



Pacific Online Limited
太平洋網絡有限公司

(incorporated in the Cayman Islands with limited liability)
(Stock Code: 543)

INTERIM REPORT 2009



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CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. Lam Wai Yan
(Chairman and Chief Executive Officer)
 Mr. Ho Kam Wah
 Mr. Wang Da-Shin, Jeff
 Ms. Zhang Cong Min
 Mr. Tsung Shih Kin, Samuel

Independent Non-executive Directors

Mr. Tsui Yiu Wa, Alec
 Mr. Thaddeus Thomas Beczak
 Mr. Louie Ming

COMPANY SECRETARY

Mr. Wong Huk Yung, Hudson

AUTHORISED REPRESENTATIVES

Mr. Wang Da-Shin, Jeff
 Mr. Wong Huk Yung, Hudson

AUDIT COMMITTEE

Mr. Tsui Yiu Wa, Alec *(Chairman)*
 Mr. Thaddeus Thomas Beczak
 Mr. Louie Ming

REMUNERATION COMMITTEE

Mr. Tsui Yiu Wa, Alec *(Chairman)*
 Mr. Thaddeus Thomas Beczak
 Mr. Louie Ming

PRINCIPAL BANKERS

Wing Hang Bank
 China Merchants Bank
 China Construction Bank
 BNP Paribas

AUDITOR

PricewaterhouseCoopers
Certified Public Accountants

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Butterfield Fulcrum Group (Cayman) Limited
 Butterfield House
 68 Fort Street
 P.O. Box 705
 Grand Cayman KY1-1107
 Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Investor Services Limited
 26/F, Tesbury Centre
 28 Queen's Road East
 Wanchai
 Hong Kong

REGISTERED OFFICE

Cricket Square, Hutchins Drive
 P.O. Box 2681
 Grand Cayman, KY1-1111
 Cayman Islands

PRINCIPAL PLACE OF BUSINESS

11/F, Pacific Electronics & Technology Plaza
 1-7 Shipai West Road
 Tianhe
 Guangzhou, 510630
 PRC

PLACE OF BUSINESS IN HONG KONG

Portion of Unit 807, Tower 2
 Lippo Centre
 89 Queensway
 Hong Kong

GROUP'S PORTAL ADDRESSES

www.pconline.com.cn
www.pcauto.com.cn
www.pcgames.com.cn
www.pclady.com.cn
www.pcbaby.com.cn

WEBSITE ADDRESS

corp.pconline.com.cn

STOCK CODE

543

CONDENSED CONSOLIDATED INTERIM RESULTS

The board of directors (the "Board") of Pacific Online Limited (the "Company") announces the unaudited condensed consolidated results of the Company and its subsidiaries (collectively the "Group") for the six months ended 30 June 2009 together with the comparative figures for the corresponding period of last year, as follows. These interim results have been reviewed by PricewaterhouseCoopers, the auditors of the Company, in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants, and by the Audit Committee of the Company.

CONDENSED CONSOLIDATED INTERIM INCOME STATEMENT

	Note	Unaudited Six months ended 30 June	
		2009 RMB'000	2008 RMB'000
Revenue	4	141,834	129,754
Cost of revenue		(43,158)	(37,116)
Gross profit		98,676	92,638
Selling and marketing costs		(20,614)	(23,124)
Administrative expenses		(18,450)	(14,497)
Product development expenses		(8,353)	(6,186)
Operating profit		51,259	48,831
Finance income	5	4,386	8,697
Finance costs	5	(585)	(34,379)
Finance income/(costs) — net	5	3,801	(25,682)
Profit before income tax		55,060	23,149
Income tax expense	6	(10,689)	(14,847)
Profit for the period		44,371	8,302
Profit attributable to:			
Equity holders of the Company		44,371	8,302
Earnings per share for profit attributable to the equity holders of the Company			
— basic (RMB)	7	4.804 cents	0.874 cents
— diluted (RMB)	7	4.804 cents	0.869 cents
Dividends	8	—	—

The notes on pages 9 to 22 are an integral part of this condensed interim financial information.

CONDENSED CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME

	Unaudited	
	Six months ended 30 June	
	2009	2008
	RMB'000	RMB'000
Profit for the period	44,371	8,302
Other comprehensive income for the period, net of tax	—	—
Total comprehensive income for the period	44,371	8,302
Total comprehensive income attributable to:		
Equity holders of the Company	44,371	8,302

The notes on pages 9 to 22 are an integral part of this condensed interim financial information.

CONDENSED CONSOLIDATED INTERIM BALANCE SHEET

	Note	Unaudited 30 June 2009 RMB'000	Audited 31 December 2008 RMB'000
ASSETS			
Non-current assets			
Property, plant and equipment	9	12,690	13,540
Intangible assets	9	780	947
Deferred income tax assets	10	2,288	2,785
		15,758	17,272
Current assets			
Derivative financial instruments		4,459	1,640
Trade and other receivables	11	107,412	99,726
Restricted cash		10,247	10,252
Short-term bank deposits with original terms of over three months		84,506	30,509
Cash and cash equivalents		243,112	582,854
		449,736	724,981
Total assets		465,494	742,253
EQUITY			
Capital and reserves attributable to the equity holders of the Company			
Ordinary shares		8,737	8,737
Reserves			
— Proposed special dividend	8	—	249,402
— Others		304,324	301,270
Retained earnings			
— Proposed final dividend	8	—	64,660
— Others		75,783	31,412
Total equity		388,844	655,481

CONDENSED CONSOLIDATED INTERIM BALANCE SHEET (Continued)

	Note	Unaudited 30 June 2009 RMB'000	Audited 31 December 2008 RMB'000
LIABILITIES			
Non-current liabilities			
Deferred income tax liabilities	10	2,184	—
Current liabilities			
Accruals and other payables	12	39,812	40,848
Prepaid advertising subscriptions from customers		23,190	23,322
Current income tax liabilities		11,464	22,602
		74,466	86,772
Total liabilities		76,650	86,772
Total equity and liabilities		465,494	742,253
Net current assets		375,270	638,209
Total assets less current liabilities		391,028	655,481

Lam Wai Yan
Director

Wang Da-Shin, Jeff
Director

The notes on pages 9 to 22 are an integral part of this condensed interim financial information.

CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY

	Note	Unaudited			Total equity RMB'000
		Attributable to the equity holders of the Company	Ordinary shares RMB'000	Reserves RMB'000	
Balance at 1 January 2008		8,986	565,227	90,968	665,181
Profit for the period		—	—	8,302	8,302
Other comprehensive income		—	—	—	—
Total comprehensive income for the period ended 30 June 2008		—	—	8,302	8,302
Employees' share option benefits		—	3,389	—	3,389
Dividends relating to 2007, paid in May 2008		—	—	(70,965)	(70,965)
		—	3,389	(70,965)	(67,576)
Balance at 30 June 2008		8,986	568,616	28,305	605,907
Balance at 1 January 2009		8,737	550,672	96,072	655,481
Profit for the period		—	—	44,371	44,371
Other comprehensive income		—	—	—	—
Total comprehensive income for the period ended 30 June 2009		—	—	44,371	44,371
Employees' share option benefits		—	3,054	—	3,054
Dividends relating to 2008, paid in May 2009	8	—	—	(64,660)	(64,660)
Special dividend paid in May 2009	8	—	(249,402)	—	(249,402)
		—	(246,348)	(64,660)	(311,008)
Balance at 30 June 2009		8,737	304,324	75,783	388,844

The notes on pages 9 to 22 are an integral part of this condensed interim financial information.

CONDENSED CONSOLIDATED INTERIM CASH FLOW STATEMENT

	Unaudited Six months ended 30 June	
	2009 RMB'000	2008 RMB'000
Cash flows from operating activities		
Cash generated from operations	47,424	55,270
Income tax paid	(19,146)	(13,404)
Net cash generated from operating activities	28,278	41,866
Cash flows from investing activities		
Purchase of property, plant and equipment	(1,190)	(2,798)
Purchase of intangible assets	(296)	(185)
(Increase)/decrease in short-term bank deposits with original terms of over three months	(53,992)	8,000
Interest received	1,567	8,697
Net cash (used in)/generated from investing activities	(53,911)	13,714
Cash flows from financing activities		
Dividends paid	(64,660)	(70,965)
Special dividend paid	(249,402)	—
Net cash used in financing activities	(314,062)	(70,965)
Decrease in cash and cash equivalents	(339,695)	(15,385)
Cash and cash equivalents at beginning of period	582,854	621,057
Exchange losses on cash and bank	(47)	(32,673)
Cash and cash equivalents at end of period	243,112	572,999

The notes on pages 9 to 22 are an integral part of this condensed interim financial information.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

(All amount are stated in Renminbi (RMB) thousands unless otherwise stated)

1. GENERAL INFORMATION

The Company was incorporated on 27 August 2007 as an exempted company with limited liability under the Company Law, Cap.22, (Law 3 of 1961, as combined and revised) of the Cayman Islands. The address of its registered office is Cricket Square, Hutchins Drive, PO Box 2681, Grand Cayman, KY1-1111, Cayman Islands.

The Group are principally engaged in the provision of internet advertising services in the People's Republic of China (the "PRC").

The Company has its shares listed on The Stock Exchange of Hong Kong Limited.

This condensed consolidated interim financial information was presented in thousands of Renminbi (RMB'000), unless otherwise stated. This condensed consolidated interim financial information was approved for issue by the Board on 28 August 2009.

This condensed consolidated interim financial information has not been audited.

2. BASIS OF PREPARATION AND PRESENTATION

This condensed consolidated interim financial information for the six months ended 30 June 2009 has been prepared in accordance with HKAS 34, 'Interim financial reporting'. The condensed consolidated interim financial information should be read in conjunction with the annual financial statements for the year ended 31 December 2008, which have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs").

3. SIGNIFICANT ACCOUNTING POLICIES

Except as described below, the accounting policies adopted are consistent with those of the annual financial statements for the year ended 31 December 2008, as described in those annual financial statements.

Taxes on income in the interim periods are accrued using the tax rate that would be applicable to expected total annual earnings.

The following new standards and amendments to standards are mandatory for the first time for the financial year beginning 1 January 2009:

- HKAS 1 (revised), 'Presentation of financial statements'. The revised standard prohibits the presentation of items of income and expenses (that is 'non-owner changes in equity') in the statement of changes in equity, requiring 'non-owner changes in equity' to be presented separately from owner changes in equity. All 'non-owner changes in equity' are required to be shown in a performance statement.

Entities can choose whether to present one performance statement (the statement of comprehensive income) or two statements (the income statement and statement of comprehensive income).

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

(All amount are stated in Renminbi (RMB) thousands unless otherwise stated)

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

The Group has elected to present two statements: an income statement and a statement of comprehensive income. The interim financial statements have been prepared under the revised disclosure requirements.

- HKFRS 8, 'Operating segments'. HKFRS 8 replaces HKAS 14, 'Segment reporting'. It requires a 'management approach' be adopted under which segment information is presented on the same basis as that used for internal reporting purposes. This has resulted in an increase in the number of reportable segments being presented. The previously reported "internet advertising services" segment has been split into two segments by the portal web sites that the Company operates, POnline (portal for computer and other IT-related products) and PCauto (portal for automobile products).

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker has been identified as the executive directors that make strategic decisions.

