THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in doubt as to any aspect of this circular or as to the action to be taken, you should consult your stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in Pacific Online Limited, you should at once hand this circular to the purchaser or the transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or the transferee.

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PACIFIC ONLINE LIMITED
太平洋網絡有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 543)

MAJOR TRANSACTION
ACQUISITION OF PROPERTY

25 March 2010

CONTENTS

Page No.

In this circular, the following expressions shall have the meanings stated below unless the context otherwise requires:

"Acquisition"	the acquisition of the Property pursuant to the Agreement by GZP Computer from Administrative Committee of Tianhe Software Park as more particularly set out in the section headed "Information on the Acquisition and the Agreement" in this circular
"Administrative Committee of Tianhe Software Park"	廣州高新技術產業開發區天河科技園管理委員會 (Guangzhou Tianhe Software Park Administrative Committee*) as a governmental agency of People's Government of Tianhe District
"Agreement"	the agreement dated 28 January 2010 between GZP Computer and Administrative Committee of Tianhe Software Park, by which GZP Computer as the purchaser and Administrative Committee of Tianhe Software Park as the vendor agreed the terms and conditions of the Acquisition as more particularly set out in the section headed "Information on the Acquisition and the Agreement" in this circular
"Board"	the board of Directors
"Company"	Pacific Online Limited (太平洋網絡有限公司), a limited liability company incorporated in the Cayman Islands, the Shares of which are listed on the main board of the Stock Exchange
"connected person(s)"	have the meaning ascribed to it under the Listing Rules
"Director(s)"	the director(s) of the Company
"Group"	the Company and its subsidiaries from time to time
"GZP Computer"	廣州太平洋電腦信息諮詢有限公司 (Guangzhou Pacific Computer Information Consulting Co., Ltd.*), a limited liability company incorporated in the PRC and an indirect wholly-owned subsidiary of the Company, the purchaser of the Property
"HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"Hong Kong"	Hong Kong Special Administrative Region of the PRC
"Latest Practicable Date"	19 March 2010, being the latest practicable date prior to the printing of this circular for ascertaining certain information in this circular
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange

"percentage ratios"	the percentage ratios, other than the profits ratio, under Rule 14.07 of the Listing Rules
"PRC"	the People's Republic of China, for the purpose of this circular, excluding Hong Kong, the Macau Special Administrative Region and Taiwan
"Property"	the property consisting of 3 buildings with a total gross floor area of 29,730 sq. m. located at No. 115, Gaopu Road, Gaotang Software Station, Tianhe District, Guangzhou, the PRC to be acquired by GZP Computer from Administrative Committee of Tianhe Software Park pursuant to the terms and conditions of the Agreement
"Purchase Price"	the purchase price of the Property in the amount of RMB148,650,000
"RMB"	Renminbi, the lawful currency in the PRC
"SFO"	the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong
"Share(s)"	ordinary share(s) of HK$0.01 each in the capital of the Company or if there has been a subsequent sub-division, consolidation, reclassification or reconstruction of the share capital of the Company, shares forming part of the ordinary equity share capital of the Company
"Shareholder(s)"	the registered holder(s) of the Share(s)
"sq. m."	square meter
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"%"	per cent

* *for identification purpose only*

In this circular, for the purpose of illustration only, amounts quoted in RMB have been converted into HK$ at the rate of RMB1.00 to HK$1.14. Such exchange rate has been used, where applicable, for purposes of illustration only and does not constitute a representation that any amounts were or may have been exchanged at these or any other rates or at all.

PACIFIC ONLINE LIMITED
太平洋網絡有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 543)

Executive Directors:
Mr. Lam Wai Yan
(Chairman and Chief Executive Officer)
Mr. Ho Kam Wah
Mr. Wang Ta-Hsing
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

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

Principal Place of Business in Hong Kong:
Unit 807, Tower 2
Lippo Centre
89 Queensway
Hong Kong

25 March 2010

To the Shareholders

Dear Sir or Madam,

MAJOR TRANSACTION
ACQUISITION OF PROPERTY

1. INTRODUCTION

Reference is made to the Company's announcement dated 28 January 2010 in which the Board announced that on 28 January 2010, GZP Computer, an indirect wholly-owned subsidiary of the Company, and Administrative Committee of Tianhe Software Park entered into the Agreement, pursuant to which GZP Computer agreed to acquire the Property from Administrative Committee of Tianhe Software Park at the Purchase Price. The Acquisition constitutes a major transaction of the Company under Rule 14.06(3) of Listing Rules.

The purpose of this circular is to provide you with further information regarding the Acquisition.

2. INFORMATION ON THE ACQUISITION AND THE AGREEMENT

Date

28 January 2010

Parties

Purchaser: GZP Computer

Vendor: Administrative Committee of Tianhe Software Park

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, the vendor and its ultimate beneficial owner(s) are third parties independent of the Company and its connected persons.

Purchase Price

The Purchase Price for the Acquisition in the amount of RMB148,650,000 shall be satisfied by GZP Computer in cash by three instalments as follows:

(1) the first instalment in the amount of RMB44,595,000 (being 30% of Purchase Price) will be payable within 5 days upon the signing of the Agreement;

(2) the second instalment in the amount of RMB59,460,000 (being 40% of Purchase Price) will be payable within 10 days upon submission of application documents for transfer of title of the Property to GZP Computer at the relevant Administration of State Land, Resources and Housing of the PRC; and

(3) the final instalment in the amount of RMB44,595,000 (being 30% of Purchase Price) will be payable upon collection of all property title certificates by GZP Computer and delivery of all relevant documents by Administrative Committee of Tianhe Software Park in relation to the planning, land use, construction, fire prevention, of the Property.

The Purchase Price was arrived at as a result of a successful bid by GZP Computer at an open auction after the Group went through the auction process and considered the location and potential value of the Property and the average market price or assessed value of similar properties in the proximity. Based on the information currently available, the Company believes that the Purchase Price will be lower than the current market value of the properties in comparable location. On the basis set out above, the Directors consider that the Purchase Price is fair and reasonable.

The Group intends to finance the Purchase Price by its internal resources, in particular, the fund raised in the initial public offering of the Company in 2007.

Condition Precedent

The Acquisition is subject to and conditional upon the approval being obtained from the Shareholders to the entering into of and the transactions contemplated under the Agreement in compliance with the Listing Rules, whether by way of an ordinary resolution at a general meeting of the Company to be held or by way of Shareholders' written approval as permitted under the Listing Rules on or before 31 March 2010.

Completion

Subject to the Shareholders' approval to the purchase of the Property having been obtained, the delivery of the Property to the Purchaser shall take place on or before 31 March 2010, whereas completion of the purchase of the Property shall take place upon the obtaining by the Purchaser of all property title certificates in respect of the Property which is expected to take place on or before 30 June 2010.

In the event that the condition precedent has not been fulfilled on or before 31 March 2010 and/or the failure to obtain the property title certificates on or before 30 June 2010, the parties shall be entitled to terminate the Agreement, and in such event, the Acquisition shall be cancelled and all deposits (first instalment and second instalment (as the case may be)) paid shall be refunded to GZP Computer whereupon the Agreement shall be null and void and neither party shall be entitled to any claim against the other.

3. REASONS FOR THE ACQUISITION

In light of the development plan of the Group, the Board has decided to establish its headquarters, research and development center, e-business platform operation center, as well as software and services contracting center in Guangzhou, the PRC. In order to meet such development needs of the Group, it is expected to expand its operation scale of the Group with the office premises of approximately 30,000 sq. m. The Directors believe that the Acquisition, once completed, can suffice the aforesaid purposes which represents a good opportunity to expand its business for its development plan and therefore is beneficial to the Group.

The Directors, including the independent non-executive Directors, consider that the terms of the Agreement are on normal commercial terms and are fair and reasonable and the Acquisition is in the interests of the Company and the Shareholders as a whole. Accordingly, if a general meeting of the Company was convened for passing the resolution to approve the Agreement and the transactions contemplated thereunder, the Directors would recommend the Shareholders to vote in favour of such resolution.

4. INFORMATION ON THE PROPERTY

The Property is located at No. 115, Gaopu Road, Gaotang Software Park, Tianhe District, Guangzhou, the PRC, consisting of 3 commercial buildings with a maximum of four-storey in each building. The total gross floor area of the Property is approximately 29,730 sq. m. and the related land on which the Property is situated has an aggregate area of approximately 7,500 sq. m.

The Property is not subject to any tenancies and the Group intends to occupy the Property for its own business purposes. The Property is expected to be delivered to GZP Computer by 31 March 2010. After completion of the relevant procedures for transfer of title of the Property to GZP Computer, the Property will be used as the registered office and tax registration address of GZP Computer, Guangzhou Pacific Advertising Co., Ltd.* (廣州市太平洋廣告有限公司) and Guangdong Pacific Internet Information Service Co., Ltd.* (廣東太平洋互聯網信息服務有限公司). Guangzhou Pacific Advertising Co., Ltd.* is a wholly-owned subsidiary of Guangdong Pacific Internet Information Service Co., Ltd.*, both of which are effectively controlled by the Company through the contractual arrangements.

5. INFORMATION ON ADMINISTRATIVE COMMITTEE OF TIANHE SOFTWARE PARK

To the best of the Directors' knowledge, information and belief and having made all reasonable enquiries, Administrative Committee of Tianhe Software Park is a governmental agency of People's Government of Tianhe District to manage and operate state-owned assets in Gaotang Software Park, Tianhe District, Guangzhou, the PRC, and both Administrative Committee of Tianhe Software Park and People's Government of Tianhe District are third parties independent of the Company and its connected persons (as defined under the Listing Rules).

6. INFORMATION ON THE GROUP

The Group is principally engaged in provision of internet advertising services in the PRC. The Company is an investment holding company and its subsidiaries are principally engaged in provision of internet advertising services in the PRC. GZP Computer is the principal operating entity of the Group and is principally engaged in high-tech professional internet operation and content development, research and development of information technology, software development, and services contracting, etc.

7. FINANCIAL EFFECT OF THE TRANSACTION

As set out in Appendix II to this circular, RHL Appraisal Limited, an independent property valuer, currently ascribes no commercial value to the Property. RHL Appraisal Limited are of the opinion that, had the Group made payment of the Purchase Price in full and obtained all the property title certificates of the Property (including the real estate ownership certificate) which is expected to be obtained on or before 30 June 2010, the market value of the Property in its existing state as at 1 March 2010 was in the sum of RMB164,000,000. The Company proposed to move to the Property for its office on or before 31 March 2010.

On the assumption that the Acquisition will be completed on 31 March 2010 and that would be financed by the internal resources of the Company, in particular, the proceeds raised in the initial public offering of the Company in 2007, the Acquisition would result in an increase in total fixed assets of approximately RMB148,650,000. As the Company intends to use the Property as its office on or before 31 March 2010 and thus no rental income will be generated from the Property, the transaction should not have any material impact on the earnings of the Group.

8. LISTING RULES IMPLICATIONS

In respect of the Acquisition, the applicable percentage ratios, where appropriate, calculated by reference to Rule 14.07 of the Listing Rules, are 25% or more but less than 100%. Accordingly, the Acquisition constitutes a major transaction for the Company under Rule 14.06(3) of the Listing Rules and is therefore subject to the announcement and shareholders' approval requirements under Chapter 14 of the Listing Rules.

Under Rule 14.44 of the Listing Rules, Shareholders' approval for the purchase of the Property may be obtained by written Shareholders' approval without the need of convening a general meeting if (a) no Shareholder is required to abstain from voting if the Company were to convene a general meeting for the approval of the Acquisition; and (b) written approval has been obtained from a Shareholder or a closely allied group of Shareholders who together hold more than 50% in nominal value of the issued share capital of the Company giving the right to attend and vote at general meetings to approve the Acquisition.

Since no Shareholders or any of their associates (within the meaning of the Listing Rules) are required to abstain from voting if a general meeting is to be convened for the approval of the Acquisition, written shareholders' approval may be accepted for the Acquisition in lieu of holding a general meeting of the Company pursuant to Rule 14.44 of the Listing Rules. As at the Latest Practicable Date, Mr. Lam Wai Yan (the Chairman of the Group and an executive Director), Mr. Wang Ko Chiang and Mr. Ho Kam Wah (an executive Director), who have no interest in the Acquisition other than their respective interests as Shareholders, directly or indirectly, holding 262,423,000 Shares, 256,426,000 Shares and 89,138,000 Shares respectively (representing approximately 28.39%, 27.74% and 9.64% of the issued share capital of the Company). Mr. Lam Wai Yan, Mr. Wang Ko Chiang and Mr. Ho Kam Wah are the founders of the Group and have formed the closely allied group of the Shareholders, who collectively hold an aggregate of 607,987,000 Shares (representing approximately 65.77% of the issued share capital of the Company), and have given their written approval of the Acquisition. Accordingly, no general meeting of the Company will be convened for the purpose of approving the Acquisition.

