PConline.com.cn

Pacific Online Limited
太平洋網絡有限公司

(incorporated in the Cayman Islands with limited liability)

(Stock Code:543)

ANNUAL REPORT 2011

PConline.com.cn 太平洋电脑网 | PCauto.com.cn 太平洋汽车网 | PCgames.com.cn 太平洋游戏网 | PClady.com.cn 太平洋女性网 | PCbaby.com.cn 太平洋亲子网 | PChouse.com.cn 太平洋家居网

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CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. Lam Wai Yan
(Chairman and Chief Executive Officer)
Mr. Ho Kam Wah
Mr. Wang Ta-Hsing
Ms. Zhang Cong Min

Independent Non-executive Directors

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

COMPANY SECRETARY

Mr. Wong Huk Yung, Hudson

AUTHORISED REPRESENTATIVES

Mr. Wang Ta-Hsing
Mr. Wong Huk Yung, Hudson

AUDIT COMMITTEE

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

REMUNERATION COMMITTEE

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

NOMINATION COMMITTEE

Mr. Lam Wai Yan *(Chairman)*
Mr. Tsui Yiu Wa, Alec
Mr. Thaddeus Thomas Beczak

PRINCIPAL BANKERS

Bank of China
China Merchants Bank
China Construction Bank
Bank of East Asia

AUDITOR

PricewaterhouseCoopers
Certified Public Accountants

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Butterfield Fulcrum Group (Cayman) Limited
Butterfield House
68 Fort Street
P.O. Box 609
Grand Cayman KY1-1107
Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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

REGISTERED OFFICE

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

PRINCIPAL PLACE OF BUSINESS

115 Gaopu Road
Tianhe
Guangzhou 510663
PRC

PLACE OF BUSINESS IN HONG KONG

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

GROUP'S PORTAL ADDRESSES

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

WEBSITE ADDRESS

corp.pconline.com.cn

STOCK CODE

543

CHAIRMAN'S STATEMENT

The board of directors (the "Board") of Pacific Online Limited (the "Company", together with its subsidiaries collectively as the "Group") is pleased to report another strong year of financial results for the 2011 fiscal year, and would like to express our gratitude to all our employees for their contributions and our shareholders for their continued support.

Our entire lineup of portals continued to show strong growth in 2011, led by PClady, which more than doubled its revenue from the prior year. The female-focused content and high-quality quality fashion and beauty advice are quickly increasing its popularity and generating a strong following. With disposable income in China steadily rising, we believe our PClady portal is poised to take advantage of growing advertising opportunities resulting from increasing demand for luxury and brand name products.

PCauto showed another strong year of revenue growth despite the slowing growth rate of China's automobile industry. This clearly reflects the strength of our brand and the visibility we offer to online advertisers. While the growth rate of China's auto industry is expected to remain in the single digit pace, we believe we will still be able to generate further growth as advertisers allocate a greater share of their advertising dollars from print and television to newer digital media. Our established market position and increasing presence give us a great opportunity to capitalize on this trend.

PConline, the Group's IT portal, continued to expand steadily. This reflects an overall increase in advertising spending from IT companies and we will continue to grow with the increasing demand of the consumer electronics market in China.

In 2011, we further increased our focus on expanding our reach to the mobile web. We launched new applications on both Apple and Android operating systems to give users greater mobile access to PCauto, PConline, and PClady, our top three vertically integrated portals.

We also launched free online magazines on the Apple iPad featuring premium content that mirrors and expands on certain content that is available on our portals. The engaging and easy-to-read content is helping to generate deeper interest and greater user 'stickiness'. Our PCauto magazine has just completed its first full year in publication and has gained significant popularity. Starting from March this year, we also launched a PChouse magazine, our second online publication for the iPad, and are expecting it to pick up traction in the coming year.

The number of internet users accessing the web through mobile devices is quickly rising and we are carefully adding new features and content to stay on top of all the abovementioned trends and capture greater market share over both the traditional and mobile web market moving forward.

The Group moved into its new Guangzhou headquarters in the fourth quarter of the year and photos of the new headquarters were shown on the cover of this annual report. We hope the upgraded working environment will enhance our team morale and productivity, and provide us with stability in the foreseeable future.

CHAIRMAN'S STATEMENT

APPRECIATION

I would like to take this opportunity to express my gratitude, on behalf of the Board, to all our employees for their contribution and to all our shareholders for their continuous support of our Group.

Lam Wai Yan
Chairman

Hong Kong, 23 March 2012

REVENUE

Revenue increased 25.9% from RMB508.6 million for the year ended 31 December 2010 to RMB640.1 million for the year ended 31 December 2011.

Revenue for PCauto, the Group's automobile portal, increased 24.9% from RMB235.3 million in 2010 to RMB293.9 million in 2011. According to statistics from the China Association of Automobile Manufacturers, passenger car sales in China grew only 5.2 percent to 14.5 million in 2011, the lowest growth rate over the past decade. However, PCauto was able to outperform the modest growth in the number of car sales as automobile advertisers continued allocating more of their marketing budgets to digital media.

Revenue for PConline, the Group's IT and consumer electronics portal, increased 13.5% from RMB226.9 million in 2010 to RMB257.5 million in 2011. The increase in revenue from PConline was mainly due to the overall increase in advertising of consumer electronics such as smart phones, tablets, Blu-ray disc players and digital book readers.

Revenue for PClady, the Group's lady and fashion portal, increased 105.6% from RMB25.2 million in 2010 to RMB51.8 million in 2011. The increase reflected the tremendous demand in the women's segment, especially for luxury and fashion goods.

Revenue for other operations, including the PCgames, PCbaby and PChouse portals, increased by 74.5% from RMB21.2 million in 2010 to RMB37.0 million in 2011. Revenue from these segments increased significantly as advertisers increasingly accept the internet as an effective platform to promote and market their products and images.

As a percentage of total revenue, PCauto accounted for 46.3% in 2010 and 45.9% in 2011, whereas PConline accounted for 44.6% in 2010 and 40.2% in 2011, PClady accounted for 5.0% in 2010 and 8.1% in 2011 and other operations accounted for 4.1% in 2010 and 5.8% in 2011. The Group continued to diversify its revenue base across the different industry segments.

COST OF REVENUE

Cost of revenue increased 42.6% from RMB138.8 million in 2010 to RMB197.9 million in 2011. The gross profit margin was 72.7% in 2010 and 69.1% in 2011. The increase in cost of revenue was primarily due to increases in the number of employees, higher sales commission and increases in technology service charges.

SELLING AND MARKETING COSTS

Selling and marketing costs increased 38.7% from RMB62.2 million in 2010 to RMB86.3 million in 2011. The increase was mainly due to increases in staff cost and marketing expenses.

MANAGEMENT DISCUSSION AND ANALYSIS

ADMINISTRATIVE EXPENSES

Administrative expenses decreased by 6.3% from RMB52.0 million in 2010 to RMB48.7 million in 2011, due to lower provisions for the impairment of trade receivables during the year under review.

PRODUCT DEVELOPMENT EXPENSES

Product development expenses increased by 37.3% from RMB20.9 million in 2010 to RMB28.7 million in 2011. The increase was mainly due to the increase in the number of employees in the teams of mobile internet, online magazines, research and development to support the Group's expansion plans.

OPERATING PROFIT BEFORE SHARE-BASED COMPENSATION EXPENSES (NON-GAAP)

Operating profit before share-based compensation expenses (non-GAAP) was RMB289.2 million in 2011, representing 18.5% increase from RMB244.1 million in 2010.

FINANCE INCOME AND COST

Net finance income was RMB3.5 million in 2010 and RMB5.3 million in 2011. The rise in net finance income was mainly due to higher interest income on short-term deposits.

PROFIT BEFORE INCOME TAX

Profit before income tax increased 20.3% from RMB239.0 million in 2010 to RMB287.4 million in 2011.

INCOME TAX EXPENSE

Income tax expense increased by 52.7% from RMB38.3 million in 2010 to RMB58.5 million in 2011. This increase was due to an over provision of dividend withholding tax of RMB13 million in 2009 and its subsequent reversal in 2010, thus leading to a lower tax expense in 2010. Our statutory rate of 15% corporate income tax rate as a high and new technology enterprise and 5% dividend withholding tax rate remain the same in 2011 from 2010.

NET PROFIT

Net profit increased 14.1% from RMB200.7 million in 2010 to RMB228.9 million in 2011.

LIQUIDITY AND FINANCIAL RESOURCES

As of 31 December 2011, the Group had short-term deposits and cash totaling RMB432.2 million, compared to RMB444.5 million as of 31 December 2010.

In 2011, net cash flow from operating activities was RMB218.2 million, net cash flow from investing activities was RMB84.7 million, net cash outflow used in financing activities was RMB134.5 million, with a net increase in cash and cash equivalents of RMB168.4 million for the year 2011.

In 2010, net cash flow from operating activities was RMB197.3 million, net cash outflow used in investing activities was RMB257.4 million, net cash outflow used in financing activities was RMB86.2 million, with a net decrease in cash and cash equivalents of RMB146.3 million for the year 2010.

The Company had no external debt as of 31 December 2011 and 2010.

BANK BORROWINGS

As of both 31 December 2011 and 31 December 2010, the Group did not have any bank borrowings and therefore, its gearing ratio, representing the ratio of total bank borrowings to shareholders' equity, was nil for both years.

MATERIAL ACQUISITIONS AND DISPOSALS

During the year ended 31 December 2011, the Group had no material acquisitions or disposals of subsidiaries and associates.

CHARGES ON ASSETS

As of 31 December 2011, the Group had no bank deposits or other assets pledged to secure its banking facilities.

FOREIGN EXCHANGE RISK

The Group's operating activities were principally carried out in China with most of its transactions denominated and settled in Renminbi, and therefore the overall foreign currency risk was not considered to be significant.

BUSINESS OUTLOOK

As we look ahead to 2012, we plan to continue investing in the growth of our business and our brand. Given the positive outlook for the online advertising market in China, we are confident that our platform, strategy, and market position will continue to produce strong results. We will continue to expand the reach and stickiness of our existing portals and at the same time focus on the mobile web market as this segment will form an important part of our business in the future. We are always evaluating new opportunities to expand into new markets and launch new content as we seek to grow shareholder value over the long term.

DIRECTORS' AND SENIOR MANAGEMENT'S PROFILES

EXECUTIVE DIRECTORS

Mr. Lam Wai Yan ("**Mr. Lam**"), aged 60, is an executive director, the Chairman of the Board and of the nomination committee and the Chief Executive Officer of the Company and a director of certain subsidiaries of the Company. He is also a director and the controlling shareholder of Pac Tech Investment Co. Ltd., a substantial shareholder of the Company. Mr. Lam obtained a bachelor's degree in Science from the University of Texas at EL PASO, in 1975. He has extensive local and overseas general management experience and has more than 10 years of experience in IT industry. He had been a vice president and director of Dean Witter Reynolds Inc. from 1979 to 1989 and a director of CLSA Limited (formerly known as "Credit Lyonnais Securities (Asia) Limited") from 1990 to 1991. Mr. Lam co-founded the Group and has played a key role in developing the businesses of the Group since 1997 and led the Group to become one of the leading specialized content portal in China.

Mr. Ho Kam Wah ("**Mr. Ho**"), aged 59, is an executive director of the Company and a director of certain subsidiaries of the Company. He is also a director and the controlling shareholder of Treasure Field Holdings Limited, a substantial shareholder of the Company. Mr. Ho obtained a bachelor's degree in Science from Illinois State University in 1976. He is principally involved in strategic planning and assisting in overall management and business development of the Group. Mr. Ho co-founded the Group and has played a major role in developing the businesses of the Group since 1997 and has an extensive management experience over 10 years in the IT industry.