- HKFRS 2 (amendment), 'Share-based payment'. The amended standard deals with vesting conditions and cancellations. It clarifies that vesting conditions are service conditions and performance conditions only. Other features of a share-based payment are not vesting conditions. As such these features would need to be included in the grant date fair value for transactions with employees and others providing similar services, that is, these features would not impact the number of awards expected to vest or valuation thereof subsequent to grant date. All cancellations, whether by the entity or by other parties, should receive the same accounting treatment. The Group will apply HKFRS 2 (Amendment) from 1 January 2009, but it is not expected to have a material impact on the Group's financial statements.
- Amendment to HKFRS 7, 'Financial instruments: disclosures'. The amendment increases the disclosure requirements about fair value measurement and amends the disclosure about liquidity risk. The amendment introduces a three-level hierarchy for fair value measurement disclosures about financial instruments and requires some specific quantitative disclosures for those instruments classified in the lowest level in the hierarchy. These disclosures will help to improve comparability between entities about the effects of fair value measurements. In addition, the amendment clarifies and enhances the existing requirements for the disclosure of liquidity risk primarily requiring a separate liquidity risk analysis for derivative and non-derivative financial liabilities. It also requires a maturity analysis for financial assets where the information is needed to understand the nature and context of liquidity risk. The Group will make additional relevant disclosures in its financial statements ending 31 December 2009.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

(All amount are stated in Renminbi (RMB) thousands unless otherwise stated)

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

The following amendment to standard was early adopted by the Group for the financial year beginning 1 January 2009:

- Amendment to HKFRS 8, 'Operating segments'. The amendment states that a measure of segment assets should only be disclosed when such amounts are regularly provided to the chief operating decision maker. As such amounts are not regularly provided to the chief operation decision maker, the Group early adopted the amendment and does not disclose such information. Please refer to Note 4 for details.

The following amendments to standards and interpretations are mandatory for the first time for the financial year beginning 1 January 2009, but are not currently relevant for the Group:

- HKAS 23 (amendment), 'Borrowing costs'.
- HKAS 32 (amendment), 'Financial instruments: presentation'.
- HKAS 39 (amendment), 'Financial instruments: Recognition and measurement'.
- HK(IFRIC) 13, 'Customer loyalty programmes'.
- HK(IFRIC) 15, 'Agreements for the construction of real estate'.
- HK(IFRIC) 16, 'Hedges of a net investment in a foreign operation'.

4. SEGMENT INFORMATION

The Group is principally engaged in the provision of internet advertising services for different commodities. The chief operating decision maker reviews the Group's internal reporting in order to assess performance and allocate resources. Management has determined the operating segments based on these reports.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

(All amount are stated in Renminbi (RMB) thousands unless otherwise stated)

4. SEGMENT INFORMATION (Continued)

The chief operating decision maker considers the business from the performance of the internet advertising generated from different internet portals which it operates. As all of the Group's revenue is generated from customers in the PRC, on-line advertising is not further evaluated on a geographic basis.

The chief operating decision maker assesses the performance of the operating segments based on a measure of revenue by portal. The Company currently does not allocate cost of revenue, operating costs or assets to its segments, as its chief operating decision maker does not use this information to allocate resources to or evaluate the performance of the operating segments. Therefore, the Company does not report a measure of profit for each reportable segment and total assets.

Other services mainly represents internet advertising services from portal for game, lady and kids products. These are not included within the reportable operating segments, as they are immaterial segments. The results of these operations are included in the "all other segments" column.

There were no inter-segment sales for the six months ended 30 June 2009 (2008: the same). The revenue from external parties reported to the chief operating decision maker is measured in a manner consistent with that in the condensed consolidated interim statement of comprehensive income.

	POnline RMB'000	PCauto RMB'000	All other segments RMB'000	Group RMB'000
Six months ended 30 June 2009				
Revenue	75,192	57,248	9,394	141,834
Six months ended 30 June 2008				
Revenue	77,029	45,770	6,955	129,754

The entity is domiciled in Cayman Islands. For the six months ended 30 June 2009, the total of revenue from external customers was generated from PRC (2008: the same).

As at 30 June 2009, the total of non-current assets other than deferred tax assets was located in PRC (2008: the same).

For the six months ended 30 June 2009, there was no revenue derived from a single external customer accounting for ten per cent or more of the Group's revenues (2008: the same).

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

(All amount are stated in Renminbi (RMB) thousands unless otherwise stated)

5. FINANCE INCOME/(COSTS) — NET

	Six months ended 30 June	
	2009 RMB'000	2008 RMB'000
Finance income		
— Interest income on short-term bank deposits	1,567	8,697
— Change in fair values of forward foreign exchange contracts (a)	2,819	—
	4,386	8,697
Finance costs		
— Net foreign exchange losses (b)	(585)	(34,379)
Finance income/(costs) — net	3,801	(25,682)

(a) The notional principal amounts of the outstanding forward foreign exchange contracts at 30 June 2009 are RMB140,860,000 (2008: nil).

(b) The net foreign exchange losses during six months ended 30 June 2008 were mainly unrealised translation losses arising from translation of HK\$/USD denominated cash and cash equivalents balances as at 30 June 2008 at the closing rate of HK\$/USD to RMB prevailing at that date.

6. INCOME TAX EXPENSE

	Six months ended 30 June	
	2009 RMB'000	2008 RMB'000
PRC current tax charge	8,008	13,550
Deferred taxation	2,681	1,297
	10,689	14,847

Income tax expense is recognized based on management's best estimate of the projected full year annual effective income tax rate.

The Group is not subject to Hong Kong or Cayman Islands profits tax as it has no assessable income arising in or derived from Hong Kong or Cayman Islands during the six months ended 30 June 2009 (2008: nil).

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

(All amount are stated in Renminbi (RMB) thousands unless otherwise stated)

6. INCOME TAX EXPENSE (Continued)

Current income tax charge primarily represented the provision for PRC Enterprise Income Tax ("EIT") for subsidiaries operating in the PRC. These subsidiaries are subject to EIT on their taxable income as reported in their respective statutory financial statements adjusted in accordance with the relevant tax laws and regulations in the PRC.