9. ADDITIONAL INFORMATION

Your attention is drawn to the information set out in the appendices to this circular.

Yours faithfully,
By order of the Board
Lam Wai Yan
Chairman

* *for identification purpose only*

1. FINANCIAL SUMMARY

The following is a summary of the consolidated results of the Group for the three years ended 31 December 2008 and the consolidated balance sheets as at 31 December 2006, 2007 and 2008 as extracted from the published annual reports of the Company for the two years ended 31 December 2008, and the consolidated results of the Group for the six months ended 30 June 2008 and 2009 and the consolidated balance sheet as at 30 June 2009 as extracted from the published interim report of the Company.

For the six months ended 30 June 2009, the Group adopted the new and revised HKFRSs which are effective for accounting periods commencing on or after 1 January 2009, resulting in changes to certain accounting policies of the Group.

For the purpose of this summary, the figures for the year ended 31 December 2006, 2007 and 2008 have not been restated to reflect the changes in accounting policies. The consolidated statements of comprehensive income for the year ended 31 December 2006, 2007 and 2008 have been presented for comparison purpose.

For the six months ended 30 June 2009, the Group has adopted the new HKFRSs and the figures for the six months ended 30 June 2008 have been restated only as required under the new and revised HKFRS. These restated figures have been adopted for the purpose of this summary.

Consolidated Income Statements

	For the six months ended 30 June		For the year ended 31 December		
	2009	2008	2008	2007	2006
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	(Unaudited)	(Unaudited)	(Audited)	(Audited)	(Audited)
Revenue	141,834	129,754	324,608	236,830	170,973
Cost of revenue	(43,158)	(37,116)	(88,180)	(66,110)	(46,212)
Gross profit	98,676	92,638	236,428	170,720	124,761
Selling and marketing costs	(20,614)	(23,124)	(46,983)	(32,256)	(26,685)
Administrative expenses	(18,450)	(14,497)	(37,940)	(21,362)	(13,370)
Product development expenses	(8,353)	(6,186)	(14,048)	(2,931)	(3,742)
Operating profit	51,259	48,831	137,457	114,171	80,964
Finance income	4,386	8,697	16,885	2,482	1,071
Finance costs	(585)	(34,379)	(36,819)	(8,197)	—
Finance income/(costs) — net	3,801	(25,682)	(19,934)	(5,715)	1,071
Profit before income tax	55,060	23,149	117,523	108,456	82,035
Income tax expense	(10,689)	(14,847)	(29,242)	(17,425)	(14,836)
Profit for the period	44,371	8,302	88,281	91,031	67,199
Profit attributable to:					
Equity holders of the Company	44,371	8,302	88,281	91,031	67,199
Earnings per share for profit attributable to the equity holders of the Company					
— basic (RMB)	4.804 cents	0.874 cents	9.405 cents	11.86 cents	8.84 cents
— diluted (RMB)	4.804 cents	0.869 cents	9.403 cents	11.83 cents	8.84 cents
Dividends	—	—	64,660	70,965	92,400

Consolidated Statements of Comprehensive Income

	For the six months ended 30 June		For the year ended 31 December		
	2009	**2008**	**2008**	**2007**	**2006**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	(Unaudited)	(Unaudited)	(Audited)	(Audited)	(Audited)
Profit for the period	44,371	8,302	88,281	91,031	67,199
Other comprehensive income for the period, net of tax	—	—	—	—	—
Total comprehensive income for the period	44,371	8,302	88,281	91,031	67,199
Total comprehensive income attributable to:					
Equity holders of the Company	44,371	8,302	88,281	91,031	67,199

Consolidated Balance Sheets

	As at 30 June	As at 31 December		
	2009	2008	2007	2006
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
	(Unaudited)	(Audited)	(Audited)	(Audited)
ASSETS				
Non-current assets				
Property, plant and equipment	12,690	13,540	11,350	10,982
Intangible assets	780	947	1,585	1,299
Deferred income tax assets	2,288	2,785	2,668	2,723
	15,758	17,272	15,603	15,004
Current assets				
Derivative financial instruments	4,459	1,640	—	—
Trade and other receivables	107,412	99,726	77,701	38,155
Restricted cash	10,247	10,252	—	—
Short-term bank deposits with original terms of over three months	84,506	30,509	18,000	7,500
Cash and cash equivalents	243,112	582,854	621,057	113,437
	449,736	724,981	716,758	159,092
Total assets	465,494	742,253	732,361	174,096
EQUITY				
Capital and reserves attributable to the equity holders of the Company				
Ordinary shares	8,737	8,737	8,986	9
Reserves				
— Proposed special dividend	—	249,402	—	—
— Others	304,324	301,270	565,227	18,535
Retained earnings				
— Proposed final dividend	—	64,660	70,965	92,400
— Others	75,783	31,412	20,003	406
Total equity	388,844	655,481	665,181	111,350

	As at 30 June	As at 31 December		
	2009	**2008**	**2007**	**2006**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
	(Unaudited)	(Audited)	(Audited)	(Audited)
LIABILITIES				
Non-current liabilities				
Deferred income tax liabilities	2,184	—	—	—
Current liabilities				
Accruals and other payables	39,812	40,848	29,251	23,613
Prepaid advertising subscriptions from customers	23,190	23,322	26,946	28,780
Current income tax liabilities	11,464	22,602	10,983	10,353
	74,466	86,772	67,180	62,746
Total liabilities	76,650	86,772	67,180	62,746
Total equity and liabilities	465,494	742,253	732,361	174,096
Net current assets	375,270	638,209	649,578	96,346
Total assets less current liabilities	391,028	655,481	665,181	111,350

2. UNAUDITED INTERIM FINANCIAL STATEMENTS OF THE GROUP FOR THE SIX MONTHS ENDED 30 JUNE 2009

(Terms defined herein apply to this appendix only)

The following financial information is extracted from the interim report of the Company for the six months ended 30 June 2009 together with the unaudited comparative figures for the corresponding period in 2008.

Condensed Consolidated Interim Income Statement

		Unaudited	
		Six months ended 30 June	
		2009	**2008**
	Note	*RMB'000*	*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	—	—

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

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

	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

Condensed Consolidated Interim Statement of Changes in Equity

		Unaudited			
		Attributable to the equity holders of the Company			
		Ordinary shares	Reserves	Retained earnings	Total equity
		RMB'000	*RMB'000*	*RMB'000*	*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

Condensed Consolidated Interim Cash Flow Statement

	Unaudited	
	Six months ended 30 June	
	2009	**2008**
	RMB'000	*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

Notes to the Condensed Consolidated Interim Financial Information

1. GENERAL INFORMATION

Pacific Online Limited (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 Company and its subsidiaries (together 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).

  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, PConline (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. 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.

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.

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 represented 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.

	PConline	PCauto	All other segments	Group
	RMB'000	*RMB'000*	*RMB'000*	*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).

5. FINANCE INCOME/(COSTS) — NET

	Six months ended 30 June	
	2009	**2008**
	RMB'000	*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	**2008**
	RMB'000	*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).

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 16 March 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 1 January 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

(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 earning 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.

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

	Intra-group software sales (a)	Provision for impairment of trade receivables	Provision for tax losses	Total
	RMB'000	*RMB'000*	*RMB'000*	*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 represent originating temporary differences arising from these software sales while the charge to the consolidated income statement represents 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	As at 31 December 2008
	RMB'000	*RMB'000*
Deferred income tax liabilities:		
— Deferred income tax liabilities to be recovered within 12 months	2,184	—
	2,184	—

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	As at 31 December 2008
	RMB'000	*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	As at 31 December 2008
	RMB'000	*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

12. ACCRUALS AND OTHER PAYABLES

	As at 30 June 2009	As at 31 December 2008
	RMB'000	*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.

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.

(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

(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 (saved 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.

3. AUDITED FINANCIAL STATEMENT OF THE GROUP FOR YEAR ENDED 31 DECEMBER 2008

(Terms defined herein apply to this appendix only)

The following financial information is the relevant information extracted from the audited financial statements of the Group for the year ended 31 December as published in the 2008 annual report of the Company.

Consolidated Balance Sheet

		As at 31 December	
		2008	**2007**
	Note	*RMB'000*	*RMB'000*
ASSETS			
Non-current assets			
Property, plant and equipment	6	13,540	11,350
Intangible assets	7	947	1,585
Deferred income tax assets	9	2,785	2,668
		17,272	15,603
Current assets			
Derivative financial instrument	10	1,640	—
Trade and other receivables	11	99,726	77,701
Restricted cash	12	10,252	—
Short-term bank deposits with original terms of over three months	12	30,509	18,000
Cash and cash equivalents	12	582,854	621,057
		724,981	716,758
Total assets		742,253	732,361
EQUITY			
Capital and reserves attributable to the equity holders of the Company			
Ordinary shares	13	8,737	8,986
Reserves	14		
— Proposed special dividend	23	249,402	—
— Others		301,270	565,227
Retained earnings	15		
— Proposed final dividend	23	64,660	70,965
— Others		31,412	20,003
Total equity		655,481	665,181

		As at 31 December	
		2008	**2007**
	Note	*RMB'000*	*RMB'000*
Current liabilities			
Accruals and other payables	16	40,848	29,251
Prepaid advertising subscriptions from customers	17	23,322	26,946
Current income tax liabilities		22,602	10,983
Total current liabilities		86,772	67,180
Total equity and liabilities		742,253	732,361
Net current assets		638,209	649,578
Total assets less current liabilities		655,481	665,181

Balance Sheet

	Note	As at 31 December 2008 RMB'000	2007 RMB'000
ASSETS			
Non-current assets			
Investments in subsidiaries	8	95,815	88,286
Current assets			
Derivative financial instrument	10	1,640	—
Trade and other receivables	11	112,845	25,799
Restricted cash	12	10,252	—
Cash and cash equivalents	12	476,397	539,754
		601,134	565,553
Total assets		696,949	653,839
EQUITY			
Capital and reserves attributable to the equity holders of the Company			
Ordinary shares	13	8,737	8,986
Reserves	14		
— Proposed special dividend	23	249,402	—
— Others		358,580	634,500
Retained earnings/(Accumulated losses)	15		
— Proposed final dividend	23	64,660	70,965
— Others		6,657	(76,370)
Total equity		688,036	638,081
Current liabilities			
Accruals and other payables	16	8,913	15,758
Total current liabilities		8,913	15,758
Total equity and liabilities		696,949	653,839
Net current assets		592,221	549,795
Total assets less current liabilities		688,036	638,081

Consolidated Income Statement

		Year ended 31 December	
		2008	**2007**
	Note	*RMB'000*	*RMB'000*
Revenue	5	324,608	236,830
Cost of revenue	18	(88,180)	(66,110)
Gross profit		236,428	170,720
Selling and marketing costs	18	(46,983)	(32,256)
Administrative expenses	18	(37,940)	(21,362)
Product development expenses	18	(14,048)	(2,931)
Operating profit		137,457	114,171
Finance income	20	16,885	2,482
Finance cost	20	(36,819)	(8,197)
Finance cost — net	20	(19,934)	(5,715)
Profit before income tax		117,523	108,456
Income tax expense	21	(29,242)	(17,425)
Profit for the year		88,281	91,031
Attributable to:			
Equity holders of the Company		88,281	91,031
Earnings per share for profit attributable to the equity holders of the Company during the year			
— basic (RMB)	22	9.405 cents	11.864 cents
— diluted (RMB)	22	9.403 cents	11.829 cents
Dividends (excluding special dividend)	23	64,660	70,965