Mr. Wang Ta-Hsing ("**Mr. Wang**"), aged 37, is an executive director and the Chief Financial Officer of the Company and a director of certain subsidiaries of the Company. He joined the Group in 2005. Mr. Wang obtained a bachelor's degree in Science from the University of California, Berkeley in 1998 and a master's degree in Business Administration from Columbia University in 2004. Mr. Wang is responsible for financing and accounting management of the Group.

Ms. Zhang Cong Min ("**Ms. Zhang**"), aged 44, is an executive director and the Chief Operating Officer of the Company and a director of certain subsidiaries of the Company. Ms. Zhang graduated EMBA programme from China Europe International Business School (中歐國際工商學院) in 2011 and obtained a bachelor's degree in Chemical Analysis from the University of Science and Technology of China (中國科學技術大學) in 1991. She is also a standing member of the Political Consultation Committee of Tianhe District, Guangzhou (中國廣州天河區政治協商會議委員會) since September 2006. Ms. Zhang joined the Group in January 2003. Prior to joining the Group, Ms. Zhang worked as a marketing manager and assistant general manager of Guangdong Pacific Electronic Technology Mall Co., Ltd. (廣東太平洋電子科技廣場有限公司). Ms. Zhang has over 10 years of experience in operation management and the IT industry. She has held various management positions in the Group.

Mr. Tsui Yiu Wa, Alec ("**Mr. Tsui**"), aged 62, is an independent non-executive director, the chairman of both the audit committee and remuneration committee and a member of the nomination committee of the Company. He joined the Group in November 2007. Mr. Tsui obtained a bachelor's degree in Science (Industrial Engineering) and a master's degree in Engineering (Industrial Engineering) from the University of Tennessee, Knoxville in 1975 and 1976, respectively. He attended the Programme for Senior Managers in Government at the John F. Kennedy School of Government, Harvard University in 1993. He has been a member of the Hong Kong Securities Institute since 1998. Mr. Tsui has over 20 years' extensive experience in finance and administration, corporate and strategic planning, information technology and human resources management, having served at various international companies. He held key positions at the Securities and Futures Commission of Hong Kong prior to joining the Hong Kong Stock Exchange in 1994 as an executive director of the finance and operations services division and becoming the chief executive in 1997. He was also the chairman of the Hong Kong Securities Institute from 2001 to 2004. He was an adviser and a council member of the Shenzhen Stock Exchange from July 2001 to June 2002. Currently, Mr. Tsui is an independent non-executive director of Industrial and Commercial Bank of China (Asia) Limited (a company delisted on the Stock Exchange on 21 December 2010). Besides, Mr. Tsui is acting as independent non-executive director of the following listed companies:

Name of listed companies
China BlueChemical Ltd.
China Chengtong Development Group Limited
China Oilfield Services Limited
China Power International Development Limited
COSCO International Holdings Limited
Melco Crown Entertainment Limited
Summit Ascent Holdings Limited
ATA Inc.

Mr. Thaddeus Thomas Beczak ("**Mr. Beczak**"), aged 61, is an independent non-executive director and a member of the audit committee, remuneration committee and nomination committee of the Company. He joined the Group in November 2007. Mr. Beczak graduated from Georgetown University (B.S.F.S.) and Columbia University (M.B.A.). He is a member of the board of advisers of the Walsh School of Foreign Service at Georgetown University. He is currently the chairman of Cowen Latitude Asia. Currently, Mr. Beczak is acting as non-executive director of a number of non-listed companies. Besides, Mr. Beczak is acting as independent non-executive director of the following listed companies:

Name of listed companies
Phoenix Satellite Television Holdings Limited
Advanced Semiconductor Manufacturing Corporation Limited
Singapore Exchange Limited

From June 2004 until March 2008, Mr. Beczak was the senior advisor of Nomura International (Hong Kong) Limited and was also the chairman of Nomura Asia Holdings N.V. from April 2006 until March 2008. From November 1997 until December 2002, Mr. Beczak was the chairman of the Listing Committee of the Hong Kong Stock Exchange and a member of Board of Directors of the Hong Kong Stock Exchange from 1998 until 2001. He was a member of the Advisory Committee of the Securities and Futures Commission in Hong Kong from 2001 until 2007 and was also a member of the Advisory Committee of the China Securities Regulatory Commission. From September 1997 until December 2003, Mr. Beczak was a director of Kerry Holdings Limited. During this time he also held various board and operating positions within the group, including deputy chairman of SCMP Group Limited and publisher of South China Morning Post Publishers Limited, deputy chairman of Shangri-La Asia Limited, deputy chairman of Kuok Philippines Properties, a director of China World Trade Center Limited and a director of Kerry Properties Limited. Prior to joining the Kerry Group, Mr. Beczak was the managing director of J.P. Morgan Inc., and president of J.P. Morgan Securities Asia from 1990 until 1997. While at J.P. Morgan, Hong Kong, Mr. Beczak was a director of the Bank of the Philippine Islands and a committee member of the Hong Kong Association of Banks. Mr. Beczak has over 20 years of experience in Asia.

Mr. Louie Ming ("**Mr. Louie**"), aged 65, is an independent non-executive director and a member of both the audit committee and remuneration committee of the Company. He joined the Group in November 2007. Mr. Louie graduated from Polytechnic University of New York (now known as "Polytechnic Institute of New York University") (BSEE) and obtained a master's degree from Princeton University and a master's degree in Business Administration from Drexel University. He has been the managing director of Dynasty Capital Services LLC (Consulting) since January 2002 and is currently a director of Mindspeed Technologies, Inc., a world leader in communications integrated circuits listed on NASDAQ. He co-founded and has served as the managing director of Mobile Radius Inc., since March 2002.

From October 2003 to May 2005, Mr. Louie served as the China president of GSM Association, whose members include more than 650 wireless communication operators (including Vodafone, China Mobile, NTT DoCoMo and T-mobile) and more than 200 manufacturers (such as Nokia, Siemens, Ericsson, Microsoft and Intel). As president, Mr. Louie reported to a global board of directors representing, among others, Hutchison Whampoa Group, T-Mobile and SingTel Mobile. During his presidency, Mr. Louie established the strategic alliance between previously conflicting standards involving WCDMA/GSM and TD-SCDMA, successfully coordinating the interests of the Asian, European and U.S. members. Mr. Louie also served as Qualcomm's president of Greater China (world's largest mobile communications market) from May 2000 to October 2001 and as vice president, business development of Globalstar Communications Limited from January 1989 to May 2000.

SENIOR MANAGEMENT

Mr. Tsung Shih Kin, Samuel ("Mr. Tsung"), aged 61, is the chief technical officer of the Group and a former executive director of the Company. He joined the Group in 2003. Mr. Tsung obtained a bachelor's degree in Electrical Engineering from the University of Texas, Austin, in 1975. He has over 30 years of progressive IT industry experience in Canada, Hong Kong and China. Mr. Tsung is in charge of commercial application of information technology and development of Internet and e-commerce capabilities. Prior to joining the Group, Mr. Tsung held several key senior management positions in the IT service industry. He had worked in Canada for 18 years and served as a manager of application development for the Ministry of Agriculture & Food in Ontario, Canada until 1996.

Ms. Lu Wu Qing ("Ms. Lu"), aged 43, is the senior vice president and chief administrative officer of the Group and joined the Group in 2003. Prior to joining the Group, Ms. Lu worked as a deputy manager of the administrative department of Guangdong Pacific Electronic Technology Mall Co., Ltd. (廣東太平洋電子科技廣場有限公司). She obtained a bachelor's degree in Computer Software from Zhongshan University (中山大學) in 1990.

Ms. Li Anyun ("Ms. Li"), aged 38, is the senior vice president responsible for sales of the Group. She joined the Group in 2005. Prior to joining the Group, Ms. Li worked as senior buying management of Zenith Media. She obtained her first Master's degree in Machinery Design & Theory from Donghua University in 2000, and her second Master's degree is EMBA from China Europe International Business School (中歐國際工商學院) in 2010.

Mr. Wong Huk Yung, Hudson ("Mr. Wong"), aged 46, is the company secretary and financial controller of the Group and joined the Group in 2005. He is a member of the Hong Kong Institute of Certified Public Accountants. Prior to joining the Group, Mr. Wong was a qualified accountant working for international accounting firms and a Hong Kong listed company. He obtained a bachelor's degree in Economics and Accounting from University of Reading.

Ms. Fan Zeng Chun ("Ms. Fan"), aged 41, is the accounting director of the Group and joined the Group in 2003. Prior to joining the Group, Ms. Fan worked as a senior accounting manager at Guangdong Pacific Electronic Technology Mall Co., Ltd. (廣東太平洋電子科技廣場有限公司). Ms. Fan is a qualified accountant (enterprise) and certified internal auditor. Ms. Fan graduated from the Zhejiang Zhijin Economic Professional School (浙江治金經濟專科學校) with a Certificate of Industrial Economics (經濟系工業經濟專業專科).

CORPORATE GOVERNANCE REPORT

The Board presents this Corporate Governance Report in the Company's annual report for the year ended 31 December 2011.

CORPORATE GOVERNANCE PRACTICES

The Company acknowledges the important roles of its Board in providing effective leadership and direction to the Group's business, and ensuring transparency and accountability of the Company's operations. The Board sets appropriate policies and implements corporate governance practices appropriate to the conduct and growth of the Group's business.

The "Code on Corporate Governance Practices" (the "CG Code") contained in Appendix 14 to the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") will be revised and renamed as the "Corporate Governance Code and Corporate Governance Report" with effect from 1 April 2012. As this Corporate Governance Report covers the year ended 31 December 2011, all the corporate governance principles and code provisions mentioned herein refer to those stated in the CG Code, not the revised Corporate Governance Code.

In the opinion of the Board, the Company has applied the principles and complied with the code provisions set out in the CG Code throughout the year ended 31 December 2011, save for the deviation from the code provision A.2.1 which requires that the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. Key corporate governance principles and practices of the Company as well as details relating to the foregoing deviation are summarized below.

The Board will continue to enhance its corporate governance practices appropriate to the conduct and growth of its business and to review such practices from time to time to ensure that they comply with statutory and professional standards and align with the latest developments.

A. THE BOARD

A.1 Responsibilities and Delegation

The Board is responsible for overall management and control of the Company. Its main roles are to provide leadership and to approve strategic policies and plans with a view to enhancing shareholder value. All directors carry out their duties in good faith and in compliance with applicable laws and regulations, taking decisions objectively and acting in the interests of the Company and its shareholders at all times.

The Board reserves for its decision all major matters of the Company, including approval and monitoring of all policy matters, overall strategies and budgets, internal control and risk management systems, material transactions (in particular those that may involve conflict of interests), financial information, appointment of directors and other significant financial and operational matters.

All directors have timely access to all relevant information as well as the advice and services of the Company Secretary and senior staff, with a view to ensuring compliance with Board procedures and all applicable laws and regulations. Any director may request independent professional advice in appropriate circumstances at the Company's expenses, upon reasonable request made to the Board.

The Board has delegated a schedule of responsibilities to the executive directors and senior staff of the Company. These responsibilities include implementing decisions of the Board and directing and co-ordinating day-to-day operation and management of the Company. The delegated functions and responsibilities are periodically reviewed by the Board. Approval has to be obtained from the Board prior to any significant transactions entered into by the aforesaid officers.