On March 16, 2007, the National People's Congress approved the PRC Enterprise Income Tax Law (the "New EIT Law"). The New EIT Law, which became effective from January 1, 2008, unifies the corporate income tax rate for domestic enterprises and foreign invested enterprises to 25%. In addition, the New EIT Law provides for, among others, a preferential tax rate of 15% for enterprises qualified as High and New Technology Enterprises ("HNTE"). In 2008, Guangzhou Pacific Computer Information Consulting Co., Ltd. (廣州太平洋電腦信息諮詢有限公司, "GZP Computer") and Guangdong Pacific Internet Information Service Co., Ltd. (廣東太平洋互聯網信息服務有限公司, "GDP Internet"), the principal operating subsidiaries, were formally designated as HNTE under the New EIT Law. As a result, GZP Computer and GDP Internet are subject to EIT at 15% in 2008 and 2009.

All the other PRC entities are subject to EIT at 25% in 2008 and 2009 in accordance with the New EIT Law.

7. EARNINGS PER SHARE

(a) Basic

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the period:

	Six months ended 30 June	
	2009	2008
Profit attributable to equity holders of the Company (RMB'000)	44,371	8,302
Weighted average number of ordinary shares in issue (thousand shares)	923,710	950,000
Basic earnings per share (RMB)	4.804 cents	0.874 cents

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

(All amount are stated in Renminbi (RMB) thousands unless otherwise stated)

7. EARNINGS PER SHARE (Continued)

(b) Diluted

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The Company has one category of dilutive potential ordinary shares: share options. A calculation is done to determine the number of shares that could have been acquired at fair value (determined as the average annual market share price of the Company's shares) based on the monetary value of the subscription rights attached to outstanding share options. For the six months ended 30 June 2009, as the average market share price of the ordinary shares during the period was lower than the subscription price, the diluted earnings per share was equal to the basic earnings per share (2008: RMB0.869 cents).

8. DIVIDENDS

The directors did not recommend the payment of interim dividend for the six months ended 30 June 2009 (2008: nil).

Final dividend related to the year ended 31 December 2008 amounting to RMB64,660,000 and special dividend distributed out of the share premium amounting to RMB249,402,000 were both paid in May 2009.



NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

(All amount are stated in Renminbi (RMB) thousands unless otherwise stated)

9. PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE ASSETS

	Property, plant and equipment RMB'000	Intangible assets RMB'000
Six months ended 30 June 2008		
Opening net book amount as at 1 January 2008	11,350	1,585
Additions	2,798	185
Disposals	(2)	—
Depreciation and amortization	(1,756)	(83)
Closing net book amount as at 30 June 2008	12,390	1,687
Six months ended 30 June 2009		
Opening net book amount as at 1 January 2009	13,540	947
Additions	1,190	296
Disposals	(11)	—
Depreciation and amortization	(2,029)	(463)
Closing net book amount as at 30 June 2009	12,690	780

10. DEFERRED INCOME TAX

Deferred income taxes are calculated in full on temporary differences under the liability method using the tax rates of 15% or 25% (2008: the same) which are expected to apply to the period when the assets are realised.

Deferred income tax assets

The movements in deferred income tax assets during the period are as follows:

	As at 30 June 2009 RMB'000	As at 31 December 2008 RMB'000
Deferred income tax assets:		
— Deferred income tax assets to be recovered after more than 12 months	1,939	2,118
— Deferred income tax assets to be recovered within 12 months	349	667
	2,288	2,785

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

(All amount are stated in Renminbi (RMB) thousands unless otherwise stated)

10. DEFERRED INCOME TAX (Continued)

	Intra-group software sales(a) RMB'000	Provision for impairment of trade receivables RMB'000	Provision for tax losses RMB'000	Total RMB'000
At 1 January 2008	1,902	519	247	2,668
(Charged)/credited to the income statement	(1,042)	1,074	85	117
At 31 December 2008	860	1,593	332	2,785
(Charged)/credited to the income statement	(441)	276	(332)	(497)
At 30 June 2009	419	1,869	—	2,288

- (a) The deferred income tax assets recognised related to the temporary differences arising from certain intra-group software sales transactions. The credits to the consolidated income statement represented originating temporary differences arising from these software sales while the charge to the consolidated income statement represented the reversal of the temporary differences as a result of the amortisation of the costs of these related software.

Deferred income tax liabilities

The movements in deferred income tax liabilities during the period are as follows:

	As at 30 June 2009 RMB'000	As at 31 December 2008 RMB'000
Deferred income tax liabilities:		
— Deferred income tax liabilities to be recovered within 12 months	2,184	—
	2,184	—



NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

(All amount are stated in Renminbi (RMB) thousands unless otherwise stated)

10. DEFERRED INCOME TAX (Continued)

Deferred income tax liabilities — withholding tax

	RMB'000
At 31 December 2008	—
Charged to the income statement	2,184
At 30 June 2009	2,184

11. TRADE AND OTHER RECEIVABLES

	As at 30 June 2009 RMB'000	As at 31 December 2008 RMB'000
Trade receivables (a)	105,736	96,267
Receivables from related parties	423	423
Other receivables	1,253	3,036
	107,412	99,726

(a) Trade receivables

Credit terms granted to customers by the Group are generally within six months. At 30 June 2009, the ageing analysis of the trade receivables is as follows:

	As at 30 June 2009 RMB'000	As at 31 December 2008 RMB'000
Current to 6 months	90,753	82,191
6 months to 1 year	14,115	12,197
1 year to 2 years	868	1,879
	105,736	96,267

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

(All amount are stated in Renminbi (RMB) thousands unless otherwise stated)

12. ACCRUALS AND OTHER PAYABLES

	As at 30 June 2009 RMB'000	As at 31 December 2008 RMB'000
Salary payables	8,600	11,555
Accrued expenses (a)	18,506	20,040
Other payables (b)	12,706	9,253
	39,812	40,848

(a) Accrued expenses mainly represented accrued sales commission fees payable to advertising agencies.

(b) Other payables mainly represented business tax and other levies payable.

13. POST-IPO SHARE OPTION PLAN

Pursuant to a shareholders' resolution passed on 23 November 2007, the Company adopted a Post-IPO Share Option Plan (the "Post-IPO Scheme") for the primary purpose of providing incentives and/or reward to directors, employees, consultants and advisers of the Group (collectively referred as "Eligible Person"). Under the Post-IPO Scheme, the Board of Directors of the Company may grant options to Eligible Person to subscribe for shares in the Company.