Consolidated Statement of Changes in Equity

		Attributable to the equity holders of the Company			
		Ordinary shares	**Reserves**	**Retained earnings**	**Total equity**
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
	Note	*Note 13*	*Note 14*	*Note 15*	
Balance at 1 January 2007		9	18,535	92,806	111,350
Profit for the year		—	—	91,031	91,031
Dividends paid by a subsidiary to its then equity holders	23	—	—	(92,400)	(92,400)
Disposal of subsidiaries		—	(531)	531	—
Employees' share option benefits		—	754	—	754
Issue of shares		1,797	591,282	—	593,079
Share issuance costs		—	(38,633)	—	(38,633)
Capitalisation of share premium		7,180	(7,180)	—	—
Appropriations to reserves		—	1,000	(1,000)	—
Balance at 31 December 2007		8,986	565,227	90,968	665,181
Profit for the year		—	—	88,281	88,281
Dividends paid	23	—	—	(70,965)	(70,965)
Employees' share option benefits		—	6,776	—	6,776
Repurchase of shares of the Company		(249)	(33,294)	(249)	(33,792)
Appropriations to reserves		—	11,963	(11,963)	—
Balance at 31 December 2008		8,737	550,672	96,072	655,481

Consolidated Cash Flow Statement

		Year ended 31 December	
		2008	**2007**
	Note	*RMB'000*	*RMB'000*
Cash flows from operating activities			
Cash generated from operations	24	117,600	93,419
Income tax paid		(17,740)	(16,740)
Net cash generated from operating activities		99,860	76,679
Cash flows from investing activities			
Acquisition of subsidiary, net of cash acquired		—	(599)
Purchase of property, plant and equipment		(6,107)	(3,546)
Purchase of intangible assets		(433)	(1,265)
Increase in short-term bank deposits with original terms of over three months and restricted cash		(22,761)	(10,500)
Interest received		13,807	2,482
Disposal of subsidiaries		—	(1,663)
Net cash used in investing activities		(15,494)	(15,091)
Cash flows from financing activities			
Proceeds from issuance of ordinary shares		—	582,913
Share issuance costs		—	(38,633)
Net proceeds from issuance of ordinary shares		—	544,280
Repurchase of shares of the Company		(33,792)	—
Dividends paid		(70,965)	(92,400)
Net cash (used in)/generated from financing activities		(104,757)	451,880
Net (decrease)/increase in cash and cash equivalents		(20,391)	513,468
Cash and cash equivalents at beginning of year	12	621,057	113,437
Exchange losses on cash and cash equivalents		(17,812)	(5,848)
Cash and cash equivalents at end of the year	12	582,854	621,057

Notes to the Financial Statements

1. GENERAL INFORMATION

(a) General information

Pacific Online Limited (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 Company and its subsidiaries (together the "Group") are principally engaged in the provision of internet advertising services in the People's Republic of China (the "PRC").

On 12 November 2007, the Company acquired all equity interests in Takehigh Industrial Limited ("Takehigh") from all then equity holders of Takehigh through a share swap (the "Reorganisation") and consequently became the holding company of the subsidiaries. The reorganisation has been accounted for using the principles of merger accounting, as prescribed in Hong Kong Accounting Guideline 5 "merger Accounting for Common Control Combinations" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), and accordingly the consolidated financial statements of the Group for the year ended 31 December 2007 presented the results of the Group as if the Group resulted from the Reorganisation had been in existence from the beginning of 1 January 2007.

The Company's shares have been listed on Main Board of The Stock Exchange of Hong Kong Limited ("SEHK") since the initial public offering of shares of the Company on the Main Board of SEHK on 18 December 2007 ("IPO").

These consolidated financial statements are presented in thousands of Renminbi (RMB'000), unless otherwise stated. These consolidated financial statements have been approved for issue by the Board of Directors of the Company on 30 March 2009.

(b) Operations of the online advertising business of the Group

The PRC laws and regulations limit foreign ownership of companies providing value-added telecommunications services, which include online advertising through the internet, as such the following arrangements have been made:

— *Establishment of Guangzhou Yingxin Computer Technology Exchange Co., Ltd. (*廣州英鑫電腦科技交流有限公司*, "GZ Yingxin")*

GZ Yingxin, a PRC limited liability company, was established on 25 November 2003 by Ms. Zhang Cong Min, Ms. Fan Zeng Chun and Ms. Lu Wu Qing, employees of the Takehigh Group who are PRC citizens as its legal owners (the "3 Registered Owners"). Takehigh also made loans to the 3 Registered Owners for the financing of the initial working capital of GZ Yingxin in connection with its establishment. Through the execution of various contracts and agreements (collectively defined as "Structure Contracts", see below for more details) among Takehigh and its subsidiaries (together, the "Takehigh Group"), GZ Yingxin and the 3 Registered Owners, the Takehigh Group controls GZ Yingxin. GZ Yingxin is accounted for as a subsidiary of the Takehigh Group.

— *Transfer/Acquisition of equity ownership of certain PRC operating companies to GZ Yingxin*

Through various equity transfer arrangements commenced after the establishment of GZ Yingxin, all the equity interests of two operating companies in the PRC, Guangzhou Pacific Advertising Co., Ltd. (廣州市太平洋廣告有限公司, "GZP Advertising") 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") were transferred to GZ Yingxin in or before August 2007.

Thereafter, GZ Yingxin became the holding company of GDP Internet and GZP Advertising.

— *Structure Contracts arrangements*

In addition to GZ Yingxin, Structure Contracts have also been executed among Guangzhou Pacific Computer Information Consulting Co., Ltd. (廣州太平洋電腦信息諮詢有限公司, "GZP Computer"), a subsidiary of the Takehigh Group, GDP Internet and the 3 Registered Owners. Through these contractual arrangements, the decision-making rights and operating and financing activities of GZ Yingxin and GDP Internet are ultimately controlled by Takehigh. Takehigh and GZP Computer are also entitled to substantially all the operating profits and residual benefits generated by GZ Yingxin and GDP Internet under these arrangements. In particular, the 3 Registered Owners are required under the contractual arrangements made with the Takehigh Group to transfer their interests in GZ Yingxin to the Takehigh Group or the Takehigh Group's designee upon the Takehigh Group's request at the lowest amount of consideration permitted by PRC law and upon the time when the relevant PRC law and regulations allow such to do so.

Further, the Takehigh Group owns the intellectual property developed by GDP Internet and it also receives the cash flow derived from the operations of GDP Internet and its subsidiaries through the levying of service and consultancy fees. The ownership interests in GZ Yingxin and GDP Internet have also been pledged by the 3 Registered Owners to the Takehigh Group.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of presentation

The consolidated financial statements of Pacific Online Limited have been prepared in accordance with Hong Kong Financial Reporting Standards (HKFRS). They have been prepared under the historical cost convention, as modified by the derivative financial instrument at fair value through profit or loss.

The preparation of financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements, are disclosed in Note 4.

The Group has adopted the following amendment and interpretations to the existing standards for the accounting periods commencing on or after 1 January 2008:

		Effective for annual periods beginning on or after
Amendment to HKAS 39 and HKFRS 7	Reclassification of Financial Assets	1 July 2008
HK(IFRIC) — Int 11	HKFRS 2 — Group and Treasury Share Transactions	1 March 2007
HK(IFRIC) — Int 12	Service Concession Arrangements	1 January 2008
HK(IFRIC) — Int 14	HKAS 19 — The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction	1 January 2008

The adoption of the above amendment and interpretations to the existing standards did not have any impact on the Group's financial statements and has not led to any changes in the Group's accounting policies.

The following new standards, interpretations and amendments to the existing standards have been published but have not come into effect for the financial year beginning 1 January 2008:

		Effective for annual periods beginning on or after
HKAS 1 (Revised)	Presentation of Financial Statements	1 January 2009
HKAS 23 (Revised)	Borrowing Costs	1 January 2009
HKAS 27 (Revised)	Consolidated and Separate Financial Statements	1 July 2009
Amendment to HKAS 32 and HKAS 1	Puttable Financial Instruments and Obligations Arising on Liquidation	1 January 2009
Amendment to HKAS 39	Amendment to HKAS 39 'Financial Instruments: Recognition and Measurement' — Eligible Hedged Items	1 July 2009
Amendment to HKFRS 1 and HKAS 27	Amendments to HKFRS 1 'First Time Adoption of HKFRS' and HKAS 27 'Consolidated and Separate Financial Statements' — Cost of Investments In Subsidiaries, Jointly Controlled Entities and Associates	1 July 2009
Amendment to HKFRS 2	Share-Based Payment Vesting Conditions and Cancellations	1 January 2009
HKFRS 3 (Revised)	Business Combinations	1 July 2009
HKFRS 8	Operating Segments	1 January 2009
HK(IFRIC) — Int 16	Hedges of a Net Investment in a Foreign Operation	1 October 2008
HK(IFRIC) — Int 17	Distributions of Non-Cash Assets to Owners	1 July 2009

The Group has not early adopted any of the above new standards, interpretations and amendments to the existing standards. Management is in the process of making an assessment of their impact and is not yet in a position to state what impact they would have on the Group's results of operations and financial positions.

2.2 Consolidation

The consolidated financial statements include the financial statements of the Company and all of its subsidiaries made up to 31 December.

Subsidiaries

Subsidiaries are all entities (including special purpose entities) over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

Except for the Reorganisation as set out in Note 1(a), the purchase method of accounting is used to account for the acquisition of subsidiaries by the Group. The cost of an acquisition is measured at the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the consolidated income statement.

The directors of the Company have concluded that it is appropriate to include GZ Yingxin Group in its consolidated financial statements, notwithstanding the lack of share ownership, because in substance the contractual arrangements described in Note 1(b) above give Takehigh control over GZ Yingxin and GDP Internet by way of controlling the operational and financial decisions of the GZ Yingxin Group.

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated. Accounting policies of subsidiaries have been changed where necessary in the consolidated financial statements to ensure consistency with the policies adopted by the Group.

In the Company's balance sheet, the investments in subsidiaries are stated at cost less provision for impairment losses (Note 2.7). Expenses relating to share options granted by the Company to certain directors and employees working for subsidiaries of the Group is recognised as deemed investments in subsidiaries. The results of subsidiaries are accounted by the Company on the basis of dividend received and receivable.

2.3 Segment reporting

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different from those of other business segments. A geographical segment is engaged in providing products or services within a particular economic environment that are subject to risks and returns that are different from those of segments operating in other economic environments.

2.4 Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the 'functional currency'). The consolidated financial statements are presented in RMB, which is the Company's functional and the Group's presentation currency.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the consolidated income statement within 'finance income or cost', except when deferred in equity as qualifying cash flow hedges or qualifying net investment hedges.

(c) Group companies

The results and financial position of all the group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;
- income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and
- all resulting exchange differences are recognised as a separate component of equity.

On consolidation, exchange differences arising from the translation of the net investment in foreign operations are taken to shareholders' equity. When a foreign operation is partially disposed of or sold, exchange differences that were recorded in equity are recognised in the consolidated income statement as part of the gain or loss on sale.

2.5 Property, plant and equipment

Property, plant and equipment are stated at historical cost less accumulated depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Depreciation on property, plant and equipment is calculated using the straight-line method to allocate their costs to their residual values over their estimated useful lives, as follows:

Computers and servers	3–5 years
Motor vehicles	5 years
Furniture, fittings and equipment	5 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 2.7).

Gains and losses on disposals are determined by comparing proceeds with the carrying amount and are recognised within administrative expenses, in the consolidated income statement.

2.6 Intangible assets

Costs associated with development and maintaining computer software programmes are recognised as an expense as incurred.

Acquired computer software licenses are capitalised on the basis of costs incurred to acquire and bring to use the specific software. These costs are amortised over their estimated useful lives of 2 to 5 years.

2.7 Impairment of investments in subsidiaries and non-financial assets

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

2.8 Derivative financial instruments

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured at their fair value. The Group's derivative instrument does not qualify for hedge accounting, and is accounted for at fair value through profit and loss. Changes in the fair value of these derivative instruments are recognised immediately in the consolidated income statement within 'financial income and costs'.

2.9 Trade and other receivables

Trade and other receivable are recognised initially at fair value, generally equivalent to the original invoice amounts, and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of trade and other receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the trade receivable is impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The carrying amount of the assets is reduced through the use of an allowance account, and the amount of the loss is recognised in the consolidated income statement within 'administrative expenses'. When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited against 'administrative expenses' in the consolidated income statement.

2.10 Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks, and other short-term highly liquid investments with original maturities of three months or less.

2.11 Share capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Where any group company purchases the Company's equity share capital (treasury shares), the consideration paid, including any directly attributable incremental costs (net of income taxes) is deducted from equity attributable to the Company's equity holders until the shares are cancelled or reissued. Where such shares are subsequently reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to the Company's equity holders.

2.12 Accruals and other payables

Accruals and other payables are recognised initially at fair value and subsequently measured at amortized cost using the effective interest method unless the effect of discounting would be immaterial, in which case they are stated at cost.