A.2 Board Composition

The following chart illustrated the structure and membership of the Board and the Board committees as at 31 December 2011:

Board of Directors

Executive Directors

Mr. Lam Wai Yan, *Chairman of the Board and Chief Executive Officer*
Mr. Ho Kam Wah
Mr. Wang Ta-Hsing
Ms. Zhang Cong Min

Independent Non-executive Directors

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

Audit Committee
Mr. Tsui Yiu Wa, Alec, *Chairman*
Mr. Thaddeus Thomas Beczak
Mr. Louie Ming

Executive Committee
Mr. Lam Wai Yan, *Chairman*
Mr. Ho Kam Wah
Mr. Wang Ta-Hsing
Ms. Zhang Cong Min

Remuneration Committee
Mr. Tsui Yiu Wa, Alec, *Chairman*
Mr. Thaddeus Thomas Beczak
Mr. Louie Ming

The list of directors (by category) is set out under the section headed "Corporate Information" in this annual report and is also disclosed in all corporate communications issued by the Company pursuant to the Listing Rules from time to time. The independent non-executive directors are expressly identified in all corporate communications of the Company.

The Board has at all times during the year ended 31 December 2011 met the requirements of the Listing Rules relating to the appointment of at least three independent non-executive directors with at least one independent non-executive director possessing appropriate professional qualifications and accounting and related financial management expertise.

The Board has maintained the necessary balance of skills and experience appropriate for the business requirements and objectives of the Group and for the exercise of independent judgement. Each executive director supervises specific areas of the Group's business in accordance with his/her expertise. The independent non-executive directors bring different business and financial expertise, experiences and independent judgement to the Board and they are invited to serve on the Board committees of the Company.

Through participation in Board meetings, taking the lead in managing issues involving potential conflict of interests and/or serving on Board committees, the independent non-executive directors have made contributions to the effective direction of the Company and provided adequate checks and balances to safeguard the interests of both the Group and the shareholders.

The biographical details of the directors of the Company are set out under the section headed "Directors' and Senior Management's profiles" in this annual report. None of the members of the Board is related to one another.

The Company has received written annual confirmation from each independent non-executive director of his independence pursuant to the requirements of the Listing Rules. The Company considers all independent non-executive directors to be independent in accordance with the independence guidelines set out in the Listing Rules.

A.3 Chairman and Chief Executive Officer

Code provision A.2.1 of the CG Code stipulates that the roles of Chairman and Chief Executive Officer should be separate and should not be performed by the same individual.

Mr. Lam Wai Yan is the Chairman of the Board and Chief Executive Officer of the Company. As Mr. Lam is the founder of the Group and has extensive experience in the Internet industry, the Board believes that it is in the best interest of the Group to have Mr. Lam taking up both roles for continuous effective management and business development of the Group.

The Board considers that the current structure of vesting the roles of Chairman and Chief Executive Officer in the same person will not impair the balance of power and authority between the Board and the management of the Company. The Board shall review this structure from time to time to ensure appropriate and timely action to meet changing circumstances.

A.4 Appointment, Re-Election and Removal of Directors

Each of the executive directors of the Company is engaged on a service agreement with the Company for a term of three years. The Company has also issued a letter of appointment to each of the independent non-executive directors of the Company for a term of three years.

In accordance with the Company's Articles of Association, Mr. Wang Ta-Hsing, Mr. Tsui Yiu Wa, Alec and Mr. Louie Ming shall retire by rotation at the forthcoming 2012 annual general meeting (the "2012 AGM") and they are eligible for re-election by the shareholders of the Company at the meeting. It is noted that Mr. Wang Ta-Hsing and Mr. Tsui Yiu Wa, Alec will offer themselves for re-election whereas Mr. Louie Ming will not offer himself for re-election and he will therefore retire at the 2012 AGM. The Company's circular, sent together with this annual report, contains detailed information of Mr. Wang Ta-Hsing and Mr. Tsui Yiu Wa, Alec as required by the Listing Rules.

Throughout the year ended 31 December 2011, the Company has not yet set up a nomination committee and the Board as a whole is responsible for reviewing the Board composition, developing and formulating the relevant procedures for nomination and appointment of directors, monitoring the appointment and succession planning of directors and assessing the independence of independent non-executive directors. To comply with the new code provision of the revised Corporate Governance Code which requires a listed issuer to establish a nomination committee by 1 April 2012, the Board approved the setting up of its Nomination Committee on 23 March 2012.

The Company has adopted "Directors Nomination Procedures" as written guidelines in providing formal, considered and transparent procedures to the Board for evaluating and selecting candidates for directorships. An external recruitment agency may be engaged to carry out the recruitment and selection process as necessary. Besides, the procedures and process of appointment, re-election and removal of directors are laid down in the Company's Articles of Association. According to the Company's Articles of Association, all directors of the Company are subject to retirement by rotation at least once every three years and are eligible for re-election at annual general meetings of the Company. Any new director appointed by the Board to fill a casual vacancy shall submit himself/herself for re-election by shareholders at the first general meeting and any new director appointed by the Board as an addition to the Board shall submit himself/herself for re-election by shareholders at the next following annual general meeting.

During the year ended 31 December 2011, the Board, through its meeting held on 28 March 2011 (with the presence of Mr. Lam Wai Yan, Mr. Ho Kam Wah, Mr. Wang Ta-Hsing, Ms. Zhang Cong Min, Mr. Tsui Yiu Wa, Alec, Mr. Thaddeus Thomas Beczak and Mr. Louie Ming), performed the following works:

(i) reviewing the structure, size and composition of the Board to ensure that it has a balance of expertise, skills and experience appropriate to the requirements of the business of the Company;

(ii) recommending the re-appointment of those directors standing for re-election at the 2011 annual general meeting of the Company; and

(iii) assessing the independence of the independent non-executive directors of the Company.

A.5 Induction and Continuing Development of Directors

Each newly appointed director of the Company receives induction on the first occasion of his/her appointment, so as to ensure he/she has appropriate understanding of the business and operations of the Group and that he/she is fully aware of his/her responsibilities and obligations under the Listing Rules and relevant regulatory requirements.

Directors are continually updated with legal and regulatory developments, and the business and market changes to facilitate the discharge of their responsibilities. Continuing briefings and professional development for directors will be arranged whenever necessary.

A.6 Board Meetings

A.6.1 Board Practices and Conduct of Meetings

Schedules for regular Board meetings are normally agreed with directors in advance to facilitate attendance. In addition, notices of regular Board meetings are served to all directors at least 14 days before the meetings. For other Board and committee meetings, reasonable notice is generally given.

Draft agenda of each Board meeting is usually sent to all directors together with the notice of meeting in order to give them an opportunity to include any other matters in the agenda for discussion in the meeting.

Board papers together with all appropriate, complete and reliable information are sent to all directors at least 3 days before each Board meeting to keep the directors apprised of the latest developments and financial position of the Group and to enable them to make informed decisions. The Board and each director also have separate and independent access to the senior staff whenever necessary.

The Chairman and other relevant senior staff normally attend regular Board meetings and when necessary, other Board and committee meetings to advise on business developments, financial and accounting matters, statutory compliance, corporate governance and other major aspects of the Group.

The Company Secretary is responsible to take and keep minutes of all Board and committee meetings. Draft minutes are normally circulated to directors for comment within a reasonable time after each meeting and the final version is open for directors' inspection.

According to current Board practice, any material transaction, which involves a conflict of interests for a substantial shareholder or a director, will be considered and dealt with by the Board at a duly convened Board meeting. The Company's Articles of Association contain provisions requiring directors to abstain from voting and not to be counted in the quorum at meetings for approving transactions in which such directors or any of their associates have a material interest.

A.6.2 Directors' Attendance Records at Board Meetings

During the year ended 31 December 2011, 4 regular Board meetings were held at approximately quarterly intervals for reviewing and approving the financial and operating performance, and considering and approving the overall strategies and policies of the Company. Directors' attendance records at Board meetings during the year ended 31 December 2011 are set out below:

Name of Directors	**Attendance/ Number of Board Meetings**
Executive Directors	
Mr. Lam Wai Yan	4/4
Mr. Ho Kam Wah	4/4
Mr. Wang Ta-Hsing	4/4
Ms. Zhang Cong Min	4/4
Independent Non-executive Directors	
Mr. Tsui Yiu Wa, Alec	4/4
Mr. Thaddeus Thomas Beczak	3/4
Mr. Louie Ming	4/4

A.7 Model Code for Securities Transactions

The Company has adopted its own code of conduct governing directors' dealings in the Company's securities (the "Own Code") on terms no less exacting than the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules. Specific enquiry has been made to all the Company's directors and they have confirmed that they have complied with the Own Code and the Model Code throughout the period from 1 January 2011 to the date of this report.

The Company has also established written guidelines on no less exacting terms than the Model Code (the "Employees Written Guidelines") for securities transactions by employees who are likely to be in possession of unpublished price-sensitive information of the Company and/or its securities. No incident of non-compliance of the Employees Written Guidelines by the employees was noted by the Company.

In case when the Company is aware of any restricted period for dealings in the Company's securities, the Company will notify its directors and relevant employees in advance.

B. BOARD COMMITTEES

The Board has established three Board committees during the year ended 31 December 2011, namely, the Executive Committee, the Remuneration Committee and the Audit Committee, for overseeing particular aspects of the Company's affairs. All Board committees have been established with defined written terms of reference, which are posted on the Company's website (http://corp.pconline.com.cn) and on the Stock Exchange's website (www.hkexnews.hk) (except for the written terms of reference of the Executive Committee which is available to shareholders upon request). All the Board committees should report to the Board on their decisions or recommendations made.

The practices, procedures and arrangements in conducting meetings of Board committees follow in line with, so far as practicable, those of the Board meetings set out in A.6.1 above.

All Board committees are provided with sufficient resources to discharge their duties and, upon reasonable request, are able to seek independent professional advice in appropriate circumstances, at the Company's expenses.

B.1 Executive Committee

The Executive Committee comprises all the executive directors of the Company with the Chairman of the Board, Mr. Lam Wai Yan, acting as the Chairman of such Committee. The Executive Committee operates as a general management committee under the direct authority of the Board to increase the efficiency for the business decision. It monitors the execution of the Company's strategic plans and operations of all business units of the Group and discusses and makes decisions on matters relating to the management and day-to-day operations of the Group.

B.2 Remuneration Committee

The Remuneration Committee comprises a total of three members, namely, Mr. Tsui Yiu Wa, Alec (Chairman), Mr. Thaddeus Thomas Beczak and Mr. Louie Ming, all of whom are independent non-executive directors of the Company.

The principal duties of the Remuneration Committee are to (i) make recommendations to the Board on the Company's remuneration policy and structure for directors and senior management and the establishment of a formal and transparent procedure for developing such remuneration policy and structure; (ii) make recommendations on the remuneration packages of executive directors and senior management; and (iii) review and approve performance-based remuneration by reference to corporate goals and objectives.

Human Resources Department is responsible for collection and administration of the human resources data and making recommendations to the Remuneration Committee for consideration. The Remuneration Committee consults with the Chairman of the Board/ Chief Executive Officer of the Company about these recommendations on remuneration policy and structure and remuneration packages.

Details of the remuneration of each director of the Company for the year ended 31 December 2011 are set out in note 7 to the consolidated financial statements contained in this annual report.

During the year ended 31 December 2011, the Remuneration Committee met twice for reviewing and making recommendations on the payment of discretionary bonus to the executive directors of the Company and remuneration package of the directors of the Company. The attendance records of members at the said two Remuneration Committee meetings are set out below:

Name of Remuneration Committee Members	**Attendance/ Number of Meetings**
Mr. Tsui Yiu Wa, Alec *(Chairman)*	2/2
Mr. Thaddeus Thomas Beczak	1/2
Mr. Louie Ming	2/2

B.3 Audit Committee

The Audit Committee comprises a total of three members, namely, Mr. Tsui Yiu Wa, Alec (Chairman), Mr. Thaddeus Thomas Beczak and Mr. Louie Ming, all of whom are independent non-executive directors of the Company. None of the members of the Audit Committee is a former partner of the Company's existing external auditor.