On 18 May 2009, the Company granted share options to selected directors and employees under the Post-IPO Scheme, under which the option holders are entitled to acquire an aggregate of 11,740,000 shares of the Company. All the options under the Post-IPO Scheme will not be exercisable within the first 24 months after the date of grant. Options were granted to directors and selected employees according to their contribution to the Group.

The Group has no legal or constructive obligation to repurchase or settle the options in cash.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

(All amount are stated in Renminbi (RMB) thousands unless otherwise stated)

13. POST-IPO SHARE OPTION PLAN (Continued)

Options granted under the Post-IPO Scheme can only be exercised in the following manner:

	Exercise Period	Number of share option	Subscription Price HK\$
1st phase options	From 18 May 2011 to 17 May 2014	4,200,000	1.51
2nd phase options	From 18 May 2012 to 17 May 2014	3,760,000	1.51
3rd phase options	From 18 May 2013 to 17 May 2014	3,780,000	1.51
		11,740,000	

Movements in the number of share options of the Post-IPO Scheme outstanding:

	Options
At 1 January 2009	—
Granted	11,740,000
Forfeited	—
At 30 June 2009	11,740,000

14. COMMITMENTS

- (a) The Group did not have any material capital commitments at the respective balance sheet date.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

(All amount are stated in Renminbi (RMB) thousands unless otherwise stated)

14. COMMITMENTS (Continued)

(b) Operating lease commitments

	As at 30 June 2009	As at 31 December 2008
Office buildings	1,921	3,288

The Group's future aggregate minimum lease payments under non-cancellable operating leases are as follows:

	As at 30 June 2009	As at 31 December 2008
Not later than 1 year	1,921	3,283
Later than 1 year and not later than 5 years	—	5
	1,921	3,288

15. SIGNIFICANT RELATED PARTY TRANSACTIONS

Related parties are those parties that have the ability to control the other party or exercise significant influence in making financial and operating decisions. Parties are also considered to be related if they are subject to common control.

(a) Name and relationship with related parties

Name	Relationship
Mr. Wang Ko Chiang ("Mr. Wang")	Substantial shareholder
Guangdong Pacific Electronic Technology Mall Company Limited (廣東太平洋電子科技廣場有限公司, "GPET Mall")	Controlled by Mr. Wang
Shanghai Huanyu Pacific Digital Consulting Co., Ltd. (上海環宇太平洋數碼諮詢有限公司, "SHPD Consulting")	Controlled by Mr. Wang
Beijing University Pacific Electronic Technology Company Limited (北京北大太平洋電子科技有限公司, "BUPE Technology")	Controlled by Mr. Wang
Kexim Company Limited ("Kexim")	Controlled by Mr. Wang
Shanghai Huanyu Pacific Digital Technology Company Limited (上海環宇太平洋數碼科技有限公司, "SHPD Technology")	Controlled by Mr. Wang

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

(All amount are stated in Renminbi (RMB) thousands unless otherwise stated)

15. SIGNIFICANT RELATED PARTY TRANSACTIONS (Continued)

(b) Related party transactions

The Group undertook the following related party transactions during the period:

	Six months ended 30 June	
	2009	2008
Rental expenses for office and advertising billboards paid/payable:		
Kexim	104	105
GPET Mall	1,871	1,429
SHPD Consulting	387	378
SHPD Technology	36	36
BUPE Technology	113	113
	2,511	2,061

These transactions were conducted at terms pursuant to agreements entered into between the Group and the respective related parties.

16. EVENTS AFTER THE BALANCE SHEET DATE

On 6 July 2009, the Company granted additional share options to selected directors and employees under the Post-IPO Share Scheme (save as set out in Note 13), under which the option holders are entitled to acquire an aggregate of 3,223,000 shares of the Company. These options will not be exercisable within the first 24 months after the date of grant.

MANAGEMENT DISCUSSION AND ANALYSIS

REVENUE

Revenue increased by 9% from RMB129.8 million for the six months ended 30 June 2008 to RMB141.8 million for the six months ended 30 June 2009. Revenue for PConline, the Group's information technology ("IT") and consumer electronics portal, decreased by 2% from RMB77.0 million for the six months ended 30 June 2008 to RMB75.2 million for the six months ended 30 June 2009. The decrease in revenues from PConline was due to a slowdown in advertising spending from IT manufacturers as the financial crisis adversely impacted their advertising budgets. Revenue for PCauto, the Group's automobile portal, increased by 25% from RMB45.8 million for the six months ended 30 June 2008 to RMB57.2 million for the six months ended 30 June 2009. The increase in revenues from PCauto was due to the strong growth of the automobile industry in China during the period and the enlarged appetite for advertising from these manufacturers. Revenue for the Group's other operations, such as games, lady, baby portals and others, increased by 35%. Revenue from this segment is significantly increasing as consumer goods companies start to experiment with and direct a great share of their advertising budgets to internet advertising. PConline and PCauto accounted for the majority of the Group's total revenue, at 93%; however Pacific Online's diversification strategy is proving beneficial as new revenue sources help to supplement and offset risks of the Group's main verticals.

COST OF REVENUE

Cost of Revenue increased 16% from RMB37.1 million for the six months ended 30 June 2008 to RMB43.2 million for the six months ended 30 June 2009. The gross profit margin was 70% for the first half of 2009 and was stable compared to the first half of 2008. The increase in Cost of Revenues was due to an increase in headcount to support the Group's expansion plans.

SELLING AND MARKETING COSTS

Selling and Marketing Costs decreased by 11% from RMB23.1 million for the six months ended 30 June 2008 to RMB20.6 million for the six months ended 30 June 2009. The decrease was primarily due to the Group's efforts to more selectively target its marketing campaigns.

ADMINISTRATIVE EXPENSES

Administrative Expenses increased by 27% from RMB14.5 million for the six months ended 30 June 2008 to RMB18.5 million for the six months ended 30 June 2009. The increase was mainly due to an increase in expenses associated with being a publicly listed company, such as compliance costs, professional fees and an increase in staff.