2.13 Current and deferred income tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in the consolidated income statement, except to the extent that it relates to items recognised directly in equity. In this case, the tax is also recognised in equity.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

2.14 Employee benefits

(a) Pension obligations

The group companies incorporated in the PRC contributes based on certain percentage of the salaries of the employees to a defined contribution retirement benefit plan organised by relevant government authorities in the PRC on a monthly basis. The government authorities undertake to assume the retirement benefit obligations payable to all existing and future retired employees under these plans and the Group has no further obligation for post-retirement benefits beyond the contributions made.

The group companies incorporated in Hong Kong operate a defined contribution plan, the assets of which are generally held in a separate trustee-administered fund. These group companies pay fixed contribution into such defined contribution plan and have no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee services in the current and prior periods.

Contributions to these defined contributions plans are expensed as incurred.

(b) Housing benefits

Full-time PRC employees of the Group are entitled to participate in government-sponsored housing funds. The Group contributes to these funds based on certain percentages of the salaries of these employees on a monthly basis. The Group's liability in respect of these funds is limited to the contribution payable in each period. Contributions to the housing funds are expensed as incurred.

(c) Share-based compensation

The Group operates an equity-settled, share-based compensation plan, under which the entity receives services from employees as consideration for equity instruments (options) of the Group. The fair value of the employee services received in exchange for the grant of the options is recognised as an expense. The total amount to be expensed is determined by reference to the fair value of the options granted, excluding the impact of any non-market service and performance vesting conditions (for example remaining an employee of the entity over a specified time period). Non-market vesting conditions are included in assumptions about the number of options that are expected to vest. The total amount expensed is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied. At each balance sheet date, the entity revises its estimates of the number of options that are expected to vest based on the non-marketing vesting conditions. It recognises the impact of the revision of original estimates, if any, in the consolidated income statement with a corresponding adjustment to equity.

The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium when the options are exercised.

2.15 Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the provision of services in the ordinary course of the Group's activities. Revenue is shown after eliminating sales within the Group.

The Group recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and specific criteria have been met for each of the Group's activities as described below. The amount of revenue is not considered to be reliably measurable until all contingencies relating to the sale have been resolved. The Group bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

(a) Online advertising revenues

The Group derives its online advertising services revenues from placing online advertisements such as banners, links and logos on the Group's websites in the PRC for its customers.

Revenues from online advertisements are derived from written contracts with customers that include the related fee, payment terms and provide persuasive evidence of the arrangement. The majority of the online advertising contracts are for the provision of online advertisement for a fixed period of time with no guaranteed minimum impression level. Revenues from these contracts are recognised based on the time period the advertisement is displayed. In all contracts, there are no future obligations after the completion of the contract and no rights of refund related to the impression levels.

(b) Interest income

Interest income is recognised on a time-proportion basis using the effective interest method. When a receivable is impaired, the Group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income on impaired loans is recognised using the original effective interest rate.

2.16 Operating leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease.

2.17 Dividend distribution

Dividend distribution to the Company's equity holders is recognised as a liability in the Group's financial statements in the period in which the dividends are approved by the Company's equity holders.

3. FINANCIAL RISK MANAGEMENT

(a) Financial risk factors

The Group's activities expose it to a variety of financial risks: currency risk, credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

(i) Foreign exchange risk

The Group mainly operates in the PRC and most of the Group's transactions, assets and liabilities are denominated in RMB, which is the Group's functional currency. As at 31 December 2008, the non-RMB assets of the Group are mainly cash proceeds from the listing of shares of the Company on SEHK in December 2007.

The directors of the Company have used forward exchange contracts to control such risk. During 2008, the Company entered into foreign exchange forward contracts for buying RMB140,860,000 by selling US$ in one year's time in order to control the exposure to foreign exchange fluctuations between RMB and US$ related to a settlement currency amount of US$20 million.

At 31 December 2008, the exchange rate of RMB to HK$ and US$ were 0.8819 and 6.8346, respectively. If RMB had strengthened by 0.5% against the HK$/US$ with all other variables held constant, post tax profit for the year would have been RMB3,120,000 (2007: RMB2,878,000) lower, mainly as a result of net foreign exchange losses on HK$/US$ denominated cash at bank, other receivables and foreign exchange contracts as at 31 December 2008.

(ii) Credit risk

The Group is exposed to credit risk in relation to its cash and cash equivalent, deposits (including restricted cash) with banks and financial institution, derivative financial instruments, as well as accounts and other receivables.

The carrying amounts of cash and cash equivalents, restricted cash, short-term deposits with original terms of over three months, and accounts and other receivables represent the Group's maximum exposure to credit risk in relation to financial assets. To manage this risk, deposits are mainly placed with state-owned financial institutions in the PRC and international high credit quality financial institutions outside the PRC. There was no recent history of default of cash and cash equivalents, restricted cash and term deposits with original terms of over three months from these financial institutions.

For accounts receivable, as mentioned in Note 2.15(a), a material portion of online advertising services revenues were derived from advertising agents. If they experience financial difficulties in paying us, the Group's online advertising services might be adversely affected in terms of recoverability of receivables.

However, in view of the Group's history of cooperation with the advertising agents and the sound collection history of the receivables due from them, management believes that there is no material credit risk inherent in the Group's outstanding accounts receivable balances.

The Group's historical experience in collection of trade and other receivables falls within the recorded allowances.

(iii) Liquidity risk

The Group aims to finance its operations with its own capital and earnings and did not have any borrowings or credit facilities committed/utilised during the year ended 31 December 2008. Management considers that the Group does not have significant liquidity risk. As at the balance sheet date, other payables of the Group were all due for settlement contractually within one year.

(b) Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

(c) Fair value estimation

The fair value of financial instruments traded in active markets (such as forward foreign exchange contracts) is based on quoted market prices at the balance sheet date. The quoted market price used for financial assets held by the Group is the current bid price.

The carrying amounts of the Group's financial assets (including cash at banks, bank deposits in approved financial institutions and trade and other receivables); and financial liabilities (including accruals and other payables), approximate their fair values due to their short maturities. The face values less any estimated credit adjustments for financial assets and liabilities with a maturity of less than one year are assumed to approximate their fair values.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

Estimates and judgements are continually evaluated and are based on historical experiences and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(a) Estimated impairment of receivables

The Group records impairment of receivables based on an assessment of the recoverability of trade and other receivables. Provisions are applied to trade and other receivables where events or changes in circumstances indicate that the balances may not be collectible. Impairment assessment requires the use of judgment and estimates.

Where the expectation is different from the original estimate, such difference will impact carrying value of trade and other receivables and impairment charges in the period in which such estimate has been changed.

(b) Recognition of deferred tax assets

Deferred tax assets are recognized for all temporary differences, unrealised intragroup software sales profit, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available in the future against which the temporary differences, the carry forward of unused tax credits and unused tax losses could be utilized. Deferred income tax is determined using tax rates and laws that have been enacted or substantially enacted at the balance sheet date and which are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled. The directors consider that there would be adequate taxable profits to be generated in the future in order to utilise these deferred tax assets recognised.

5. SEGMENT INFORMATION

The Group is principally engaged in one business segment, the provision of internet advertising services for different commodities. All of the Group's revenue is generated from customers in the PRC. Therefore, no business segment or geographical segment is presented.

6. PROPERTY, PLANT AND EQUIPMENT — GROUP

	Computers and servers	Motor vehicles	Furniture, fittings and equipment	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2007				
Cost	15,949	425	3,253	19,627
Accumulated depreciation	(6,933)	(197)	(1,515)	(8,645)
Net book amount	9,016	228	1,738	10,982
Year ended 31 December 2007				
Opening net book amount	9,016	228	1,738	10,982
Additions	2,594	—	952	3,546
Disposals	(19)	—	(132)	(151)
Depreciation *(Note 18)*	(2,483)	(69)	(475)	(3,027)
Closing net book amount	9,108	159	2,083	11,350
At 31 December 2007				
Cost	18,352	425	3,678	22,455
Accumulated depreciation	(9,244)	(266)	(1,595)	(11,105)
Net book amount	9,108	159	2,083	11,350
Year ended 31 December 2008				
Opening net book amount	9,108	159	2,083	11,350
Additions	5,267	—	840	6,107
Disposals	(82)	—	(39)	(121)
Depreciation *(Note 18)*	(3,148)	(48)	(600)	(3,796)
Closing net book amount	11,145	111	2,284	13,540
At 31 December 2008				
Cost	21,044	425	4,214	25,683
Accumulated depreciation	(9,899)	(314)	(1,930)	(12,143)
Net book amount	11,145	111	2,284	13,540

Depreciation expense has been charged to the consolidated income statement as follows:

	2008	2007
	RMB'000	*RMB'000*
Cost of revenue	3,590	2,515
Selling and marketing costs	89	111
Administrative expenses	117	401
	3,796	3,027

7. INTANGIBLE ASSETS — GROUP

Intangible assets represent externally acquired computer software. Movements in intangible assets are as follows:

	2008	2007
	RMB'000	*RMB'000*
Cost	7,360	6,927
Accumulated amortisation	(6,413)	(5,342)
Net book amount	947	1,585
Opening net book amount	1,585	1,299
Additions	433	1,265
Amortisation charge *(Note 18)*	(1,071)	(979)
Closing net book amount	947	1,585

Amortisation has been charged to the consolidated income statement as follows:

	2008	2007
	RMB'000	*RMB'000*
Cost of revenue	671	905
Selling and marketing costs	97	57
Administrative expenses	303	17
	1,071	979

8. INVESTMENTS IN SUBSIDIARIES — COMPANY

	2008	2007
	RMB'000	*RMB'000*
Investments, at cost:		
Unlisted shares (a)	95,815	88,286

The following is a list of the principal subsidiaries at 31 December 2008:

Name	Place and date of incorporation and kind of legal entity	Principal activities and place of operation	Particulars of issued share capital or registered capital	Interest held
Takehigh	Hong Kong, 27 May 1993, limited liability company	Investment holding in Hong Kong	HK$11,875	*100%
Pacific E-Commerce Limited	Hong Kong, 10 October 2003, limited liability company	Investment holding in Hong Kong	HK$2	*100%
Joylock Limited ("Joylock") (b)	Cayman Island, 28 May 2008, limited liability company	Not yet commenced formal operations	US$1	*100%
GZP Computer	The PRC, 7 November 1997, foreign investment enterprise	Information technology and software development and provision of computer information consultancy services in the PRC	RMB80,000,000	100%
GZ Yingxin (c)	The PRC, 25 November 2003, limited liability company	Provision of computer technology services in the PRC	RMB5,700,000	100%
GDP Internet (c)	The PRC, 27 November 2002, limited liability company	Provision of online advertising services in the PRC	RMB10,000,000	100%
GZP Advertising (c)	The PRC, 24 March 1998, limited liability company	Provision of advertising services in the PRC	RMB500,000	100%
Shanghai Pan-Pacific Information Technology Co., Ltd. (上海環宇太平洋信息科技有限公司)	The PRC, 29 December 2006, foreign investment enterprise	Not yet commenced formal operations	US$140,000	100%
Shanghai Huanyu Pacific Network and Technology Consulting Co., Ltd. (上海環宇太平洋網路科技諮詢有限公司, "Shanghai Huanyu") (c)	The PRC, 18 January 2007, limited liability company	E-commerce	RMB1,000,000	100%

* *Shares held directly by the Company*

(a) The increase in 2008 represents the recognition of expenses relating to share options, granted by the Company to certain directors and employees working for subsidiaries of the Group, as deemed investments made by the Company in these subsidiaries.

(b) Acquisition of Joylock

On 28 July 2008, the Group acquired 100% equity interests of Joylock from an agency Golden China Consultant Limited at an aggregate consideration of US$1 (equivalent to RMB7). The amount forms the paid up capital of Joylock. There were no assets nor liabilities as of the date of acquisition since Joylock was a newly incorporated company. It had not commenced its formal operations as at 31 December 2008.

(c) As described in Note 1(b), GZ Yingxin, GDP Internet, GZP Advertising and Shanghai Huanyu (acquired by GDP Internet in August 2007) are non-legally owned subsidiaries of the Company. They are owned by three PRC citizens. The Group obtains control of GZ Yingxin and GDP Internet (which in turn holds 100% interest in GZP Advertising and Shanghai Huanyu) by way of certain contractual arrangements and are entitled to substantially all of the operating profits and residual benefits generated by GZ Yingxin Group.

9. DEFERRED INCOME TAX ASSETS — GROUP

Deferred income taxes are calculated in full on temporary differences under the liability method using the tax rates of 15% or 25% (2007: 25%) which are expected to apply to the period when the assets are realised.