The principal duties of the Audit Committee are to (i) review the financial statements and reports and consider any significant or unusual items raised by the financial officers of the Group or external auditor before submission to the Board; (ii) review and monitor the external auditor's independence and objectivity and the effectiveness of the audit process; (iii) make recommendations to the Board on the appointment, re-appointment and removal of external auditor; and (iv) review the Company's financial controls, internal control and risk management systems.

During the year ended 31 December 2011, the Audit Committee met twice together with the Company's external auditor and/or the senior management and performed the following major tasks:

— Review and discussion of the annual financial statements, results announcement and report for the year ended 31 December 2010, the related accounting principles and practices adopted by the Group and the relevant audit findings; the report from the external auditor on the Company's internal control and risk management; and the recommendation of the re-appointment of the external auditor; and

— Review and discussion of the interim financial statements, results announcement and report for the six months ended 30 June 2011 and the related accounting principles and practices adopted by the Group.

There is no disagreement between the Board and the Audit Committee regarding the appointment of external auditor.

The attendance records of members at the said two Audit Committee meetings are set out below:

Name of Audit Committee Members	**Attendance/ Number of Meetings**
Mr. Tsui Yiu Wa, Alec *(Chairman)*	2/2
Mr. Thaddeus Thomas Beczak	2/2
Mr. Louie Ming	2/2

C. DIRECTORS' RESPONSIBILITIES FOR FINANCIAL REPORTING IN RESPECT OF THE FINANCIAL STATEMENTS

The directors have acknowledged their responsibilities for preparing the financial statements of the Company for the year ended 31 December 2011.

The Board is responsible for presenting a balanced, clear and understandable assessment of interim and annual reports, price sensitive announcements and other disclosures required under the Listing Rules and other regulatory requirements. The management has provided such explanation and information to the Board as necessary to enable the Board to make an informed assessment of the financial information and position of the Group put forward to the Board for approval.

There are no material uncertainties relating to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern.

D. INTERNAL CONTROLS

The Board has overall responsibility for the internal control system of the Group. The Board is responsible for maintaining an adequate internal control system to safeguard shareholders' investments and the Group's assets and for reviewing the effectiveness of such system on an annual basis. The internal control system of the Group is designed to facilitate effective and efficient operations, to ensure reliability of financial reporting and compliance with applicable laws and regulations, to identify and manage potential risks and to safeguard assets of the Group. The senior personnel reviews and evaluates the control process, monitors any risk factors on a regular basis and reports to the Audit Committee on any findings and measures to address the variances and identified risks.

During the year under review, the Board conducted a review of the effectiveness of the internal control system of the Company including the adequacy of resources, qualifications and experience of staff of the Company's accounting and financial reporting function, and their training programmes and budget.

E. EXTERNAL AUDITOR AND AUDITOR'S REMUNERATION

The statement of the external auditor of the Company about his reporting responsibilities on the Company's financial statements for the year ended 31 December 2011 is set out in the section headed 'Independent Auditor's Report' in this annual report.

The fees paid/payable to the Company's external auditor in respect of audit services and non-audit services for the year ended 31 December 2011 are analyzed below:

Type of services provided by the external auditor	**Fees paid/ payable** (RMB)
Annual audit (including interim review):	3,040,000
Non-audit services:	110,000
TOTAL:	3,150,000

F. COMMUNICATIONS WITH SHAREHOLDERS AND INVESTORS

The Board believes that effective communication with shareholders is essential for enhancing investor relations and investors' understanding of the Group's business performance and strategies. The Group also recognizes the importance of transparency and timely disclosure of its corporate information, which enables shareholders and investors to make the best investment decision.

The Company maintains a website at "http://corp.pconline.com.cn", as a communication platform with shareholders and investors, where information on the Company's announcement, financial information and other information are available for public access. Shareholders and investors may write directly to the Company's principal place of business in Hong Kong at Unit 807, Tower 2, Lippo Centre, 89 Queensway, Hong Kong or via email (ir@pconline.com.cn) for any inquiries. Enquiries are dealt with in an informative and timely manner.

The Board welcomes views of shareholders and encourages them to attend general meetings to raise any concerns they might have with the Board or the management directly. The Chairman of the Board as well as the Chairmen and/or other members of the Audit Committee and Remuneration Committee will normally attend the annual general meetings and other shareholders' meetings of the Company to answer questions raised.

The Company continues to enhance communication and relationship with its investors. Designated senior staff maintains regular dialogue with institutional investors and analysts to keep them informed of the Group's developments.

G. SHAREHOLDERS' RIGHTS

As one of the measures to safeguard shareholders' interests and rights, separate resolutions are proposed at shareholders' meetings on each substantial issue, including the election of individual directors, for shareholders' consideration and voting. Besides, various rights of shareholders, including the right to propose resolutions, are contained in the Company's Articles of Association.

All resolutions put forward at shareholders' meetings will be voted by poll pursuant to the Listing Rules and the poll voting results will be posted on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (http://corp.pconline.com.cn) immediately after the relevant general meeting.

The Board is pleased to present the annual report and the audited consolidated financial statements of the Company and the Group for the year ended 31 December 2011.

GROUP REORGANISATION

The Company was incorporated on 27 August 2007 as an exempted company with limited liability under the Companies Law, Cap. 22, (Law 3 of 1961, as combined and revised) of the Cayman Islands. The Company is an investment holding company of the companies now comprising the Group.

The Company's shares have been listed on Main Board of the Stock Exchange since 18 December 2007. After the completion of group reorganisation as set out in the prospectus of the Company dated 5 December 2007 (the "Prospectus"), pursuant to an agreement dated 12 November 2007, the Company acquired the entire issued capital of Takehigh Industry Limited through a share swap and became the holding company of the companies now comprising the Group.

PRINCIPAL ACTIVITIES

The Company is an investment holding company and its subsidiaries are principally engaged in the provision of internet advertising services in the People's Republic of China. The activities of its subsidiaries are set out in note 15 to the consolidated financial statements. There were no significant changes in the nature of the Group's principal activities during the year.

RESULTS AND DIVIDENDS

The results of the Group for the year ended 31 December 2011 are set out in the consolidated income statement on page 42.

The Board has recommended the payment of a final dividend of RMB14.78 cents per ordinary share in cash for the year ended 31 December 2011 (the "Proposed Final Dividend") (2010: RMB14.38 cents), subject to the shareholders' approval at the 2012 AGM to be held on Friday, 18 May 2012. The Proposed Final Dividend will be paid in cash on 6 June 2012 to shareholders whose names appear on the register of members of the Company at the close of business on 29 May 2012.

CLOSURE OF REGISTER OF MEMBERS

For determining the entitlement to attend and vote at the 2012 AGM, the register of members of the Company will be closed from Wednesday, 16 May 2012 to Friday, 18 May 2012, both days inclusive, during which period no transfer of shares of the Company will be registered. In order to be eligible to attend and vote at the 2012 AGM, unregistered holders of shares of the Company should ensure that all share transfer documents accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited, at 26/F, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong, for registration not later than 4:30 p.m. on Tuesday, 15 May 2012.

For determining the entitlement to the Proposed Final Dividend, the register of members of the Company will also be closed from Friday, 25 May 2012 to Tuesday, 29 May 2012, both days inclusive, during which period no transfer of shares of the Company will be registered. In order to be eligible to receive the Proposed Final Dividend, unregistered holders of shares of the Company should ensure that all share transfer documents accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited, at 26/F, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong, for registration not later than 4:30 p.m. on Thursday, 24 May 2012.

FINANCIAL SUMMARY

A summary of the published results and assets, liabilities and assets less liabilities of the Group for the last five financial years, as extracted from the audited financial statements, is set out on page 96 of the annual report. This summary does not form part of the audited financial statements.

PROPERTY AND EQUIPMENT

Details of movements in the property, plant and equipment of the Group during the year are set out in note 13 to the consolidated financial statements.

SHARE CAPITAL

Details of movements in the share capital of the Company during the year set out in note 20 to the consolidated financial statements.

SHARE OPTION SCHEMES

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

Summary of the Share Option Schemes of the Company is as follows:

	Details	**Pre-IPO Share Option Plan**	**Post-IPO Share Option Plan**
1.	Purpose	To recognize the contribution to the Group by the executive directors, certain senior management staff and employees of the Group and to retain those persons whose contributions are important to the long-term growth and profitability of the Group.	To advance the interests of the Company and its shareholders by enabling the Company to grant share options to attract, retain and reward the eligible persons, to provide to the eligible persons a performance incentive for continued and improved services with the Company and its subsidiaries, and to enhance such persons' contribution to increase the profits by encouraging capital accumulation and share ownership.
2.	Participants	Any executive directors, senior management staff and employees of the Group.	Any directors (whether executive or non-executive and whether independent or not), any employee (whether full-time or part-time), any consultant or adviser of or to the Company or the Group (whether on an employment, contractual or honorary basis and whether paid or unpaid), who, in the absolute opinion of the Board, have contributed to the Company or the Group.
3.	Total number of ordinary shares available for issue	No further option could be granted under the Pre-IPO Share Option Plan.	98,130,880 shares, being approximately 9% of the issued share capital as at the date of this annual report.
4.	Maximum entitlement of each participant	Determined by the Board.	Where any grant or further grant of options to a participant would result in the total number of shares issued and to be issued upon exercise of all the options already granted and to be granted to such person (including exercised, cancelled and outstanding options) in the 12-month period up to and including the date of such grant or further grant representing in aggregate over 1% of the total number of shares in issue, such grant or further grant must be separately approved by the shareholders in a general meeting. Where any grant or further grant of options to a substantial shareholder or an independent non-executive director of the Company, or any of their respective associates, would result in the total number of shares issued and to be issued upon exercise of all options already granted and to be granted (including exercised, cancelled and outstanding options) to such person in the 12-month period up to and including the date of such grant: (a) representing in aggregate over 0.1% of the relevant class of shares in issue; and (b) having an aggregate value, based on the closing price of the shares at the date of each grant, in excess of HK$5,000,000, such grant or further grant of options must be approved by the shareholders in a general meeting.

	Details	Pre-IPO Share Option Plan	Post-IPO Share Option Plan
5.	Period within which the securities must be taken up under an option	An option may be exercised during a period to be determined and notified by the Board to each grantee, but shall not be more than 10 years from the date of grant of options subject to the provisions for early termination set out in the Pre-IPO Share Option Plan.	An option may be exercised at any time during a period to be determined and notified by the Board to each grantee, but shall not be more than 10 years from the date of grant of options subject to the provisions for early termination set out in the Post-IPO Share Option Plan.
6.	Minimum period for which an option must be held before it can be exercised	The minimum period for which an option granted must be held before it can be exercised is as follow: **Minimum Period** — **Number of options exercisable** 24 months from the date of grant — 1st phase options, being one-third of the total number of options granted 36 months from the date of grant — 2nd phase options, being a further one-third of the total number of options granted 48 months from the date of grant — 3rd phase options, being a further one-third of the total number of options granted	There is no minimum period for which an option granted must be held before it can be exercised except otherwise imposed by the directors.
7.	Acceptance of offer	Options granted must be taken up within 14 days from the date of offer, upon payment of HK$1 per grant.	Options granted must be taken up within 28 days from the date of offer, upon payment of HK$1 per grant.
8.	Basis of determining the exercise price	Determined by the Board.	Determined by the Board but shall not be less than the highest of (i) the closing price of the ordinary shares as stated in the Stock Exchange's daily quotations sheet on the date of offer of the grant of options, which must be a trading day; (ii) the average closing price of the ordinary shares as stated in the Stock Exchange's daily quotations sheets for the five trading days immediately preceding the date of offer of the grant of options; and (iii) the nominal value of an ordinary share of the Company.
9.	Remaining life of the scheme	Expired on 28 November 2007.	It will remain in force for a period of 10 years, commencing on 23 November 2007.

