to talk the MTRC into giving Panda-Recruit the exclusive franchise to place his newspaper in conspicuous areas of train stations so that job seekers could peruse the '*Recruit*' pages while taking the train to and from work.

However, it has not been, altogether, a roaring success: It appears to be making a loss, at this time.

In fact, it has been making a loss for the past 17 months, according to the Prospectus.

The following are the Trading Results of the Company for the 27 months to December 31, 1999:

	All Figures are Denominated in \$HK'000	
	15 Months to December 31, 1998	Financial Year ended December 31
<u>Turnover:</u>		
Recruitment Advertising	94,772	54,449
Non Recruitment Advertising	13,059	12,885
Publication Sales	1,639	525
Publication Income	<u>263</u>	<u>3,043</u>
<u>TOTAL</u>	<u>109,733</u>	<u>70,902</u>
<u>Direct Material and Processing Costs</u>		
	(15,505)	(10,400)
Paper and Other Raw Material Costs	<u>(17,004)</u>	<u>(15,189)</u>
Printing Costs	<u>(32,509)</u>	<u>(25,589)</u>
<u>TOTAL</u>		
Profit After Direct Costs	77,224	45,313
Other Revenue	<u>5,614</u>	<u>6,430</u>
<u>TOTAL</u>	<u>82,838</u>	<u>51,743</u>
<u>Operating Expenses</u>		
Staff Costs	(33,794)	(27,846)
Depreciation	(6,212)	(4,385)
Pre-Operating Expenses	(4,024)	Nil
Other Operating Expenses	<u>(33,189)</u>	<u>(24,063)</u>
<u>TOTAL</u>	<u>(77,219)</u>	<u>(56,294)</u>
Profit/(Loss) from Operations	5,619	(4,551)
Finance Costs	(161)	(4)
Share of Results of an Associate	3,035	2,967
Taxation	(2,387)	175
Net Profit/(Loss)	5,771	(1,858)

What is very clear, on analysis of the above table, is that the monthly turnover has fallen from \$HK7,318.20 to \$HK5,908.50, a drop of about 19.26 percent in the past 27 months.

At the same time, however, staff costs have risen from about \$HK2,252,933 per month to about \$HK2,320,500 per month.

This is equal to an increase in staff costs, over the past 27 months ... [CLICK TO ORDER FULL ARTICLE](#)

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