	2008	**2007**
	RMB'000	*RMB'000*
Deferred tax assets:		
— Deferred tax asset to be recovered after more than 12 months	2,118	548
— Deferred tax asset to be recovered within 12 months	667	2,120
	2,785	2,668

The movement in deferred tax assets during the year is as follows:

	Intra-group software sales (a)	**Provision for impairment of trade receivables**	**Provision for tax losses**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2007	2,129	594	—	2,723
(Charged)/credited to the income statement	(227)	(75)	247	(55)
At 31 December 2007	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

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

10. DERIVATIVE FINANCIAL INSTRUMENT — GROUP AND COMPANY

	Group		Company	
	2008	2007	2008	2007
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Forward foreign exchange contracts	1,640	—	1,640	—

The notional principal amounts of the outstanding forward foreign exchange contracts at 31 December 2008 are RMB140,860,000 (2007: Nil).

11. TRADE AND OTHER RECEIVABLES — GROUP AND COMPANY

	Group		Company	
	2008	2007	2008	2007
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade receivables, net of impairment provision (a)	96,267	49,662	—	—
Amount due from BNP Paribas Capital (Asia Pacific) Limited ("BNP Paribas Capital") (b)	—	25,166	—	25,166
Receivables from related parties *(Note 26(d))*	423	242	—	—
Other receivables (c)	3,036	2,631	112,845	633
	99,726	77,701	112,845	25,799
Denominated in				
— RMB	98,137	52,535	102,000	633
— US$	1,325	—	1,325	—
— HK$	264	25,166	9,520	25,166
	99,726	77,701	112,845	25,799

(a) Trade receivables — Group

Credit terms granted to customers by the Group are generally within six months. At 31 December 2008, the ageing analysis of the trade receivables (net of impairment provision of approximately RMB6,070,000) was as follows:

	Group	
	2008	2007
	RMB'000	*RMB'000*
Current to 6 months	82,191	44,120
6 months to 1 year	12,197	3,542
1 year to 2 years	1,879	1,894
Over 2 years	—	106
	96,267	49,662

As of 31 December 2008, trade receivables of RMB11,996,000 (2007: RMB5,535,000) were past due but not impaired. These relate to a number of independent customers with no history of credit default and they are in continuous business with the Group. The ageing analysis of these trade receivables was as follows:

	Group	
	2008	2007
	RMB'000	*RMB'000*
Current to 6 months	6,054	2,495
6 months to 1 year	4,063	1,040
1 year to 2 years	1,879	1,894
Over 2 years	—	106
	11,996	5,535

(b) Amount due from BNP Paribas Capital — Group and Company

The amount represented a portion of the listing proceeds due from BNP Paribas Capital, which was the sponsor of the IPO. The amount had been fully received by the Group in May 2008.

(c) Other receivables — Group and Company

Other receivables of the Group mainly represented petty cash advance made to employees, prepaid operating rental and telecommunication fees and interest receivables from bank deposits.

Other receivables of the Company mainly represented proposed dividend of RMB102,000,000 due from a subsidiary.

12. CASH AND CASH EQUIVALENTS, SHORT-TERM BANK DEPOSITS WITH ORIGINAL TERMS OF OVER THREE MONTHS AND RESTRICTED CASH — GROUP AND COMPANY

	Group		Company	
	2008	2007	2008	2007
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Cash at bank and on hand	71,976	53,103	13,065	539,754
Short-term bank deposits	541,387	585,954	463,332	—
Restricted Cash (a)	10,252	—	10,252	—
	623,615	639,057	486,649	539,754
Less:				
Short-term bank deposits with original terms of over three months	(30,509)	(18,000)	—	—
Restricted cash	(10,252)	—	(10,252)	—
	(40,761)	(18,000)	(10,252)	—
Cash and cash equivalents	582,854	621,057	476,397	539,754

(a) The restricted cash was held in bank accounts as guarantee deposits for forward contracts transaction.

An analysis of the cash and cash equivalents, short-term bank deposits with original terms of over three months and restricted cash as at 31 December 2008 denominated in different currency is as follows:

	Group		Company	
	2008	**2007**	**2008**	**2007**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
— RMB	115,844	88,350	—	—
— HK$	75,408	550,707	74,790	539,754
— US$	432,363	—	411,859	—
	623,615	639,057	486,649	539,754

RMB is not a freely convertible currency and the remittance of funds out of the PRC is subject to the exchange restrictions imposed by the PRC Government.

As at 31 December 2008, the maximum exposure of cash and cash equivalents, short-term bank deposits with original terms of over three months and restricted cash to credit risk of the Group and the Company was RMB623,615,000 (2007: RMB639,057,000) and RMB486,649,000 (2007: RMB539,754,000), respectively.

The weighted average effective interest rate on short-term bank deposits with original terms of over three months of the Group was 3.90% as at 31 December 2008 (2007: 3.54%). The weighted average effective interest rate of the remaining short-term bank deposits of the Group was 3.16% as at 31 December 2008 (2007: 3.35%).

The table below shows the bank deposits balance placed with major counterparties of the Group as at 31 December 2008.

	2008	**2007**
	RMB'000	*RMB'000*
Counterparties		
Listed banks		
— BNP Paribas	416,588	539,754
— Wing Hang Bank	70,677	10,953
— China Construction Bank	60,284	1,587
— Bank of China	36,939	33,195
— Bank of East Asia	20,267	—
— China Merchants Bank	17,267	20,536
— Industrial and Commercial Bank of China	38	142
Total listed banks	622,060	606,167
Non-listed banks		
— Bank of Shanghai	1,411	1,437
— Guangzhou Commercial Bank	—	31,230
Total non-listed banks	1,411	32,667
	623,471	638,834

The remaining balance of the cash and cash equivalents as at 31 December 2008 represents cash on hand (2007: same).

Management did not expect any losses from non-performance by these counterparties.

13. ORDINARY SHARES — GROUP AND COMPANY

	Authorised ordinary shares		
	Number of shares *'000*	*HK$'000*	*RMB'000*
At 31 December 2007 and 2008 (a)	100,000,000	1,000,000	969,200

	Issued and fully paid up		
	Number of shares *'000*	*HK$'000*	*RMB'000*
At 31 December 2007	950,000	9,500	8,986
Repurchase of shares of the Company (b)	(26,290)	(263)	(249)
At 31 December 2008	923,710	9,237	8,737

(a) The total authorised number of ordinary shares as at 31 December 2008 is 100,000,000,000 shares (2007: 100,000,000,000 shares) with a par value of HK$0.01 per share (2007: HK$0.01 per share). All issued shares are fully paid.

(b) The Company repurchased 26,290,000 of its own ordinary shares during the year ended 31 December 2008. The total purchased consideration was approximately HK$38,620,000 (equivalent to RMB33,792,000). The nominal value of these shares of HK$263,000 (equivalent to RMB249,000) had been credited to capital redemption reserve. The nominal value of these shares of RMB249,000 and the premium paid for such purchases of approximately RMB33,543,000 were paid out of the Company's retained earnings and share premium, respectively. The shares were cancelled right after the repurchase.

14. RESERVES — GROUP AND COMPANY

Group

	Share premium *RMB'000*	Merger reserve *RMB'000*	Capital redemption reserve *RMB'000*	Share option reserves *RMB'000* *note (a)*	Statutory reserve funds *RMB'000* *note (b)*	Total *RMB'000*
At 1 January 2007	15,000	4	—	—	3,531	18,535
Disposal of subsidiaries	—	—	—	—	(531)	(531)
Employee share option benefits	—	—	—	754	—	754
Issue of shares pursuant to the IPO	591,282	—	—	—	—	591,282
Share issuance costs	(38,633)	—	—	—	—	(38,633)
Capitalisation of share premium	(7,180)	—	—	—	—	(7,180)
Appropriations	—	—	—	—	1,000	1,000
At 31 December 2007	560,469	4	—	754	4,000	565,227
Employee share option benefits	—	—	—	6,776	—	6,776
Repurchase of shares of the Company *(Note 13(b))*	(33,543)	—	249	—	—	(33,294)
Appropriations	—	—	—	—	11,963	11,963
At 31 December 2008	526,926	4	249	7,530	15,963	550,672
Representing:						
Proposed special dividends *(Note 23)*	249,402	—	—	—	—	249,402
Others	277,524	4	249	7,530	15,963	301,270
At 31 December 2008	526,926	4	249	7,530	15,963	550,672

Company

	Share premium *RMB'000*	Capital redemption reserve *RMB'000*	Share option reserves *RMB'000* *note (a)*	Contributed surplus *RMB'000*	Total *RMB'000*
At 1 January 2007	—	—	—	—	—
Employee share option benefits	—	—	754	—	754
Issue of shares pursuant to the IPO	591,282	—	—	—	591,282
Share issue costs	(38,633)	—	—	—	(38,633)
Capitalisation of share premium	(7,180)	—	—	—	(7,180)
Effect of the Reorganisation	—	—	—	88,277	88,277
At 31 December 2007	545,469	—	754	88,277	634,500
Employee share option benefits	—	—	6,776	—	6,776
Repurchase of shares of the Company *(Note 13(b))*	(33,543)	249	—	—	(33,294)
At 31 December 2008	511,926	249	7,530	88,277	607,982
Representing:					
Proposed special dividends *(Note 23)*	249,402	—	—	—	249,402
Others	262,524	249	7,530	88,277	358,580
At 31 December 2008	511,926	249	7,530	88,277	607,982

(a) Share options reserves

Pre-IPO Share Option Plan

On 23 November 2007, the Company granted share options to selected directors and selected employees under a Pre-IPO Share Option Plan, under which the option holders are entitled to acquire an aggregate of 49,929,000 shares of the Company. All the options under the Pre-IPO Share Option Plan 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.

Options granted under the Pre-IPO Share Option Plan can only be exercised in the following manner:

	Exercise Period	Subscription Price *HK$*
1st phase options	From 23 November 2009 to 22 November 2017	1.52
2nd phase options	From 23 November 2010 to 22 November 2017	1.97
3rd phase options	From 23 November 2011 to 22 November 2017	2.27

Movements in the number of share options outstanding:

	2008 Options *(thousands)*	2007 Options *(thousands)*
At 1 January	49,929	—
Granted	—	49,929
Forfeited	(3,723)	—
At 31 December	46,206	49,929

The fair value of options granted in 2007 determined using the Binomial valuation model was approximately RMB20 million (RMB0.40 per option). The significant inputs into the model were the expected Price to Earnings ratio of 20, at the grant date, the exercise price shown above, volatility of 43.01%, dividend yield of 2.5% and on annual risk-free interest rate of 4.489%. The volatility measured at the standard deviation of continuously compounded share returns is based on statistical analysis of daily share prices over the last three years. See Note 19 for the total expense recognised in the consolidated income statement for share options granted to directors and employees.

RMB7,530,000 had been taken to share option reserve as at 31 December 2008 (2007: RMB754,000).

Post-IPO Share Option Plan

Pursuant to a shareholders' resolution passed on 23 November 2007, the Company also 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.

The total number of shares in respect of which options may be granted under the Post IPO Scheme is not permitted to in aggregate exceed 95,000,000 shares of the Company, without prior approval from the Company's shareholders. The number of shares issued and to be issued in respect of which options granted and may be granted to any individual in any one year is not permitted to exceed 1% of the shares of the Company in issue at any point in time, without prior approval from the Company's shareholders. Options granted to independent non-executive directors and substantial shareholders of the Company in excess of 0.1% of the Company's share capital or with a value in excess of HK$5 million must be approved in advance by the Company's shareholders.

No consideration is payable upon the grant of an option. Options may be exercised at any time during the option period, which should not be more than 10 years from the date of grant. The exercise price is determined by the directors of the Company, and will not be less than the higher of (i) the closing price of the Company's shares on the date of grant; (ii) the average closing price of the share for the five business dates immediately preceding the date of grant; and (iii) the nominal value of the Company's shares.

Since the adoption of the Post IPO Scheme and up to 31 December 2008, no options had been granted.

(b) Statutory reserve funds

In accordance with the Companies Laws of the PRC and the provisions of the articles of association of subsidiaries with limited liabilities in the PRC, appropriation of net profits (after offsetting accumulated losses from prior years) should be made by these companies to their respective Statutory Surplus Reserve Funds and the Discretionary Reserve Funds before distributions are made to the owners. The percentage of appropriation to Statutory Surplus Reserve Fund is 10%. The amount to be transferred to the Discretionary Reserve Fund is determined by the equity owners meetings of these companies. When the balance of the Statutory Surplus Reserve Fund reaches 50% of the registered capital, such transfer needs not be made. Both the Statutory Surplus Reserve Fund and Discretionary Reserves Fund can be capitalised as capital of an enterprise, provided that the remaining Statutory Surplus Reserve Fund shall not be less than 25% of the registered capital.