(a) Pre-IPO Share Option Plan

Category	Date of grant	Exercise period[1]	Adjusted exercise price per share	Number of share options: As at 1 January 2011	Exercised during the year	Lapsed during the year	Adjustment for Bonus Issue	As at 31 December 2011
Director								
Ms. Zhang Cong Min	23 November 2007	A	I	3,975,062	—	—	391,483	4,366,545
	23 November 2007	B	II	5,545,340	—	—	551,291	6,096,631
	23 November 2007	C	III	5,561,500	—	—	567,500	6,129,000
				15,081,902	—	—	1,510,274	16,592,176
Employees in aggregate	23 November 2007	A	I	4,181,886	(1,163,614)	—	383,850	3,402,122
	23 November 2007	B	II	7,900,010	(2,885,321)	—	579,360	5,594,049
	23 November 2007	C	III	8,644,217	(1,053,196)	(225,949)	859,007	8,224,079
				20,726,113	(5,102,131)	(225,949)	1,822,217	17,220,250
Total				35,808,015	(5,102,131)	(225,949)	3,332,491	33,812,426

Exercise period

A: from 23 November 2009 to 22 November 2017
B: from 23 November 2010 to 22 November 2017
C: from 23 November 2011 to 22 November 2017

Adjusted exercise price

I: HK$1.32
II: HK$1.71
III: HK$1.96

Notes:

(1) The vesting period of the share options is from the date of grant until the commencement of the exercise period.

(2) No share options have been granted/cancelled under the Pre-IPO Share Option Plan during the year ended 31 December 2011.

(b) Post-IPO Share Option Plan

				Number of share options				
Category	Date of grant	Exercise period[(1)]	Adjusted exercise price per share	As at 1 January 2011	Exercised during the year	Lapsed during the year	Adjustment for Bonus Issue	As at 31 December 2011
Director								
Mr. Lam Wai Yan	18 May 2009	A	I	1,153,472	(1,153,472)	—	—	—
	18 May 2009	B	I	1,153,472	—	—	114,466	1,267,938
	18 May 2009	C	I	1,153,472	—	—	114,467	1,267,939
				3,460,416	(1,153,472)	—	228,933	2,535,877
Mr. Wang Ta-Hsing	18 May 2009	A	I	1,048,611	—	—	104,060	1,152,671
	18 May 2009	B	I	1,048,611	—	—	104,061	1,152,672
	18 May 2009	C	I	1,048,611	—	—	104,061	1,152,672
				3,145,833	—	—	312,182	3,458,015
Ms. Zhang Cong Min	18 May 2009	A	I	1,740,694	—	—	172,740	1,913,434
	18 May 2009	B	I	1,740,695	—	—	172,741	1,913,436
	18 May 2009	C	I	1,761,667	—	—	174,822	1,936,489
	12 April 2010	G	III	630,508	—	—	63,521	694,029
	12 April 2010	H	III	630,508	—	—	63,522	694,030
	12 April 2010	I	III	630,509	—	—	63,521	694,030
				7,134,581	—	—	710,867	7,845,448
Mr. Tsui Yiu Wa, Alec	6 July 2009	D	II	69,453	—	—	7,123	76,576
	6 July 2009	E	II	70,506	—	—	7,231	77,737
	6 July 2009	F	II	70,506	—	—	7,232	77,738
				210,465	—	—	21,586	232,051
Mr. Thaddeus Thomas Beczak	6 July 2009	D	II	69,453	—	—	7,123	76,576
	6 July 2009	E	II	70,506	—	—	7,231	77,737
	6 July 2009	F	II	70,506	—	—	7,232	77,738
				210,465	—	—	21,586	232,051
Mr. Louie Ming	6 July 2009	D	II	69,453	—	—	7,123	76,576
	6 July 2009	E	II	70,506	—	—	7,231	77,737
	6 July 2009	F	II	70,506	—	—	7,232	77,738
				210,465	—	—	21,586	232,051
				14,372,225	(1,153,472)	—	1,316,740	14,535,493

(b) Post-IPO Share Option Plan (Continued)

Category	Date of grant	Exercise period(1)	Adjusted exercise price per share	Number of share options: As at 1 January 2011	Exercised during the year	Lapsed during the year	Adjustment for Bonus Issue	As at 31 December 2011
Employees in aggregate	18 May 2009	A	I	73,403	(80,687)	—	7,284	—
	6 July 2009	D	II	1,707,924	(613,840)	(178,896)	156,825	1,072,013
	6 July 2009	E	II	526,163	—	—	53,965	580,128
	6 July 2009	F	II	526,163	—	—	53,965	580,128
	12 April 2010	G	III	3,745,218	(1,751,341)	(309,999)	266,350	1,950,228
	12 April 2010	H	III	3,745,221	—	(328,508)	346,091	3,762,804
	12 April 2010	I	III	3,743,120	—	(336,076)	345,345	3,752,389
	14 April 2010	J	IV	262,110	(1,048)	—	25,809	286,871
	14 April 2010	K	IV	262,111	—	—	25,912	288,023
	14 April 2010	L	IV	272,596	—	—	26,948	299,544
	18 May 2010	M	V	790,625	(477,781)	—	50,165	363,009
	18 May 2010	N	V	790,631	—	—	80,554	871,185
	18 May 2010	O	V	808,508	—	—	82,377	890,885
				17,253,793	(2,924,697)	(1,153,479)	1,521,590	14,697,207
Total				31,626,018	(4,078,169)	(1,153,479)	2,838,330	29,232,700

Exercise period

A: from 18 May 2011 to 17 May 2014
B: from 18 May 2012 to 17 May 2014
C: from 18 May 2013 to 17 May 2014
D: from 6 July 2011 to 5 July 2014
E: from 6 July 2012 to 5 July 2014
F: from 6 July 2013 to 5 July 2014
G: from 12 April 2011 to 11 April 2014
H: from 12 April 2012 to 11 April 2014
I: from 12 April 2013 to 11 April 2014
J: from 14 April 2011 to 13 April 2014
K: from 14 April 2012 to 13 April 2014
L: from 14 April 2013 to 13 April 2014
M: from 18 May 2011 to 17 May 2014
N: from 18 May 2012 to 17 May 2014
O: from 18 May 2013 to 17 May 2014

Adjusted exercise price

I: HK$1.31
II: HK$1.56
III: HK$2.68
IV: HK$2.63
V: HK$2.65

Notes:

(1) The vesting period of the share options is from the date of grant until the commencement of the exercise period.

(2) No share options have been granted/cancelled under the Post-IPO Share Option Plan during the year ended 31 December 2011.

Further details of the two share option plans of the Company are set out in note 21 to the consolidated financial statements.

SHARE AWARD SCHEME

The Board adopted a restricted share award scheme ("Share Award Scheme") on 10 January 2011 ("Adoption Date") as an incentive to retain and encourage the eligible participants for the continual operation and development of the Group. Eligible participants include any directors, any employee, any consultant or adviser of or to the Company or the Group and who, in the absolute opinion of the Board, have contributed to the Company or the Group.

Pursuant to the Share Award Scheme, the Board may, from time to time, at its absolute discretion select eligible participants and determine the number of shares to be awarded. The aggregate number of shares to be awarded by the Board throughout the duration of the Share Award Scheme shall not exceed 2.5% of the issued share capital of the Company as at the Adoption Date. The term of the Share Award Scheme is 10 years commencing from the Adoption Date.

During the year, a total of 752,000 shares were granted and no shares was granted to the directors of the Company. Further details in relation to the Share Award Scheme are set out in note 21 to the consolidated financial statements.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's Articles of Association, or the laws of the Cayman Islands, which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

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

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the year ended 31 December 2011.

RESERVES

Details of movements in the reserves of the Company and the Group during the year are set out in note 21 to the consolidated financial statements and in the consolidated statement of changes in equity, respectively.

DISTRIBUTABLE RESERVES OF THE COMPANY

As at 31 December 2011, the Company had distributable reserves amounting to RMB726.0 million (2010: RMB617.1 million).

Under the Companies Law, Cap. 22 (Law 3 of 1961, as combined and revised) of the Cayman Islands, the share premium account and the retained earnings are distributable to the shareholders of the Company provided that immediately following the date on which any dividend is proposed to be distributed, the Company will be able to pay its debts as they fall due in the ordinary course of business.

MAJOR CUSTOMERS AND SUPPLIERS

In the year under review, sales to the Group's five largest customers accounted for 23.3% of the total sales for the year and sales to the largest customer included therein amounted to 6.1%. Excluded the acquisition of property, purchases from the Group's five largest suppliers accounted for 78.5% of the total purchases for the year and purchase from the largest supplier included therein amounted to 31.1%.

None of the directors or any of their associates or any shareholders (which, to the best knowledge of the directors, own more than 5% of the Company's issued share capital) had any beneficial interest in the Group's five largest customers or five largest suppliers.

EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2011, the Group had 1,149 employees (2010: 946), increased by 21.5% over 2010. The increase in staff level represented the expansion of the Group's operations in 2011. The Group determines its staff's remuneration based on factors such as qualifications and years of experience.

DIRECTORS

The directors of the Company during the year were as follows:

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

Independent Non-executive Directors:
Mr. Tsui Yiu Wa, Alec
Mr. Thaddeus Thomas Beczak
Mr. Louie Ming

In accordance with Article 87 of the Company's Articles of Association, Mr. Wang Ta-Hsing, Mr. Tsui Yiu Wa, Alec and Mr. Louie Ming shall retire from office by rotation at the 2012 AGM and they are eligible for re-election by the shareholders at the 2012 AGM. It is noted that Mr. Wang Ta-Hsing and Mr. Tsui Yiu Wa, Alec will offer themselves for re-election whereas Mr. Louie Ming will not offer himself for re-election and he will therefore retire at the 2012 AGM.

The Company has received annual confirmations of independence from Mr. Tsui Yiu Wa, Alec, Mr. Thaddeus Thomas Beczak and Mr. Louie Ming pursuant to Rule 3.13 of the Listing Rules. The Company considers the independent non-executive directors to be independent as at the date of this report.

DIRECTORS' SERVICE CONTRACTS

None of the directors being proposed for re-election at the 2012 AGM 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.

DIRECTORS' INTERESTS IN CONTRACTS

No contract of significance in relation to the Group's businesses to which the Company, its subsidiaries, its fellow subsidiaries or its holding companies was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

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

As at 31 December 2011, the interests of the directors of the Company in the shares and underlying shares of the Company (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) as recorded in the register required to be kept by the Company under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code were as follows:

(1) Interests in shares of the Company

Name of director	Long/Short position	Capacity	Number of ordinary shares in the Company	Note	Percentage of the Company's issued share capital†
Mr. Lam Wai Yan	Long	Interests held by a controlled corporation	296,345,280	(1)	27.34%
	Long	Interests held jointly with spouse	7,914,585	(2)	0.73%
	Long	Beneficial owner	1,268,819	—	0.11%
			305,528,684	—	28.18%
Mr. Ho Kam Wah	Long	Interests held by a controlled corporation	99,348,480	(3)	9.16%
	Long	Beneficial owner	2,055,900	—	0.19%
	Long	Interests of spouse	1,432,200	(4)	0.13%
			102,836,580	—	9.48%
Ms. Zhang Cong Min	Long	Beneficial owner	6,014,800	—	0.55%
Mr. Tsui Yiu Wa, Alec	Long	Beneficial owner	60,000	—	0.006%

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 1,432,200 shares of the Company through the interests of his spouse, Ms. Yeung Yuk Chun.