PRODUCT DEVELOPMENT EXPENSES

Product Development Expenses increased by 35% from RMB6.2 million for the six months ended 30 June 2008 to RMB8.4 million for the six months ended 30 June 2009. The increase was primarily due to an increase in staff costs as the Group expanded its headcount in the research and development team.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCE INCOME AND COSTS

The Group realized a net finance income of RMB3.8 million for the six months ended 30 June 2009, compared with a net finance cost of RMB25.7 million for the six months ended 30 June 2008. The net finance income was primarily attributed to a substantial decrease in net foreign exchange losses from holding IPO proceeds in Hong Kong dollars. The Group also realized a currency hedging gain of RMB2.8 million during the half year.

INCOME TAX EXPENSE

Income Tax Expense decreased 28% from RMB14.8 million for the six months ended 30 June 2008 to RMB10.7 million for the six months ended 30 June 2009. The decrease was due to a lower effective tax rate after the Group obtained the HNTE designation in Mainland China. This effectively reduced the Group's statutory earned income tax rate to 15% from 25% in the same period last year.

NET PROFIT

Net Profit increased from RMB8.3 million for the six months ended 30 June 2008 to RMB44.4 million for the six months ended 30 June 2009.

LIQUIDITY AND FINANCIAL RESOURCES

As of 30 June 2009, the Group had financial resources in the form of short term bank deposits and cash amounting to RMB338 million, compared to RMB624 million as at 31 December 2008. The decrease was due to the issuance of a dividend of RMB7 cents per share and the issuance of a special dividend of RMB27 cents per share in the first half of 2009.

BUSINESS OUTLOOK

Our outlook for the second half of 2009 is optimistic. We expect that growth will continue to improve as the global economy recovers. Although our first half 2009 results were impacted by the challenging operating environment and global financial crisis, we were still able to successfully increase both revenues and net profits from the same period one year ago.

We are seeing a significant number of improvements in the advertising industry. Advertisers in China are beginning to readjust their budgets as signs of an economic recovery arise. As consumer confidence and spending in China remain solid, global and domestic advertisers are increasingly allocating budgets to this region. We expect to benefit from the improvement in the market as internet advertising is becoming an increasingly important and cost-effective form of advertising. Traditionally, our second half year results outperform the first half year as advertisers generally base their budgets according to Chinese consumer behaviors.

We will continue to invest in technology and our research and development team to enhance our content offering. We also plan to increase our capital expenditure to support additional user traffic. These strategies will enable us to effectively grow our Company. In addition, we are making progress on the purchase of our headquarters, and we look forward to being able to centralize our operations, provide a more pleasant working environment for our team and support the growth of our headcount. We continue to believe in the growth potential of the online advertising market in China and we remain fully committed to executing our strategies and driving consistently strong growth of our Company.

OTHER INFORMATION

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

Neither the Company, nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the six months ended 30 June 2009.

AUDIT COMMITTEE

The Audit Committee of the Company, which comprises the three independent non-executive directors of the Company, namely Mr. Tsui Yiu Wa, Alec (Chairman of the Audit Committee), Mr. Thaddeus Thomas Beczak and Mr. Louie Ming, has reviewed with the senior management of the Group the accounting principles and practices adopted by the Group and discussed auditing, internal control and financial reporting matters, including the review of these interim results.

CORPORATE GOVERNANCE

The Company is committed to maintaining a high standard of corporate governance with a view to enhancing the management of the Company as well as preserving the interests of the shareholders as a whole. The Board is of the view that the Company has met the code provisions set out in the Code on Corporate Governance Practices contained in Appendix 14 of the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), except that there is no separation of the role of Chairman and Chief Executive Officer as stipulated in the code provision A.2.1. Mr. Lam Wai Yan currently assumes the role of both the Chairman and the Chief Executive Officer of the Company. As Mr. Lam is a co-founder of the Group and has extensive experiences in the internet industry, the Board believes that it is in the best interest of the Group to have Mr. Lam taking up both roles for continuous effective management and business development of the Group.

SHARE OPTION SCHEMES

Pursuant to the shareholders' resolutions of the Company passed on 23 November 2007, the Company has adopted a Pre-IPO Share Option Plan and a Post-IPO Share Option Plan for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations.

OTHER INFORMATION

Movements of the Share Options Schemes of the Company during the six months ended 30 June 2009 are as follows:

(a) Pre-IPO Share Option Plan

Category	Date of grant	Exercise period*	Exercise price HK\$	Number of share options				
				As at 1 January 2009	Granted during the period	Exercised/ cancelled during the period	Lapsed during the period	As at 30 June 2009
Director								
Ms. Zhang Cong Min	23 November 2007	23 November 2009 to 22 November 2017	1.52	5,292,000	—	—	—	5,292,000
	23 November 2007	23 November 2010 to 22 November 2017	1.97	5,292,000	—	—	—	5,292,000
	23 November 2007	23 November 2011 to 22 November 2017	2.27	5,292,000	—	—	—	5,292,000
				15,876,000	—	—	—	15,876,000
Mr. Tsung Shih Kin, Samuel								
Mr. Tsung Shih Kin, Samuel	23 November 2007	23 November 2009 to 22 November 2017	1.52	1,004,333	—	—	—	1,004,333
	23 November 2007	23 November 2010 to 22 November 2017	1.97	1,004,333	—	—	—	1,004,333
	23 November 2007	23 November 2011 to 22 November 2017	2.27	1,004,334	—	—	—	1,004,334
				3,013,000	—	—	—	3,013,000
				18,889,000	—	—	—	18,889,000
Employees in aggregate								
Employees in aggregate	23 November 2007	23 November 2009 to 22 November 2017	1.52	9,107,000	—	—	(921,000)	8,186,000
	23 November 2007	23 November 2010 to 22 November 2017	1.97	9,107,000	—	—	(921,000)	8,186,000
	23 November 2007	23 November 2011 to 22 November 2017	2.27	9,103,000	—	—	(920,000)	8,183,000
				27,317,000	—	—	(2,762,000)	24,555,000
Total				46,206,000	—	—	(2,762,000)	43,444,000

* The vesting period of the share options is from the date of grant until the commencement of the exercise period.