In addition, in accordance with the Law of the PRC on Enterprises with Foreign Investments and the provisions of the articles of association of wholly owned foreign subsidiary in the PRC, appropriation from net profit (after offsetting accumulated losses brought forward from prior years) should be made by these companies to their respective Reserve Funds. The percentage of net profit to be appropriated to the Reserve Fund is not less than 10% of the net profit. When the balance of the Reserve Fund reaches 50% of the registered capital, such transfer needs not be made.

15. RETAINED EARNINGS/(ACCUMULATED LOSSES)

	Group		Company	
	2008	**2007**	**2008**	**2007**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January	90,968	92,806	(5,405)	—
Profit/(loss) for the year	88,281	91,031	147,936	(5,405)
Dividends paid to the Company's shareholders	(70,965)	—	(70,965)	—
Dividends paid by a subsidiary to its then equity holders	—	(92,400)	—	—
Disposal of subsidiaries	—	531	—	—
Repurchase of shares of the Company *(Note 13(b))*	(249)	—	(249)	—
Appropriations to reserves *(Note 14(b))*	(11,963)	(1,000)	—	—
At 31 December	96,072	90,968	71,317	(5,405)

The profit attributable to equity holders of the Company is dealt within the financial statements of the Company to the extent of RMB147,936,000 (2007: loss of RMB5,405,000).

16. ACCRUALS AND OTHER PAYABLES — GROUP AND COMPANY

	Group		Company	
	2008	**2007**	**2008**	**2007**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Salary payables	11,555	9,223	30	38
Accrued expenses (a)	20,040	13,740	—	—
Other payables (b)	9,253	6,288	881	—
Amounts due to subsidiaries (c)	—	—	8,002	15,720
	40,848	29,251	8,913	15,758

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

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

(c) The amounts due to subsidiaries are unsecured, interest free and are repayable on demand.

17. PREPAID ADVERTISING SUBSCRIPTIONS FROM CUSTOMERS — GROUP

Prepaid advertising subscriptions from customers represent subscription fees paid by customers in advance for online advertising services not yet rendered by the Group at the balance sheet date. Upon commencement of the delivery of services, the balances are then transferred to revenue based on the time period of the respective online advertisements displayed by the Group.

18. EXPENSES BY NATURE

Expenses included in cost of revenue, selling and marketing costs, administrative expenses and product development expenses were analysed as follows:

	Year ended 31 December	
	2008	**2007**
	RMB'000	*RMB'000*
Employee benefit expenses *(Note 19)*	79,028	52,036
Business tax	32,126	21,828
Sales commission	23,119	12,938
Rental expenses	13,034	10,837
Advertising expenses	13,562	7,782
Depreciation and amortisation expenses *(Notes 6 and 7)*	4,867	4,006
Auditors' remuneration	3,480	3,050
Conference and office expenses	3,279	2,660
Travelling expenses	2,899	2,256
Professional fees	3,160	967
Technical consultancy fees *(Note 26(b)(ii))*	—	591
Provision for impairment of receivables	4,362	417
Utilities and energy costs	360	253
Other expenses	3,875	3,038
Total cost of revenue, selling and marketing costs, administrative expenses and product development expenses	187,151	122,659

19. EMPLOYEE BENEFIT EXPENSES

	2008	2007
	RMB'000	*RMB'000*
Wages, salaries and bonuses	62,198	44,438
Share options granted to directors and employees *(Note 14 (a))*	6,776	754
Social security contributions	3,473	2,111
Contributions to pension schemes (a)	4,293	3,267
Contributions to housing fund	2,288	1,466
	79,028	52,036

(a) Pensions scheme — defined contribution plans

The employees of the Group participate in defined contribution retirement schemes based on laws and regulations in the PRC. Each employee covered by these schemes is entitled to, after their retirement from the Group, a monthly pension as determined by these schemes. The local government authorities of the PRC are responsible for the pension liabilities to these retired employees. The Group made monthly contributions to the retirement schemes at rates ranging from 12% to 22% of the basic salaries of employees during the year ended 31 December 2008.

The Group has arranged for its Hong Kong employees to join the mandatory provident scheme (the "MPF Scheme"). Under the MPF Scheme, each company of the Group in Hong Kong (the employer) and its employees make monthly contributions to the scheme at 5% of the employees' earnings as defined under the Mandatory Provident Fund legislation. The contributions from each of the employers and employees are subject to a cap of HK$1,000 per month and thereafter contributions are voluntary. For the year ended 31 December 2008, no contributions were forfeited.

The Group has no other obligations for the payment of retirement and other post-retirement benefits of employees or retirees other than the payments mentioned above.

(b) Directors' and senior management's emoluments

The remuneration of every Director for the year ended 31 December 2008 is set out below:

Name of Director	Fees	Salary	Discretionary bonuses	Other benefits and allowances	Share options scheme	Contributions to retirement scheme	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Mr. Lam Wai Yan	—	5	273	—	—	—	278
Mr. Tsung Shih Kin Samuel	—	1,041	125	—	442	11	1,619
Mr. Wang Da-Shin, Jeff	—	583	400	—	—	11	994
Mr. Ho Kam Wah	—	5	—	—	—	—	5
Ms. Zhang Cong Min	—	891	150	—	2,328	39	3,408
Mr. Tsui Yiu Wa Alec	273	—	—	—	—	—	273
Mr. Thaddeus Thomas Beczak	273	—	—	—	—	—	273
Mr. Louie Ming	273	—	—	—	—	—	273

The remuneration of every Director for the year ended 31 December 2007 is set out below:

Name of Director	Fees	Salary	Discretionary bonuses	Other benefits and allowances	Share options scheme	Contributions to retirement scheme	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Mr. Lam Wai Yan	—	—	—	—	—	—	—
Mr. Tsung Shih Kin Samuel	—	697	—	—	46	6	749
Mr. Wang Da-Shin, Jeff	—	14	—	—	—	1	15
Mr. Ho Kam Wah	—	—	—	—	—	—	—
Ms. Zhang Cong Min	—	362	—	—	240	14	616
Mr. Tsui Yiu Wa Alec	12	—	—	—	—	—	12
Mr. Thaddeus Thomas Beczak	12	—	—	—	—	—	12
Mr. Louie Ming	12	—	—	—	—	—	12

(c) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year include three (2007: two) directors whose emoluments are reflected in the analysis presented above. The emoluments payable to the remaining two (2007: three) individuals during the year are as follows:

	2008	2007
	RMB'000	*RMB'000*
Basic salaries, housing allowances, other allowances and benefits in kind	2,125	2,079
Share option schemes	405	42
Contributions to pension schemes	22	17
	2,552	2,138

The emoluments fell within the following bands:

	Number of individuals 2008	2007
Emolument bands *(in RMB)*		
RMB nil to RMB881,900 (equivalent to HK$1,000,000)	—	3
RMB881,901 to RMB1,322,850 (equivalent to HK$1,500,000)	2	—

During the year ended 31 December 2008, none (2007: same) of the directors waived or agreed to waive any emoluments and no emoluments were paid by the Group to any of the directors or the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office.

20. FINANCE INCOME AND COST

	Year ended 31 December	
	2008	**2007**
	RMB'000	*RMB'000*
Finance cost		
— Net foreign exchange losses	36,819	8,197
Finance income		
— Interest income on short-term bank deposits	(15,245)	(2,279)
— Interest income on subscription proceeds	—	(203)
— Change in fair values of forward foreign exchange contracts	(1,640)	—
	(16,885)	(2,482)
Finance cost — net	19,934	5,715

21. INCOME TAX EXPENSE

	Year ended 31 December	
	2008	**2007**
	RMB'000	*RMB'000*
PRC Enterprise Income Tax ("EIT")	29,359	17,370
Deferred taxation	(117)	55
	29,242	17,425

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 year ended 31 December 2008 (2007: Nil).

On 16 March 2007, the National People's Congress approved the new Enterprise Income Tax Law, which is effective from 1 January 2008 (the "New EIT Law"). Under the New EIT Law, the applicable EIT rate for subsidiaries established in the PRC was at 25% (2007: 33%), after taking into account the relevant applicable tax concessions mentioned below. EIT was levied on the assessable income of each of the PRC subsidiaries of the Group during the year ended 31 December 2008, as determined in accordance with the relevant PRC income tax rules and regulations.

According to the New EIT law, enterprises granted the High/New Technology Enterprises ("HNTE") will be entitled to enjoy a reduced tax rate of 15%. In December 2007, the detailed implementation rules relating to obtaining the HNTE status have not been published. Consequently, when recognizing deferred taxes as at 31 December 2007, GZP Computer and GDP Internet applied a tax rate of 25% on their temporary differences. The HNTE positions of GZP Computer and GDP Internet were formally confirmed in December 2008, when both of them obtained their formal designations as HNTE under the New EIT Law. As a result, GZP Computer and GDP internet applied the 15% rate for computation of current and deferred taxes in 2008.

The tax on the Group's profit before tax differs from the theoretical amount that would arise using the weighted average tax rate applicable to profits of the consolidated entities as follows:

	Year ended 31 December 2008	2007
	RMB'000	*RMB'000*
Profit before tax	117,523	108,456
Tax calculated at the statutory tax rate of 25% (2007: 33%)	29,381	35,790
Tax effects of:		
Tax concessions available to subsidiaries	(14,746)	(19,879)
Remeasurement of deferred tax — change in PRC tax rate	219	823
Income not subject to tax	(3,561)	(4,219)
Expenses not deductible for tax purposes	12,555	4,910
Withholding tax on declared profits	5,394	—
Tax charge	29,242	17,425

The weighted average applicable tax rate was 25% (2007: 16%). The increase is mainly caused by exchange losses of the Company which are not deductible for tax purposes.

22. 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 year excluding ordinary shares purchased by the Company:

	Year ended 31 December 2008	2007
Profit attributable to equity holders of the Company *(RMB'000)*	88,281	91,031
Weighted average number of ordinary shares in issue *(thousands shares)*	938,612	767,288
Basic earnings per share *(RMB)*	9.405 cents	11.864 cents

(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. The number of shares calculated as above is compared with the number of shares that would have been issued assuming the exercise of the share options.

	Year ended 31 December	
	2008	**2007**
Profit attributable to equity holders of the Company *(RMB'000)*	88,281	91,031
Weighted average number of ordinary shares in issue *(thousands shares)*	938,612	767,288
Adjustments for — share options *(thousands shares)*	236	2,268
Weighted average number of ordinary shares for diluted earnings per share *(thousands shares)*	938,848	769,556
Diluted earnings per share *(RMB)*	9.403 cents	11.829 cents

23. DIVIDENDS

The Company was newly incorporated on 27 August 2007, no dividend was paid by the Company in 2007. The dividends paid by Takehigh to its then equity holders in 2007 was RMB92,400,000. The dividends relating to 2007 paid in 2008 was RMB70,965,000 (RMB7.47 cents per ordinary share).

The directors recommend the payment of a final dividend of RMB7.00 cents per ordinary share out of the retained earnings, totalling RMB64,660,000, and a special dividend of RMB27.00 cents per ordinary share out of the share premium, totalling RMB249,402,000.

The proposed final dividends and special dividend stated above are to be approved by the shareholders at the Annual General Meeting on 15 May 2009. These financial statements do not reflect this dividend payable.