† The percentage represents the number of ordinary shares interested divided by the number of the Company's issued shares as at 31 December 2011.

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

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

† The percentage represents the number of shares interested divided by the number of GZ Yingxin's issued shares as at 31 December 2011.

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

Name of director	Long/Short position	Capacity	Number of underlying shares in respect of the share options granted	Percentage of the underlying shares over the Company's issued share capital†
Mr. Lam Wai Yan	Long	Beneficial owner	2,535,877	0.23%
Mr. Wang Ta-Hsing	Long	Beneficial owner	3,458,015	0.32%
Ms. Zhang Cong Min	Long	Beneficial owner	24,437,624	2.25%
Mr. Tsui Yiu Wa, Alec	Long	Beneficial owner	232,051	0.02%
Mr. Thaddeus Thomas Beczak	Long	Beneficial owner	232,051	0.02%
Mr. Louie Ming	Long	Beneficial owner	232,051	0.02%

Note: Details of the above share options as required by the Listing Rules have been disclosed in above section headed "Share Option Plan" and note 21 to the consolidated financial statements.

† The percentage represents the number of underlying shares interested divided by the number of the Company's issued shares as at 31 December 2011.

Save as disclosed above and in the above section headed "Share Option Plan", as at 31 December 2011, none of the directors or chief executive of the Company had any interests or short positions in the shares, underlying shares or debentures of the Company or any associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he/she was deemed or taken to have under such provisions of the SFO) or which were required to be entered into the register kept by the Company pursuant to Section 352 of the SFO or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed in the share option scheme disclosures in note 21 to the consolidated financial statements, at no time during the year were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any director or their respective spouse or minor children, or were any such rights exercised by them; or was the Company, its holding company, or any of its subsidiaries or fellow subsidiaries a party to any arrangement to enable the directors to acquire such rights in any other body corporate.

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

As at 31 December 2011, the following persons (other than the directors and chief executives of the Company) had interests of 5% or more in the shares of the Company as recorded in the register required to be kept by the Company under Section 336 of the SFO:

(1) Interests in shares of the Company

Name of substantial shareholder	Long/Short position	Capacity	Number of ordinary shares in the Company	Note	Percentage of the Company's issued share capital†
Pac Tech Investment Co. Ltd.	Long	Beneficial owner	296,345,280	(1)	27.34%
Ms. Ma Muk Lan	Long	Interests of spouse	297,614,099	(2)	27.45%
	Long	Interests held jointly with another person	7,914,585	(3)	0.73%
			305,528,684	—	28.18%
Gallop Assets Management Limited	Long	Beneficial owner	296,172,030	(4)	27.32%
J.P. Morgan Trust Company (Bahamas) Limited as trustee of The Gallop Trust	Long	Trustee	296,172,030	(4)	27.32%
Mr. Wang Ko Chiang	Long	Founder of a discretionary trust	296,172,030	(4)	27.32%
Mrs. Wang Tang Shi Ming	Long	Interests of spouse	296,172,030	(5)	27.32%
Treasure Field Holdings Limited	Long	Beneficial owner	99,348,480	(6)	9.16%
Ms. Yeung Yuk Chun	Long	Interests of spouse	101,404,380	(7)	9.35%
	Long	Beneficial owner	1,432,200	—	0.13%
			102,836,580	—	9.48%

Notes:

(1) The interests of Pac Tech Investment Co. Ltd. was also disclosed as the interests of Mr. Lam Wai Yan in the above section headed "Directors' interests in the shares and underlying shares of the Company and its associated corporation".

(2) Ms. Ma Muk Lan was deemed to be interested in 297,614,099 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, the entire issued share capital of which was owned by J.P. Morgan Trust Company (Bahamas) Limited as trustee of The Gallop Trust, a discretionary trust founded by Mr. Wang Ko Chiang. As such, J.P. Morgan Trust Company (Bahamas) Limited as trustee of The Gallop Trust was deemed to be interested in 296,172,030 shares of the Company held by Gallop Assets Management Limited.

Accordingly, Mr. Wang Ko Chiang, as the founder of The Gallop Trust was deemed to be interested in 296,172,030 shares of the Company held by Gallop Assets Management Limited.

(5) Mrs. Wang Tang Shi Ming was deemed to be interested in 296,172,030 shares of the Company through the interests of her spouse, Mr. Wang Ko Chiang.

(6) The interests of Treasure Field Holdings Limited was also disclosed as the interests of Mr. Ho Kam Wah in the above section headed "Directors' interests in the shares and underlying shares of the Company and its associated corporation".

(7) Ms. Yeung Yuk Chun was deemed to be interested in 101,404,380 shares of the Company through the interests of her spouse, Mr. Ho Kam Wah.

† The percentage represents the number of ordinary shares interested divided by the number of the Company's issued shares as at 31 December 2011.

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

Name of Substantial Shareholder	Long/Short position	Capacity	Number of underlying shares in respect of the share options granted	Percentage of the underlying shares over the Company's issued share capital†
Ms. Ma Muk Lan	Long	Interests of spouse	2,535,877	0.23%

Note: Ms. Ma Muk Lan was deemed to be interested in 2,535,877 share options of the Company through the interests of her spouse, Mr. Lam Wai Yan. Details of the above share options as required by the Listing Rules have been disclosed in above section headed "Share Option Plan" and note 21 to the consolidated financial statements.

† The percentage represents the number of underlying shares interested divided by the number of the Company's issued shares as at 31 December 2011.

Save as disclosed above, as at 31 December 2011, no person, other than the directors of the Company whose interests are set out in the above section headed "Directors' interests in the shares and underlying shares of the Company and its associated corporation", had an interest or a short position in the shares and underlying shares of the Company as recorded in the register required to be kept by the Company under Section 336 of the SFO.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

As at 31 December 2011, to the best knowledge of the directors, none of the directors and their respective associates was considered to have any interests in businesses which compete or are likely to compete, either directly or indirectly, with the businesses of the Group, other than those businesses where the directors were appointed as directors to represent the interests of the Company and/or the Group.

CORPORATE GOVERNANCE

Details of the corporate governance are set out in the section headed "Corporate Governance Report" in this annual report.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the directors of the Company as at the date of this annual report, the Company has maintained a sufficient public float.

CONNECTED TRANSACTIONS

Save as disclosed in note 26 to the consolidated financial statements, during the year under review, the Group also had continuing connected transactions in the form of structure contracts (the "Structure Contracts Transactions").

The Group conducts its online advertising business through GZ Yingxin, Guangdong Pacific Internet Information Service Co., Ltd. ("GDP Internet") and the subsidiaries of GDP Internet under the structure contracts entered into with the Company's wholly-owned subsidiary, Guangzhou Pacific Computer Information Consulting Co., Ltd.. Ms. Zhang Cong Min, an executive director of the Company, holds a 40% equity interest in GZ Yingxin. As such, GZ Yingxin is an associate of Ms. Zhang under the Listing Rules and therefore a connected person of the Company. The structure contracts are fundamental to the Group's legal structure and business operations. The Directors believe that the nature of the Group structure whereby the Group's financial results of GZ Yingxin, GDP Internet and the subsidiaries of GDP Internet are consolidated with the Group's financial statements as if they were subsidiaries of the Company and the economic benefits of their business flow to the Company. The transactions (technical support, information consulting and technical services) under structure contracts carried out during the year ended 31 December 2011 were approximately RMB440,791,000 and the amounts have been eliminated in the consolidated financial statements of the Company and its subsidiaries.

The independent non-executive directors of the Company have reviewed the continuing connected transactions for the year ended 31 December 2011 and confirmed as follows:

(I) The continuing connected transactions as disclosed in note 26 to the consolidated financial statements had been:

   a) entered into by the Group in the ordinary and usual course of business;

   b) entered into by the Group on normal commercial terms; and

   c) entered into by the Group in accordance with the respective agreements governing such transactions on terms that are fair and reasonable and in the interests of the Company and its shareholders as a whole.

(II) The Structure Contracts Transactions had been entered into in accordance with the relevant provisions of the structure contracts; the terms of the structure contracts remain unchanged and consistent with those disclosed in the Prospectus; and no dividends have been made by GZ Yingxin to the GZ Yingxin's shareholders; and any new structural contractual arrangements entered into, renewed and/or "cloned" during the year ended 31 December 2011 are fair and reasonable so far as the Company is concerned and in the interests of the Company and its shareholders as a whole.

The auditor of Company was engaged to report on the Group's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The auditor of the Company has issued his unqualified letter containing his findings and conclusions in respect of the aforesaid continuing connected transactions in accordance with Listing Rule 14A.38. A copy of the auditor's letter has been provided by the Company to the Stock Exchange.

AUDITOR

A resolution will be proposed at the 2012 AGM to re-appoint Messrs. PricewaterhouseCoopers as auditor of the Company.

On behalf of the Board
Lam Wai Yan
Chairman

23 March 2012

羅兵咸永道

TO THE SHAREHOLDERS OF PACIFIC ONLINE LIMITED
(Incorporated in the Cayman Islands with limited liability)

We have audited the consolidated financial statements of Pacific Online Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages 42 to 95, which comprise the consolidated and company balance sheets as at 31 December 2011, and the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

PricewaterhouseCoopers, 22/F Prince's Building, Central, Hong Kong
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An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2011, and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 23 March 2012

CONSOLIDATED INCOME STATEMENT

	Note	2011 RMB'000	2010 RMB'000
		Year ended 31 December	
Revenue	5	**640,095**	508,608
Cost of revenue	6	**(197,915)**	(138,836)
Gross profit		**442,180**	369,772
Selling and marketing costs	6	**(86,288)**	(62,200)
Administrative expenses	6	**(48,747)**	(51,970)
Product development expenses	6	**(28,718)**	(20,940)
Other income	8	**3,660**	871
Operating profit		**282,087**	235,533
Finance income	9	**6,229**	4,941
Finance cost	9	**(930)**	(1,488)
Finance income — net	9	**5,299**	3,453
Profit before income tax		**287,386**	238,986
Income tax expense	10	**(58,457)**	(38,310)
Profit for the year		**228,929**	200,676
Attributable to:			
Equity holders of the Company		**228,929**	200,676
Earnings per share for profit attributable to equity holders of the Company during the year			Restated
— Basic (RMB)	11	**21.27 cents**	18.73 cents
— Diluted (RMB)	11	**20.65 cents**	18.40 cents
Dividend per share			
— Final dividend proposed (RMB)	12	**14.78 cents**	14.38 cents

The notes on pages 49 to 95 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Year ended 31 December	
	2011	2010
	RMB'000	RMB'000
Profit for the year	**228,929**	200,676
Other comprehensive income for the year, net of tax	**—**	—
Total comprehensive income for the year	**228,929**	200,676
Attributable to:		
Equity holders of the Company	**228,929**	200,676

The notes on pages 49 to 95 are an integral part of these consolidated financial statements.

CONSOLIDATED BALANCE SHEET

	Note	As at 31 December 2011 RMB'000	2010 RMB'000
ASSETS			
Non-current assets			
Lease prepayment		**17,964**	18,390
Property and equipment	13	**207,299**	148,741
Intangible assets	14	**9,034**	9,345
Deferred income tax assets	17	**7,460**	8,978
		241,757	185,454
Current assets			
Trade and other receivables and prepayments	18	**197,300**	149,711
Short-term bank deposits with original terms of over three months	19	**2,500**	182,200
Cash and cash equivalents	19	**429,658**	262,283
		629,458	594,194
Total assets		**871,215**	779,648
EQUITY			
Capital and reserves attributable to equity holders of the Company			
Ordinary shares	20	**10,093**	9,201
Reserves	21	**697,786**	597,146
Total equity		**707,879**	606,347

	Note	As at 31 December 2011 RMB'000	2010 RMB'000
Current liabilities			
Accruals and other payables	22	**106,633**	125,761
Prepaid advertising subscriptions from customers	23	**26,762**	21,539
Current income tax liabilities		**29,941**	26,001
Total current liabilities		**163,336**	173,301
Total equity and liabilities		**871,215**	779,648
Net current assets		**466,122**	420,893
Total assets less current liabilities		**707,879**	606,347

Lam Wai Yan	**Wang Ta-Hsing**
Director	Director

The notes on pages 49 to 95 are an integral part of these consolidated financial statements.