OTHER INFORMATION

(b) Post-IPO Share Option Plan

Category	Date of grant	Exercise period*	Exercise price** HK\$	Number of share options				As at 30 June 2009
				As at 1 January 2009	Granted during the period***	Exercised/ cancelled during the period	Lapsed during the period	
Director								
Mr. Lam Wai Yan	18 May 2009	18 May 2011 to 17 May 2014	1.51	—	1,100,000	—	—	1,100,000
	18 May 2009	18 May 2012 to 17 May 2014	1.51	—	1,100,000	—	—	1,100,000
	18 May 2009	18 May 2013 to 17 May 2014	1.51	—	1,100,000	—	—	1,100,000
				—	3,300,000	—	—	3,300,000
Mr. Wang Da-Shin, Jeff	18 May 2009	18 May 2011 to 17 May 2014	1.51	—	1,000,000	—	—	1,000,000
	18 May 2009	18 May 2012 to 17 May 2014	1.51	—	1,000,000	—	—	1,000,000
	18 May 2009	18 May 2013 to 17 May 2014	1.51	—	1,000,000	—	—	1,000,000
				—	3,000,000	—	—	3,000,000
Ms. Zhang Cong Min	18 May 2009	18 May 2011 to 17 May 2014	1.51	—	1,660,000	—	—	1,660,000
	18 May 2009	18 May 2012 to 17 May 2014	1.51	—	1,660,000	—	—	1,660,000
	18 May 2009	18 May 2013 to 17 May 2014	1.51	—	1,680,000	—	—	1,680,000
				—	5,000,000	—	—	5,000,000
				—	11,300,000	—	—	11,300,000
Employees in aggregate	18 May 2009	18 May 2011 to 17 May 2014	1.51	—	440,000	—	—	440,000
				—	440,000	—	—	440,000
Total				—	11,740,000	—	—	11,740,000

* The vesting period of the share options is from the date of grant until the commencement of the exercise period.

** The closing price of the shares of the Company immediately before the date of grant is HK\$1.45.

*** The fair value of options granted in May 2009 determined using trinomial valuation model was approximately RMB3,788,000 (RMB0.32 per option). The significant inputs into the model were the exercise price shown above, volatility of 59.60%, dividend yield of 8.0% and annual risk-free interest rate of 1.624%. The volatility is based on 260 daily historical volatilities of the Company.



OTHER INFORMATION

DIRECTORS' INTERESTS IN THE SHARES AND UNDERLYING SHARES OF THE COMPANY AND ITS ASSOCIATED CORPORATION

As at 30 June 2009, the interests of the directors of the Company in the shares and underlying shares of the Company (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) as recorded in the register required to be kept by the Company under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") were as follows:

(1) Interests in shares of the Company

Name of director	Long/Short position	Capacity	Number of shares	Note	Percentage of the Company's issued share capital
Mr. Lam Wai Yan	Long	Interests held by a controlled corporation	256,576,000	(1)	27.77%
	Long	Interests held jointly with another person	5,373,000	(2)	0.58%
			261,949,000	—	28.35%
Mr. Ho Kam Wah	Long	Interests held by a controlled corporation	86,016,000	(3)	9.31%
	Long	Beneficial owner	1,480,000	—	0.16%
	Long	Interests of spouse	1,342,000	(4)	0.14%
			88,838,000	—	9.61%
Ms. Zhang Cong Min	Long	Beneficial owner	600,000	—	0.06%
Mr. Tsung Shih Kin, Samuel	Long	Interests held jointly with another person	200,000	(5)	0.02%

Notes:

- (1) These shares were beneficially owned by Pac Tech Investment Co. Ltd., a controlled corporation of Mr. Lam Wai Yan.
- (2) These shares were held jointly by Mr. Lam Wai Yan and his spouse, Ms. Ma Muk Lan.
- (3) These shares were beneficially owned by Treasure Field Holdings Limited, the entire issued share capital of which was owned as to 80% by Mr. Ho Kam Wah and 20% by his spouse, Ms. Yeung Yuk Chun.
- (4) Mr. Ho Kam Wah was deemed to be interested in 1,342,000 shares of the Company through the interests of his spouse, Ms. Yeung Yuk Chun.
- (5) These shares were held jointly by Mr. Tsung Shih Kin, Samuel and his spouse, Mrs. Tsung Lam Suk Yee, Fina.

OTHER INFORMATION

(2) Interests in shares of associated corporation — GZ Yingxin Computer Technology Exchange Co., Ltd. ("GZ Yingxin")

Name of director	Long/Short position	Capacity	Number of shares in GZ Yingxin	Percentage of GZ Yingxin's issued share capital
Ms. Zhang Cong Min	Long	Beneficial owner	2,280,000	40%

(3) Interests in underlying shares of the Company — physically settled unlisted equity derivatives

Name of director	Long/Short position	Capacity	Number of underlying shares in respect of the share options granted	Percentage of the underlying shares over the Company's issued share capital
Mr. Lam Wai Yan	Long	Beneficial owner	3,300,000	0.36%
Mr. Wang Da-Shin, Jeff	Long	Beneficial owner	3,000,000	0.32%
Ms. Zhang Cong Min	Long	Beneficial owner	20,876,000	2.26%
Mr. Tsung Shih Kin, Samuel	Long	Beneficial owner	3,013,000	0.32%

Note: Details of the above share options as required by the Listing Rules have been disclosed in above section headed "Share Option Schemes" and note 13 to the condensed consolidated interim financial information.

Save as disclosed above and in the above section headed "Share Option Schemes", as at 30 June 2009, none of the directors or chief executive of the Company had any interests or short positions in the shares, underlying shares or debentures of the Company or any associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he/she was deemed or taken to have under such provisions of the SFO) or which were required to be entered into the register kept by the Company pursuant to Section 352 of the SFO or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code; nor had there been any grant or exercise of rights during the period ended 30 June 2009.