	Year ended 31 December	
	2008	**2007**
	RMB'000	*RMB'000*
Proposed final dividend of RMB7.00 cents (2007: RMB7.47 cents) per ordinary share	64,660	70,965
Proposed special dividend of RMB27.00 cents (2007: nil) per ordinary share	249,402	—

24. CASH GENERATED FROM OPERATIONS

	2008	2007
	RMB'000	*RMB'000*
Profit before income tax	117,523	108,456
Adjustments for:		
— Financial costs-net	2,365	5,715
— Depreciation *(Note 6)*	3,796	3,027
— Loss on disposal of property, plant and equipment	121	151
— Amortisation of intangible assets *(Note 7)*	1,071	979
— Share-based payment	6,776	754
	131,652	119,082
Changes in working capital:		
— Trade and other receivables	(22,025)	(29,361)
— Accruals and other payables	11,597	5,532
— Prepaid advertising subscriptions from customers	(3,624)	(1,834)
Cash generated from operations	117,600	93,419

25. COMMITMENTS

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

(b) Operating lease commitments

	2008	2007
	RMB'000	*RMB'000*
Office buildings	3,288	4,343

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

	2008	2007
	RMB'000	*RMB'000*
Not later than 1 year	3,283	2,398
Later than 1 year and not later than 5 years	5	1,945
	3,288	4,343

26. 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	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 Ko Chiang
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 Ko Chiang
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 Ko Chiang
Kexim Company Limited ("Kexim")	Controlled by Mr. Wang Ko Chiang
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 Ko Chiang
Shanghai Pacific Electronic Consulting Co, Ltd. (上海太平洋電子諮詢有限公司, "SPE Consulting")	Controlled by Mr. Wang Ko Chiang
Tristar Partners Limited ("Tristar Partners")	Controlled by Mr. Tsung Shih Kin Samuel, executive director

(b) Related party transactions

The Group undertook the following related party transactions during the year ended 31 December 2008:

	2008	2007
	RMB'000	*RMB'000*
Continuing:		
(i) Rental expenses for office and advertising bill board paid/payable:		
GPET Mall	3,960	2,506
SHPD Consulting	770	1,005
BUPE Technology	227	227
Kexim	212	73
SHPD Technology	72	293
SPE Consulting	—	113
	5,241	4,217
Discontinued:		
(ii) Technical consultancy fees:		
Tristar Partners	—	591

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

(c) Key management compensation

The remuneration of directors who are also identified as members of key management during the year ended 31 December 2008 is set out in Note 19.

(d) Balances with related parties

	2008	**2007**
	RMB'000	*RMB'000*
Included in trade and other receivables:		
GPET Mall	423	242

Balances with related parties were unsecured and non-interest bearing, and had no fixed repayment terms.

27. EVENTS AFTER THE BALANCE SHEET DATE

There were no other significant post balance sheet events up to the date of approval of these financial statements.

The following is the text of a letter and valuation certificate, prepared for the purpose of incorporation in this circular received from RHL Appraisal Ltd., an independent valuer, in connection with its valuation as at 1 March 2010 of the property interests to be acquired by Pacific Online Limited and its subsidiary for owner occupation.

永利行評值顧問有限公司
RHL Appraisal Limited
Corporate Valuation & Advisory

T +852 2730 6212
F +852 2736 9284

Room 1010, 10/F, Star House,
Tsimshatsui, Hong Kong

License No.: C-015672

19 March 2010

The Directors
Pacific Online Limited
Unit 807,
Tower 2, Lippo Centre,
No. 89 Queensway,
Hong Kong

Dear Sirs,

INSTRUCTIONS

We were instructed by **Pacific Online Limited** (referred to as the "Company") to value the property interests to be acquired by the Company and its subsidiary (hereafter together referred to as the "Group") in the People's Republic of China (referred to as the "PRC"). We confirm that we have carried out property inspections, made relevant enquiries and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the market value of the property interests as at 1 March 2010 (referred to as the "Valuation Date").

This letter which forms part of our valuation report explains the basis and methodologies of valuation, clarifying assumptions, valuation considerations, title investigation and limiting conditions of this valuation.

BASIS OF VALUATION

Our valuation of the property interests represents their market value which we would define as intended to mean "the estimated amount for which a property should exchange on the date of valuation between a willing buyer and a willing seller in an arm's-length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently, and without compulsion".

VALUATION METHODOLOGIES

In valuing the property, the direct comparison method was adopted where comparison based on actual transactions and price information of comparable properties was made. Comparable properties are analyzed and carefully weighed against all the respective advantages and disadvantages such as pedestrian flow, floor level, size, character and location of each property in order to arrive at a fair comparison of capital values.

VALUATION CONSIDERATIONS

In valuing the property interests, we have complied with all the requirements contained in Chapter 5 and Practice Note 12 to the Rules Governing the Listing of Securities issued by The Stock Exchange of Hong Kong Limited and the HKIS Valuation Standards on Properties (First Edition 2005) published by The Hong Kong Institute of Surveyors effective from 1 January 2005.

VALUATION ASSUMPTIONS

Our valuations have been made on the assumption that the owner sells the property interests in the market without the benefit of a deferred term contract, leaseback, joint venture, management agreement or any similar arrangement, which could serve to affect the value of the property interests.

We have assumed that the owner of the property interests has a free and uninterrupted right to use the property interests for the whole of the unexpired term. We have assumed that the owner of the property interests has the right to sell, mortgage, charge or otherwise dispose of the property interests to any person at a consideration without payment of any additional premium or substantial fee to government authorities.

No allowance has been made in our report for any charges, mortgages or amounts owing on any of the property interests valued nor for any expenses or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the property is free from encumbrances, restrictions and outgoings of an onerous nature, which could affect their values.

Other special assumptions of the property interests, if any, have been stated out in the footnotes of the valuation certificate attached herewith.

TITLE INVESTIGATION

We have been shown copies of various title documents of the property and have made relevant enquiries. However, we have not examined the original documents to verify the existing titles to the property interests in the PRC and any material encumbrances that might be attached to the property interests or any lease amendments. We have relied considerably on the information given by the Company's PRC legal adviser — Law Office of Guangdong He Zhong Tuo Zhan (廣東合眾拓展律師事務所) dated 19 March 2010, concerning the validity of the Company's titles to the property interests.

All legal documents provided by the Company have been used for reference only. No responsibility regarding legal title to the property interests is assumed in this valuation report.

LIMITING CONDITIONS

We have inspected the exterior and, where possible, the interior of the property interests. However, no structural survey has been made, but in the course of our inspection, we did not note any serious defects. We are not, however, able to report whether the property interests are free of rot, infestation or any other structural defects. No tests were carried out on any of the services.

We have not carried out detailed site measurements to verify the correctness of the site areas in respect of the property interests but have assumed that the site areas shown on the documents handed to us are correct. All documents and contracts have been used as reference only and all dimensions, measurements and areas are approximations. No on-site measurement has been taken.

We have relied to a considerable extent on the information provided by the Company and have accepted advice given to us by the Company on such matters as statutory notices, easements, tenure, planning approvals, particulars of occupancy, site and floor areas and in the identification of the property interests.

We have had no reason to doubt the truth and accuracy of the information provided to us by the Company. We have also sought confirmation from the Company that no material factors have been omitted from the information supplied. We consider that we have been provided with sufficient information to reach an informed view, and we have no reason to suspect that any material information has been withheld.

Liability in connection with this valuation report is limited to the client to whom this report is addressed and for the purpose for which it is carried out only. We will accept no liability to any other parties or any other purposes.

This report is to be used only for the purpose stated herein, any use or reliance for any other purpose, by you or third parties, is invalid. No reference to our name or our report in whole or in part, in any document you prepare and/or distribute to third parties may be made without written consent.

EXCHANGE RATE

All monetary sums stated in this report are in Renminbi ("RMB").

Our valuation certificate is attached.

Yours faithfully,
For and on behalf of
RHL Appraisal Ltd.

Serena S. W. Lau	**Ian K. F. Ng**
FHKIS, AAPI, MRICS, RPS(GP), MBA(HKU)	*MBA BSc(EstMan) BSc MHKIS MRICS RPS(GP)*
Managing Director	*Senior Associate Director*

Ms. Serena S. W. Lau is a Registered Professional Surveyor with over 18 years' experience in valuation of properties in HKSAR, Macau SAR, mainland China and the Asia Pacific Region. Ms. Lau is a chartered surveyor of The Royal Institution of Chartered Surveyors, an Associate of Australian Property Institute, a Fellow of The Hong Kong Institute of Surveyors as well as a registered real estate appraiser in the PRC.

Mr. Ian K. F. Ng is a Registered Professional Surveyor with over 6 years' experience in valuation of properties in HKSAR, Macau SAR and mainland China. Mr. Ng is a Professional Member of The Hong Kong Institute of Surveyors as well as a chartered surveyor of The Royal Institution of Chartered Surveyors.

VALUATION CERTIFICATE

Property interests to be acquired by the Group for Owner Occupation in the PRC

Property	Description and Tenure	Particulars of occupancy	Market value in existing state as at 1 March 2010 *RMB*
No. 115 Gaopu Road, Gaotang Software Park, Tianhe District, Guangzhou City, Guangdong Province, the PRC (中華人民共和國廣東省廣州市天河區高唐軟件基地高普路115號)	The property comprises three 4-storey composite buildings completed in about 2007. The total gross floor area of the property is approximately 29,730 square meters. The land use rights of the property were granted for a term of 50 years commencing from 19 October 2009 for scientific education uses.	The property was vacant as at the Valuation Date.	No Commercial value

Notes:

1. Pursuant to a Stated-owned Construction Land Use Rights Grant Contract — No. 440106-2009-000011 dated 19 October 2009 entered into between Bureau of Land Resources and Housing Management of Guangzhou Municipality and 廣州高新技術產業開發區天河科技園管理委員會 (Administrative Committee of Tianhe Software Park*), the land use rights of a parcel of land (no. 06022120090004) with a site area of approximately 42,558 square meters were contracted to be sold to 廣州高新技術產業開發區天河科技園管理委員會 (Administrative Committee of Tianhe Software Park*), for a term of 50 years commencing from 19 October 2009 for scientific education uses at a consideration of RMB18,390,487.

2. Pursuant to 廣州市建設工程規劃驗收測量記錄冊 (Guangzhou Construction Project Planning Completion Survey Document) — Project No. (2006) Fang 0241, (2007) Fu 3091 issued by Guangzhou Planning Bureau dated 7 September 2007, the construction of three 4-storey composite buildings with a total gross floor area of approximately 29,730 square meters was checked and accepted.

3. Pursuant to an agreement dated 28 January 2010 entered into between 廣州太平洋電腦信息諮詢有限公司 (Guangzhou Pacific Computer Information Consulting Co., Ltd.*) (the "Purchaser"), an indirect wholly-owned subsidiary of the Company, and 廣州高新技術產業開發區天河科技園管理委員會 (Administrative Committee of Tianhe Software Park*) (the "Vendor"), a third party of the Company, it was agreed that the Purchaser shall purchase from the Vendor the property at a consideration of RMB148,650,000 which was arrived at through an open auction.

4. We have attributed no commercial value to the property as the relevant 房地產權證 (Real Estate Ownership Certificate*) has not been granted. For reference purpose, we are of the opinion that the market value of the property in its existing state as at the date of valuation, on the assumptions that, the relevant title certificate has been obtained, all land premium, taxes and expenses have been fully settled, all approvals and permits in respect of the construction of the property have been obtained and the property is freely disposed of in the market, was RMB164,000,000.

5. We have been provided with legal opinions dated 19 March 2010 regarding the property interests by the Company's PRC legal adviser — Guangdong He Zhong Tuo Zhan (廣東合眾拓展律師事務所), which contain, *inter alia*, that

   (i) the property was invested and developed by 廣州高新技術產業開發區天河科技園管理委員會 (Administrative Committee of Tianhe Software Park*);

   (ii) 廣州高新技術產業開發區天河科技園管理委員會 (Administrative Committee of Tianhe Software Park*) has obtained approval from the government authorities to dispose of the property which is a stated-owned asset;

   (iii) 廣州高新技術產業開發區天河科技園管理委員會 (Administrative Committee of Tianhe Software Park*) has no legal impediment to obtain the title certificate of the property; and

   (iv) upon the grant of the title certificate of the property to 廣州高新技術產業開發區天河科技園管理委員會 (Administrative Committee of Tianhe Software Park*), the agreement as mentioned in Note 3 above is valid and legally binding.

* *For identification purpose only*

1. RESPONSIBILITY STATEMENT

This circular includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors collectively and individually accept full responsibility for the accuracy of the information contained in this circular and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief, there are no other facts the omission of which would make any statement herein misleading.

2. DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS IN SHARES AND UNDERLYING SHARES OF THE COMPANY AND ITS ASSOCIATED CORPORATION

As at the Latest Practicable Date, the interests and short positions in the Shares and underlying Shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) of the Directors and the chief executives of the Company which were required to be (i) 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 the Directors or chief executives of the Company were taken or deemed to have under such provisions of the SFO); or (ii) entered in the register kept by the Company pursuant to section 352 of the SFO; or (iii) notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies, are as follows:

(i) Long position in Shares of the Company

Name of director	Capacity	Number of ordinary shares in the Company	Percentage of the Company's issued share capital	Note
Mr. Lam Wai Yan	Interests held by a controlled corporation	256,576,000	27.76%	(1)
	Interests held jointly with another person	5,847,000	0.63%	(2)
	Total:	262,423,000	28.39%	—
Mr. Ho Kam Wah	Interests held by a controlled corporation	86,016,000	9.31%	(3)
	Beneficial owner	1,780,000	0.19%	—
	Interests of spouse	1,342,000	0.14%	(4)
	Total:	89,138,000	9.64%	—
Ms. Zhang Cong Min	Beneficial owner	1,700,000	0.18%	—
Mr. Tsung Shih Kin, Samuel	Interests held jointly with another person	200,000	0.02%	(5)

Notes:

(1) These Shares were held 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 held by Treasure Field Holdings Limited, a controlled corporation of Mr. Ho Kam Wah.

(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.

(ii) Long position in shares of associated corporation — GZ Yingxin Computer Technology Exchange Co., Ltd. ("GZ Yingxin")

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

(iii) Long position in underlying shares of the Company — physically settled unlisted equity derivatives

Name of director	Date of grant	Exercise period	Exercise price *(HK$)*	Number of options held
Mr. Lam Wai Yan	18 May 2009	18 May 2011– 17 May 2014	1.51	1,100,000
	18 May 2009	18 May 2012– 17 May 2014	1.51	1,100,000
	18 May 2009	18 May 2013– 17 May 2014	1.51	1,100,000
		sub-total:		3,300,000

Name of director	Date of grant	Exercise period	Exercise price (HK$)	Number of options held
Mr. Wang Ta-Hsing	18 May 2009	18 May 2011–17 May 2014	1.51	1,000,000
	18 May 2009	18 May 2012–17 May 2014	1.51	1,000,000
	18 May 2009	18 May 2013–17 May 2014	1.51	1,000,000
		sub-total:		3,000,000
Ms. Zhang Cong Min	23 Nov 2007	23 Nov 2009–22 Nov 2017	1.52	5,292,000
	23 Nov 2007	23 Nov 2010–22 Nov 2017	1.97	5,292,000
	23 Nov 2007	23 Nov 2011–22 Nov 2017	2.27	5,292,000
	18 May 2009	18 May 2011–17 May 2014	1.51	1,660,000
	18 May 2009	18 May 2012–17 May 2014	1.51	1,660,000
	18 May 2009	18 May 2013–17 May 2014	1.51	1,680,000
		sub-total:		20,876,000
Mr. Tsung Shih Kin, Samuel	23 Nov 2007	23 Nov 2009–22 Nov 2017	1.52	1,004,333
	23 Nov 2007	23 Nov 2010–22 Nov 2017	1.97	1,004,333
	23 Nov 2007	23 Nov 2011–22 Nov 2017	2.27	1,004,334
	6 July 2009	6 Jul 2011–5 Jul 2014	1.81	500,000
	6 July 2009	6 Jul 2012–5 Jul 2014	1.81	500,000
	6 July 2009	6 Jul 2013–5 Jul 2014	1.81	500,000
		sub-total:		4,513,000

Name of director	Date of grant	Exercise period	Exercise price (HK$)	Number of options held
Mr. Tsui Yiu Wa, Alec	6 July 2009	6 Jul 2011– 5 Jul 2014	1.81	66,000
	6 July 2009	6 Jul 2012– 5 Jul 2014	1.81	67,000
	6 July 2009	6 Jul 2013– 5 Jul 2014	1.81	67,000
		sub-total:		200,000
Mr. Thaddeus Thomas Beczak	6 July 2009	6 Jul 2011– 5 Jul 2014	1.81	66,000
	6 July 2009	6 Jul 2012– 5 Jul 2014	1.81	67,000
	6 July 2009	6 Jul 2013– 5 Jul 2014	1.81	67,000
		sub-total:		200,000
Mr. Louie Ming	6 July 2009	6 Jul 2011– 5 Jul 2014	1.81	66,000
	6 July 2009	6 Jul 2012– 5 Jul 2014	1.81	67,000
	6 July 2009	6 Jul 2013– 5 Jul 2014	1.81	67,000
		sub-total:		200,000
		Total:		32,289,000

Save as disclosed above, as at the Latest Practicable Date, none of the Directors and chief executives of the Company had 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) which were required to be (i) 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 the Directors or chief executives of the Company are taken or deemed to have under such provisions of the SFO); or (ii) entered in the register kept by the Company pursuant to section 352 of the SFO; or (iii) notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies.

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

As at the Latest Practicable Date, save as disclosed below, so far as is known to the Directors, no other person (other than the Directors and chief executives of the Company) had any interest or short position in the Shares and underlying Shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, who was, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the Company.

(i) Long position in Shares of the Company

Name of substantial shareholder	Capacity	Number of ordinary shares in the Company	Percentage of the Company's issued share capital	Note
Pac Tech Investment Co. Ltd.	Beneficial owner	256,576,000	27.76%	(1)
Ms. Ma Muk Lan	Interests of spouse	256,576,000	27.76%	(2)
	Interests held jointly with another person	5,847,000	0.63%	(3)
	Total:	262,423,000	28.39%	—
Gallop Assets Management Limited	Beneficial owner	225,024,000	24.34%	(4)
Mr. Wang Ko Chiang	Interests held by a controlled corporation	225,024,000	24.34%	(4)
	Beneficial owner	31,402,000	3.40%	—
	Total:	256,426,000	27.74%	—
Mrs. Wang Tang Shi Ming	Interests of spouse	256,426,000	27.74%	(5)
Treasure Field Holdings Limited	Beneficial owner	86,016,000	9.31%	(6)
Ms. Yeung Yuk Chun	Interests of spouse	87,796,000	9.50%	(7)
	Beneficial owner	1,342,000	0.14%	—
	Total:	89,138,000	9.64%	—

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' and chief executives' interests in 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 held 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 256,426,000 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' and chief executives' interests in shares and underlying shares of the Company and its associated corporation".

(7) Ms. Yeung Yuk Chun was deemed to be interested in 87,796,000 Shares of the Company through the interests of her spouse, Mr. Ho Kam Wah.

(ii) Long position in underlying Shares of the Company — physically settled unlisted equity derivatives

Name of substantial shareholder	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	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 such share options were disclosed in the above section headed "Directors' and chief executives' interests in shares and underlying shares of the Company and its associated corporation".

4. DIRECTORS' INTERESTS IN ASSETS, CONTRACTS OR ARRANGEMENTS SIGNIFICANT TO THE GROUP

None of the Directors had any interest, direct or indirect, in any assets which have been acquired or disposed of by, or leased to any member of the Group, or were proposed to be acquired or disposed of by, or leased to any member of the Group since 31 December 2008, the date to which the latest published audited financial statement of the Group was made up.

None of the Directors was materially interested in any contract or arrangement entered into by the Company or any of its subsidiaries which contract or arrangement was subsisting at the Latest Practicable Date and which was significant in relation to the business of the Group taken as a whole.

5. COMPETING INTERESTS

As at the Latest Practicable Date, none of the Directors or the controlling Shareholders of the Company and their respective associates had any interest in a business, apart from the business of the Company, which competes or may compete with the business of the Company or has any other conflict of interest with the Company which would be required to be disclosed under Rule 8.10 of the Listing Rules.

6. EXPERTS AND CONSENTS

The following is the qualification of the experts who have been named in this circular and have given opinions and advices in relation to this circular:

Name	Qualification
RHL Appraisal Limited	Property valuer
Law Office of Guangdong He Zhong Tuo Zhan	PRC legal adviser

As at the Latest Practicable Date, RHL Appraisal Limited and Law Office of Guangdong He Zhong Tuo Zhan were not beneficially interested in the share capital of any member of the Group nor had any right, whether legally enforceable or not, to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

Each of RHL Appraisal Limited and Law Office of Guangdong He Zhong Tuo Zhan have given and have not withdrawn their respective written consents to the issue of this circular with the references to its names and its letters in the form and context in which it appears.

The letter and recommendation given by RHL Appraisal Limited are given as of 19 March 2010 for incorporation herein.

RHL Appraisal Limited and Law Office of Guangdong He Zhong Tuo Zhan have, or have had, no direct or indirect interest in any assets which have been acquired or disposed of by, or leased to, any member of the Group or are proposed to be acquired of by, or leased to, any member of the Group since 31 December 2008, the date to which the latest published audited financial statement of the Group was made up.

7. SUFFICIENCY OF WORKING CAPITAL

In the absence of unforeseen circumstances and taking into account the Acquisition and the financial resources available to the Group, including the internally generated funds, the Directors are of the opinion that the Group will have sufficient working capital for its present requirements, that is for at least the next 12 months from the date of this circular.

8. INDEBTEDNESS OF THE GROUP

At the close of business on 19 March 2010 (being the latest practicable date for the purpose of this indebtedness statement), the Group did not have any bank borrowings. Save as disclosed above and otherwise mentioned herein, and apart from any intra-group liabilities, none of the members of the Group had, at the close of business on 19 March 2010, any outstanding mortgages, charges, debenture, loan capital issued and outstanding or agreed to be issued, bank loan and overdraft or other similar indebtedness, finance leases or hire purchase commitments, liabilities under acceptances or acceptance credits or any guarantee or other material contingent liabilities.

9. LITIGATION

So far as the Directors are aware, neither the Company nor any of its subsidiaries was engaged in any litigation or arbitration or claims which is in the opinion of the Directors of material importance and no litigation or claims which is in the opinion of the Directors of material importance was known to the Directors to be pending or threatened by or against any member of the Group as at the Latest Practicable Date.

10. SERVICE CONTRACTS

Each of the executive Directors entered into a service agreement with the Company on 23 November 2007 for an initial term of three years commencing from the date that the Company was listed on the main board of the Stock Exchange unless and until terminated by either party giving to the other not less than three months' prior notice in writing. The Company has issued a letter of appointment to each of independent non-executive Directors for a term of three years commencing from 23 November 2007.

Other than as disclosed above, none of the Directors has a service agreement with the Company, which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

11. MATERIAL CONTRACTS

Within two years immediately preceding the issue of this circular, none of the members of the Group has entered into any contracts, not being contracts entered into the ordinary course of business, which are or may be material, other than the Agreement.

12. MATERIAL ADVERSE CHANGE

Save as disclosed in this circular, the Directors are not aware of any material adverse change in the financial or trading position of the Group since 31 December 2008, the date to which the latest published audited accounts of the Company were made up.

13. FINANCIAL AND TRADING PROSPECTS

The Group is principally engaged in provision of internet advertising services in the PRC, and GZP Computer is the principal operating entity of the Group and is principally engaged in high-tech professional internet operation and content development, research and development of information technology, software development, and services contracting, etc.

Looking into 2010, the overall market conditions in the PRC are expected to improve as the PRC government's stimulus measures continue to fuel domestic consumption. The Group expects the internet advertising business in China to remain challenging, and will continue to develop and launch new portal initiatives and to enrich our portal contents. The Group's sales and marketing teams across various regional offices will expand to match our growth. With strong market recognition, the Group is well positioned to capitalize on the business opportunities. The Group is confident that its growth momentum can be sustained in 2010 and endeavours to deliver satisfactory returns to the Shareholders.

14. GENERAL

(a) The company secretary of the Company is Wong Huk Yung, Hudson. He is a member of the Hong Kong Institute of Certified Public Accountants.

(b) The Hong Kong branch share registrar and transfer office of the Company is Tricor Investor Services Limited, 26/F, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong.

(c) The English text of this circular shall prevail over the Chinese text.

15. DOCUMENTS FOR INSPECTION

Copies of the following documents will be available for inspection at the principal place of the Company in Hong Kong at Unit 807, Tower 2, Lippo Centre, 89 Queensway, Hong Kong during normal business hours on any weekday (except public holidays) for a period of 14 days from the date hereof:

(a) the memorandum and articles of association of the Company;

(b) the annual reports of the Company for the two financial years ended 31 December 2007 and 31 December 2008;

(c) the valuation report from RHL Appraisal Limited on the Property, the text of which is set out in Appendix II to this circular;

(d) the PRC legal opinion dated 19 March 2010 prepared by Law Office of Guangdong He Zhong Tuo Zhan (廣東合眾拓展律師事務所), the Company's PRC legal adviser, in respect of the validity of the Company's titles to the property interests;

(e) the written consent referred to in the paragraph headed "Experts and Consents" in this Appendix;

(f) any service contracts referred to in the paragraph headed "Service Contracts" in this Appendix;

(g) the Agreement; and

(h) this circular.