BALANCE SHEET

	Note	As at 31 December 2011 RMB'000	2010 RMB'000
ASSETS			
Non-current assets			
Intangible assets		**8,793**	8,793
Interests in subsidiaries	15	**268,368**	261,232
		277,161	270,025
Current assets			
Prepayments	18	**12**	13
Amounts due from subsidiaries	15	**3,724**	6,057
Dividend due from subsidiaries		**400,000**	339,000
Cash and cash equivalents	19	**68,879**	21,350
		472,615	366,420
Total assets		**749,776**	636,445
EQUITY			
Capital and reserves attributable to equity holders of the Company			
Ordinary shares	20	**10,093**	9,201
Reserves	21	**725,971**	617,065
Total equity		**736,064**	626,266
Current liabilities			
Accruals and other payables	22	**1,018**	1,575
Amounts due to subsidiaries	15	**12,694**	8,604
Total current liabilities		**13,712**	10,179
Total equity and liabilities		**749,776**	636,445
Net current assets		**458,903**	356,241
Total assets less current liabilities		**736,064**	626,266

Lam Wai Yan
Director

Wang Ta-Hsing
Director

The notes on pages 49 to 95 are an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Note	Attributable to equity holders of the Company		
		Ordinary shares	**Reserves**	**Total equity**
		RMB'000	RMB'000	RMB'000
Balance at 1 January 2010		8,737	474,561	483,298
Comprehensive income				
Profit		—	200,676	200,676
Other comprehensive income		—	—	—
Total comprehensive income		—	200,676	200,676
Cash dividends relating to 2009, paid in 2010		—	(94,996)	(94,996)
Bonus shares issued in June 2010	20(b)	407	(407)	—
Employees share option schemes	21(a)			
— exercise of share options		57	8,793	8,850
— value of employee services		—	8,519	8,519
Balance at 31 December 2010		9,201	597,146	606,347
Comprehensive income				
Profit		—	228,929	228,929
Other comprehensive income		—	—	—
Total comprehensive income		—	228,929	228,929
Cash dividends relating to 2010, paid in 2011	12	—	(140,753)	(140,753)
Bonus shares issued in June 2011	20(b)	816	(816)	—
Share Award Scheme	21(b)			
— purchase of shares		—	(8,605)	(8,605)
— value of employee services		—	1,441	1,441
Employees share option schemes	21(a)			
— exercise of share options		76	14,749	14,825
— value of employee services		—	5,695	5,695
Balance at 31 December 2011		10,093	697,786	707,879

The notes on pages 49 to 95 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

	Note	Year ended 31 December 2011 RMB'000	2010 RMB'000
Cash flows from operating activities			
Cash generated from operations	24	271,215	254,175
Income tax paid		(52,999)	(56,910)
Net cash generated from operating activities		218,216	197,265
Cash flows from investing activities			
Purchase of property and equipment		(100,960)	(114,254)
Purchase of intangible assets		(122)	(564)
Decrease/(increase) in short-term bank deposits with original terms of over three months		179,700	(147,520)
Interest received		6,070	4,941
Net cash generated from/(used in) investing activities		84,688	(257,397)
Cash flows from financing activities			
Purchase of shares held for Share Award Scheme		(8,605)	—
Cash dividends paid		(140,753)	(94,996)
Proceeds from issuance of ordinary shares		14,825	8,850
Net cash used in financing activities		(134,533)	(86,146)
Net increase/(decrease) in cash and cash equivalents		168,371	(146,278)
Cash and cash equivalents at beginning of year		262,283	409,330
Exchange losses on cash and cash equivalents		(996)	(769)
Cash and cash equivalents at end of year	19	429,658	262,283

The notes on pages 49 to 95 are an integral part of these consolidated 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, P.O. 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 (the "Stock Exchange").

These consolidated financial statements have been approved for issue by the Board of Directors (the "Board") of the Company on 23 March 2012.

(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. (廣州英鑫計算機科技交流有限公司, "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 Takehigh Industrial Limited ("Takehigh") and its subsidiaries (together, 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 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.

1. GENERAL INFORMATION (CONTINUED)

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

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

— *Structure Contracts arrangements made between GZ Yingxin and its subsidiaries*

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, the subsidiaries of GZ Yingxin, and the 3 Registered Owners. Through these contractual arrangements, the decision-making rights and operating and financing activities of GZ Yingxin and its subsidiaries (collectively the "GZ Yingxin Group") 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 Group 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 its 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 the Group have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS"). They have been prepared under the historical cost convention.

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.

(All amounts are stated in Renminbi (RMB) unless otherwise stated)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of presentation (Continued)

Changes in accounting policies and disclosures

(a) *Revised standards, amendments and interpretations to existing standards mandatory for the first time for the financial year beginning 1 January 2011 but not currently relevant to the Group (although they may affect the accounting for future transactions and events)*

HKAS 24 (Revised)	Related party disclosures
HK(IFRIC) — Int 19	Extinguishing financial liabilities with equity instruments
Amendment to HKAS 32	Classification of rights issues
Amendment to HKFRS 1	Limited exemption from comparative HKFRS 7 disclosures for first-time adopters
Amendments to HK(IFRIC) — Int 14	Prepayments of a minimum funding requirement
HKFRSs (Amendments)	Third improvements to HKFRSs (2010)

(b) *New standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the Group*

The following new standards, amendments and interpretations to existing standards have been published and are mandatory for the Group's accounting periods after 1 January 2011, but the Group has not early adopted them:

		Effective for annual periods beginning on or after
HKFRS 7 (Amendment)	Disclosures — Transfers of financial assets	1 July 2011
HKFRS 1 (Amendment)	Severe hyperinflation and removal of fixed dates for first-time adopters	1 July 2011
HKAS 12 (Amendment)	Deferred tax: Recovery of underlying assets	1 January 2012
HKAS 1 (Amendment)	Presentation of financial statements	1 July 2012
HKAS 27 (revised 2011)	Separate financial statements	1 January 2013
HKAS 28 (revised 2011)	Investments in associates and joint ventures	1 January 2013
HKFRS 10	Consolidated financial statements	1 January 2013
HKFRS 11	Joint arrangements	1 January 2013
HKFRS 12	Disclosure of interests in other entities	1 January 2013
HKFRS 13	Fair value measurements	1 January 2013
HKAS 19 (Amendment)	Employee benefits	1 January 2013
HKFRS 7 (Amendment)	Financial instruments: Disclosures — Offsetting financial assets and financial liabilities	1 January 2013
HK(IFRIC) — Int 20	Stripping costs in the production phase of a surface mine	1 January 2013
HKAS 32 (Amendment)	Financial instruments: Presentation — Offsetting financial assets and financial liabilities	1 January 2014
HKFRS 9	Financial instruments	1 January 2015
HKFRS 7 (Amendment)	Mandatory effective date and transition disclosures	1 January 2015

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of presentation (Continued)

Changes in accounting policies and disclosures (Continued)

(b) *New standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the Group (Continued)*

Management of the Group is in the process of making an assessment of their impact and are not yet in a position to state whether any substantial changes to the Group's significant accounting policies and presentation of the financial information will be resulted.

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.

The Group uses the acquisition method of accounting to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred and the equity interests issued by the group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, the group recognises any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets.

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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Consolidation (Continued)

Subsidiaries (Continued)

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Profits and losses resulting from inter-company transaction that are recognised in assets 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 interests in subsidiaries are stated at cost less provision for impairment losses (note 2.8). The results of subsidiaries are accounted by the Company on the basis of dividend received and receivable.

2.3 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the executive director that makes strategic decisions.

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 functional and presentation currency of all the individual entities of the Group.

(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 re-measured. 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 — net', except when deferred in equity as qualifying cash flow hedges or qualifying net investment hedges.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.4 Foreign currency translation (Continued)

(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 Lease prepayment

Lease prepayment represents payments of land use rights to the PRC's land bureau. Land use right is carried at cost less accumulated amortization and impairment losses. Amortization is provided to write off the cost of lease prepayment on a straight-line basis over the remaining period of the lease.

2.6 Property and equipment

Property 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.6 Property and equipment (Continued)

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

Buildings	39 years
Building improvement	10 years
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 2.8).

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.

2.7 Intangible assets

(a) Computer software licences

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.

(b) Club membership

Club membership is stated at cost less impairment losses, if any. No amortisation is charged as the club membership has an indefinite useful life because the Company has the contractual right to control over the asset and legal rights with no definite period.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.8 Impairment of non-financial assets and investments in subsidiaries

Assets that have an indefinite useful life, for example club membership, are not subject to amortisation and are tested annually for impairment. Other 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.

Impairment testing of the investments in subsidiaries is required upon receiving dividends from these investments if the dividend exceeds the total comprehensive income of the subsidiary in the period the dividend is declared or if the carrying amount of the interest in the separate financial statements exceeds the carrying amount of the investee's net assets in the consolidated financial statements.

2.9 Financial assets

2.9.1 Classification

The Group currently only has financial assets in the category of loans and receivables. This classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period. These are classified as non-current assets. The loans and receivables comprise 'trade and other receivables' (note 2.12), 'short-term bank deposits with original terms of over three months' and 'cash and cash equivalents' (note 2.13) in the balance sheet.

2.9.2 Recognition and measurement

Regular purchases and sales of financial assets are recognised on the trade-date — the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Loans and receivables are subsequently carried at amortised cost using the effective interest method.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.10 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

2.11 Impairment of financial assets

Assets carried at amortised cost

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation, and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

The Group first assesses whether objective evidence of impairment exists.

The amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The asset's carrying amount of the asset is reduced and the amount of the loss is recognised in the consolidated income statement. As a practical expedient, the Group may measure impairment on the basis of an instrument's fair value using an observable market price.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in the consolidated income statement.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.12 Trade and other receivables

Trade receivables are amounts due from customers for services performed in the ordinary course of business. If collection of trade and other receivables is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

2.13 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.

2.14 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.

2.15 Accruals and other payables

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.16 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 in other comprehensive income or directly in equity. In this case the tax is also recognised in other comprehensive income or directly in equity, respectively.

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 interests 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.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.17 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.

2.18 Share-based payment

The Group operates a number of share-based compensation plans (including share option schemes and share award scheme), under which the Group receives services from employees as consideration for equity instruments (including share options and awarded shares) of the Group. The fair value of the employee services received in exchange for the grant of equity instruments of the Group is recognised as an expense over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied, and credited to share-based compensation reserve under equity.

For grant of share options, the total amount to be expensed is determined by reference to the fair value of the options granted by using the Binomial valuation model or the Trinomial valuation model, which includes the impact of market performance conditions (such as the Company's share price) but excludes the impact of service condition and non-market performance conditions. For grant of awarded shares, the total amount to be expensed is determined by reference to the market price of the Company's shares at the grant date.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.18 Share-based payment (Continued)

Non-market performance and services conditions are included in assumptions about the number of options that are expected to become vested.

From the perspective of the Company, the Company grants its equity instruments to employees of its subsidiaries to exchange for their services related to the subsidiaries. Accordingly, the share-based compensation expenses, which are recognised in the consolidated financial statement, are treated as part of the "Interests in subsidiaries" in the Company's balance sheet.