OTHER INFORMATION

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN THE SHARES AND UNDERLYING SHARES OF THE COMPANY

As at 30 June 2009, the following persons (other than the directors and chief executives of the Company) had interests of 5% or more in the shares of the Company as recorded in the register required to be kept by the Company under Section 336 of the SFO:

(1) Interests in shares of the Company

Name of substantial shareholder	Long/ Short position	Capacity	Number of ordinary shares in the Company	Note	Percentage of the Company's issued share capital
Pac Tech Investment Co. Ltd.	Long	Beneficial owner	256,576,000	(1)	27.77%
Ms. Ma Muk Lan	Long	Interests of spouse	256,576,000	(2)	27.77%
	Long	Interests held jointly with another person	5,373,000	(3)	0.58%
			261,949,000	—	28.35%
Gallop Assets Management Limited	Long	Beneficial owner	225,024,000	(4)	24.36%
Mr. Wang Ko Chiang	Long	Interests held by a controlled corporation	225,024,000	(4)	24.36%
	Long	Beneficial owner	31,102,000	—	3.36%
			256,126,000	—	27.72%
Mrs. Wang Tang Shi Ming	Long	Interests of spouse	256,126,000	(5)	27.72%
Treasure Field Holdings Limited	Long	Beneficial owner	86,016,000	(6)	9.31%
Ms. Yeung Yuk Chun	Long	Interests of spouse	87,496,000	(7)	9.47%
	Long	Beneficial owner	1,342,000	—	0.14%
			88,838,000	—	9.61%

OTHER INFORMATION

Notes:

- (1) The interests of Pac Tech Investment Co. Ltd. was also disclosed as the interests of Mr. Lam Wai Yan in the above section headed "Directors' interests in the shares and underlying shares of the Company and its associated corporation".
- (2) Ms. Ma Muk Lan was deemed to be interested in 256,576,000 shares of the Company through the interests of her spouse, Mr. Lam Wai Yan.
- (3) These shares were held jointly by Ms. Ma Muk Lan and her spouse, Mr. Lam Wai Yan.
- (4) These shares were beneficially owned by Gallop Assets Management Limited, a controlled corporation of Mr. Wang Ko Chiang.
- (5) Mrs. Wang Tang Shi Ming was deemed to be interested in 256,126,000 shares of the Company through the interests of her spouse, Mr. Wang Ko Chiang.
- (6) The interests of Treasure Field Holdings Limited was also disclosed as the interests of Mr. Ho Kam Wah in the above section headed "Directors' interests in the shares and underlying shares of the Company and its associated corporation".
- (7) Ms. Yeung Yuk Chun was deemed to be interested in 87,496,000 shares of the Company through the interests of her spouse, Mr. Ho Kam Wah.

(2) Interests in underlying shares of the Company — physically settled unlisted equity derivatives

Name of Substantial Shareholder	Long/Short position	Capacity	Number of underlying shares in respect of the share options granted	Percentage of the underlying shares over the Company's issued share capital
Ms. Ma Muk Lan	Long	Interests of spouse	3,300,000	0.36%

Note: Ms. Ma Muk Lan was deemed to be interested in 3,300,000 share options of the Company through the interests of her spouse, Mr. Lam Wai Yan. Details of the above share options as required by the Listing Rules have been disclosed in above section headed "Share Option Schemes" and note 13 to the condensed consolidated interim financial information.

Save as disclosed above, as at 30 June 2009, no person, other than the directors whose interests are set out in the above section headed "Directors' interests in the shares and underlying shares of the Company and its associated corporation", had an interest or a short position in the shares and underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO.

OTHER INFORMATION

UPDATE ON DIRECTORS' INFORMATION UNDER RULE 13.51B(1) OF THE LISTING RULES

Below are the changes of directors' information since the date of the 2008 Annual Report, required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules:

- (a) Mr. Wang Da-Shin, Jeff has retired from a supervisor to the board of directors of United Microelectronics Corporation on 20 June 2009 (a company listed on the New York Stock Exchange and the Taiwan Stock Exchange).
- (b) Mr. Tsui Yiu Wa, Alec has retired from an independent non-executive director of Vertex Group Limited on 30 April 2009 (a company listed on the Hong Kong Stock Exchange) and has been appointed as an independent non-executive director of China Oilfield Services Limited on 3 June 2009 (a company listed on the Shanghai Stock Exchange and the Hong Kong Stock Exchange).
- (c) Mr. Thaddeus Thomas Beczak has resigned as an independent non-executive director of Nam Tai Electronic & Electrical Products Limited on 5 May 2009 (a company listed on the Hong Kong Stock Exchange).

EMPLOYEE AND REMUNERATION INFORMATION

As at 30 June 2009, the Group had 685 employees (31 December 2008: 674). The Group determines its staff's remuneration based on factors such as qualifications and years of experience.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted its own code of conduct regarding directors' dealings in the Company's securities (the "Own Code") on terms no less exacting than the Model Code.

Specific enquiry has been made of all the directors and the directors have confirmed that they have complied with the Own Code and the Model Code throughout the accounting period covered by the interim report.

COMPLIANCE WITH WRITTEN GUIDELINES FOR SECURITIES TRANSACTIONS BY THE RELEVANT EMPLOYEES OF THE COMPANY

The Company has established written guidelines for the relevant employees of the Company (the "Relevant Employees") in respect of their dealings in the securities of the Company (the "Written Guidelines") on terms no less exacting than the required standard set out in the Model Code. For this purpose, Relevant Employees include any employee of the Company or a director or employee of a subsidiary or holding company of the Company who, because of such office or employment, is likely to be in possession of unpublished price sensitive information in relation to the Company or its securities. No incident of non-compliance of the Written Guidelines was noted by the Company throughout the accounting period covered by the interim report.

On behalf of the Board
Lam Wai Yan
Chairman

Hong Kong, 28 August 2009