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

2.19 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 when specific criteria have been met for each of the Group's activities as described below. 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.19 Revenue recognition (Continued)

(b) Interest income

Interest income is recognised 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 receivable is recognised using the original effective interest rate.

(c) Dividend income

Dividend income is recognised when the right to receive payment is established.

2.20 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.

2.21 Dividend distribution

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

2.22 Government grants

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions.

Government grants relating to costs are deferred and recognised in the income statement over the period necessary to match them with the costs that they are intended to compensate.

Government grants relating to property and equipment are included in non-current liabilities as deferred government grants and are credited to the income statement on a straight-line basis over the expected lives of the related assets.

3. FINANCIAL RISK MANAGEMENT

(a) Financial risk factors

The Group's activities expose it to a variety of financial risks: foreign exchange 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. Therefore, to maintain the flexibility in the Company and HK subsidiaries' payment of daily operation, the Group holds certain monetary assets denominated in USD or HKD subject to certain thresholds stated in its treasury mandate. This exposes the Group to foreign exchange risk.

There is no other written policy to manage the foreign exchange risk in relation to USD and HKD as management considers that such risk could not be effectively reduced in a low-cost way. Accordingly, the Group did not purchase any forward contract to hedge the foreign exchange risk during 2011.

At 31 December 2011, the exchange rate of RMB to HKD and USD were 0.8107 and 6.3009 respectively. If RMB had strengthened by 0.5% against the HKD/USD with all other variables held constant, post tax profit for the year would have been RMB100,000 (2010: RMB118,000) lower, mainly as a result of net foreign exchange losses in HKD/USD denominated cash at bank and other receivables as at 31 December 2011.

(ii) Credit risk

The Group is exposed to credit risk in relation to its cash and cash equivalents, deposits with banks, as well as accounts and other receivables.

To manage this risk, deposits are mainly placed with state-owned financial institutions in the PRC and international financial institutions outside the PRC of high credit quality. There was no recent history of default of cash and cash equivalents and term deposits with original terms of over three months from these financial institutions.

For trade receivables, as mentioned in note 2.19(a), a material portion of online advertising services revenues were derived from advertising agents. If they experience financial difficulties in setting the outstanding amount due to the Group, the Group's online advertising services might be adversely affected in terms of recoverability of receivables.

3. FINANCIAL RISK MANAGEMENT (CONTINUED)

(a) Financial risk factors (Continued)

(ii) Credit risk (Continued)

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 balance of trade receivables.

(iii) Liquidity risk

The Group aims to finance its operations with its own capital and earnings. It did not have any borrowings or credit facilities committed/utilised during the year ended 31 December 2011. Management considers that the Group does not have significant liquidity risk.

(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 different levels for fair value valuation have been defined as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

The carrying amounts of the Group's trade and other receivables and accruals and other payables approximate their fair values due to their short maturities.

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 made by management on the recoverability of trade and other receivables. Provisions are applied 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 both the carrying value of trade and other receivables and the impairment charge in the period in which such estimate has been changed.

(b) Recognition of income taxes

The Group is mainly subject to income tax in the PRC. There are transactions (including entitlement to preferential tax treatment and deductibility of expenses) where the ultimate tax determination is uncertain until the final tax position is confirmed by relevant tax authorities. In addition, the Group recognizes liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

Deferred tax assets are recognised for all temporary differences, 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 utilised. 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 realised 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.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS (CONTINUED)

(c) Recognition of share-based compensation expense

The Group's employees have participated in share option plans or share award scheme of the Company. Management of the Group have used the Binomial valuation model or the Trinomial valuation model to determine the fair value of the share options granted, which are based on fair value and various attributes of the underlying shares of the Company. Significant estimates and assumptions are required to be made in determining the parameters for applying the Binomial valuation model and the Trinomial valuation model, including estimates and assumptions regarding the risk-free rate of return, expected dividend yield and volatility of the underlying shares. In addition, the Group is required to estimate the expected percentage of grantees that will remain in employment with the Group. Changes in these estimates and assumptions could have a material effect on the determination of the fair value of share options and the amount of share options and awarded shares expected to become vested, which may in turn significantly impact the determination of the share-based compensation expense.

5. 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 reports in order to assess performance and allocate resources. Management has determined the operating segments based on these internal reports.

The chief operating decision maker considers the internet advertising business from the perspective of the different internet portals which it operates. As all revenues of the Group are generated from customers in the PRC, they are not further evaluated on a geographic basis.

The chief operating decision maker assesses the performance of the operating segments based on the revenues generated. The three major reportable operating segments derive their revenues primarily from the three major portals, namely PConline, PCauto and PClady. 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 or total assets for each reportable segment.

Revenues of other segments relate to those generated from other portals, including on-line game, baby and home products, e-commerce and other services.

There were no inter-segment sales for the year ended 31 December 2011 (2010: same). The revenue from external parties reported to the chief operating decision maker is measured in a manner consistent with that in the consolidated income statement.

5. SEGMENT INFORMATION (CONTINUED)

	PCauto RMB'000	PConline RMB'000	PClady RMB'000	Others RMB'000	Group RMB'000
For the year ended 31 December 2011					
Revenue	293,850	257,489	51,799	36,957	640,095
For the year ended 31 December 2010					
Revenue	235,276	226,918	25,242	21,172	508,608

Though the Company is domiciled in the Cayman Islands, for the year ended 31 December 2011, all revenues of the Group were derived from external customers and they were all generated from the PRC (2010: same).

As at 31 December 2011, majority of non-current assets of the Group other than the club membership included in the intangible assets were located in the PRC (2010: same).

For the year ended 31 December 2011, there was no revenue derived from a single external customer accounting for ten per cent or more of the Group's revenues (2010: same).

6. EXPENSES BY NATURE

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

	2011 RMB'000	2010 RMB'000
Employee benefit expenses (note 7)	130,843	110,958
Business tax	77,087	56,842
Sales commission	57,411	41,671
Advertising expenses	39,974	15,995
Rental expenses	13,348	13,190
Depreciation and amortisation expenses		
— Depreciation of property and equipment (note 13)	8,329	4,036
— Amortisation of intangible assets (note 14)	433	540
— Amortisation of lease prepayment	426	—
Travelling and entertainment expenses	13,532	8,209
Professional fees	9,612	7,276
Auditors' remuneration	3,394	3,180
Expense for impairment of receivables	811	5,006
Other expenses	6,468	7,043
Total cost of revenue, selling and marketing costs, administrative expenses and product development expenses	361,668	273,946

7. EMPLOYEE BENEFIT EXPENSES

	2011 RMB'000	2010 RMB'000
Wages, salaries and bonuses	**102,010**	87,535
Share-based compensation expenses (note 21)	**7,136**	8,519
Social security contributions	**7,347**	4,460
Contributions to pension schemes (a)	**9,708**	6,979
Contributions to housing fund	**4,642**	3,465
	130,843	110,958

(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 2011.

All the Hong Kong employees of the Group participate in a 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 HKD1,000 per month and thereafter contributions are voluntary. For the year ended 31 December 2011, 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.

7. EMPLOYEE BENEFIT EXPENSES (CONTINUED)

(b) Directors' and senior management's emoluments

The remuneration of every Director for the year ended 31 December 2011 is set out below:

Name of Director	Fees RMB'000	Salary RMB'000	Discretionary bonuses RMB'000	Share-based compensation RMB'000	Contributions to retirement scheme RMB'000	Total RMB'000
Mr. Lam Wai Yan	—	496	—	254	10	760
Mr. Wang Ta-Hsing	—	699	—	231	6	936
Mr. Ho Kam Wah	—	4	—	—	—	4
Ms. Zhang Cong Min	—	981	200	1,146	53	2,380
Mr. Tsui Yiu Wa Alec	258	—	—	19	—	277
Mr. Thaddeus Thomas Beczak	258	—	—	19	—	277
Mr. Louie Ming	258	—	—	19	—	277

The remuneration of every Director for the year ended 31 December 2010 is set out below:

Name of Director	Fees RMB'000	Salary RMB'000	Discretionary bonuses RMB'000	Share-based compensation RMB'000	Contributions to retirement scheme RMB'000	Total RMB'000
Mr. Lam Wai Yan	—	236	3,549	403	4	4,192
Mr. Tsung Shih Kin Samuel (i)	—	1,135	167	413	10	1,725
Mr. Wang Ta-Hsing	—	734	—	366	6	1,106
Mr. Ho Kam Wah	—	4	—	—	—	4
Ms. Zhang Cong Min	—	947	211	1,875	43	3,076
Mr. Tsui Yiu Wa Alec	260	—	—	19	—	279
Mr. Thaddeus Thomas Beczak	260	—	—	19	—	279
Mr. Louie Ming	260	—	—	19	—	279

(i) Mr. Tsung Shih Kin Samuel has resigned as an executive director of the Company with effect from 18 December 2010.

7. EMPLOYEE BENEFIT EXPENSES (CONTINUED)

(c) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year include one (2010: three) director whose emolument is reflected in the analysis presented above. The emoluments payable to the remaining four (2010: two) individuals during the year are as follows:

	2011 RMB'000	2010 RMB'000
Basic salaries, housing allowances, other allowances and benefits in kind	5,381	1,552
Share-based compensation	1,192	919
Contributions to pension schemes	115	103
	6,688	2,574

The emoluments of the remaining four individuals (2010: two) fell within the following bands:

	Number of individuals	
	2011	2010
Emolument bands		
HKD1,000,001 to HKD2,000,000	2	2
HKD2,000,001 to HKD3,000,000	2	—

During the year ended 31 December 2011, none (2010: 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.

8. OTHER INCOME

	2011 RMB'000	2010 RMB'000
Government grants	**3,660**	871

The Group obtained and recognised as income government grants of RMB3,660,000 (2010: RMB871,000) for the development of e-commerce initiatives and improvement of its internet websites.

9. FINANCE INCOME — NET

	2011 RMB'000	2010 RMB'000
Finance income		
— Interest income	**6,229**	4,941
Finance cost		
— Net foreign exchange losses	**(930)**	(1,488)
Finance income — net	**5,299**	3,453

10. INCOME TAX EXPENSE

	2011 RMB'000	2010 RMB'000
PRC current tax	**56,939**	55,483
Deferred taxation	**1,518**	(4,135)
Reversal of the over-provided dividend withholding tax	**—**	(13,038)
Income tax expense	**58,457**	38,310

The Company, which is a Cayman Islands corporation, is not subject to any profits tax. The subsidiaries of the Group incorporated in Hong Kong were not subject to Hong Kong profits tax as they had no assessable income arising in or derived from Hong Kong during the year ended 31 December 2011 (2010: same).

Current taxation primarily represented the provision for PRC Corporate Income Tax ("CIT") for subsidiaries operating in the PRC. These subsidiaries are subject to CIT 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.

10. INCOME TAX EXPENSE (CONTINUED)

Pursuant to the PRC Corporate Income Tax Law ("CIT Law"), the CIT rate for domestic enterprises and foreign invested enterprises is 25%. In addition, the CIT Law provides for, among others, a preferential tax rate of 15% for enterprises qualified as High and New Technology Enterprises ("HNTE"). GZP Computer and GDP Internet, the principal operating subsidiaries of the Company, were formally designated as HNTE for the three years ended 31 December 2010 under the CIT Law. As a result, GZP Computer and GDP Internet were subject to CIT at a rate of 15% from 2008 to 2010. In 2011, the HNTE designation of GZP Computer and GDP Internet had been announced by the relevant authorities. Consequently, management of GZP Computer and GDP Internet used 15% in the computation of deferred taxation as of 31 December 2011 and the current income tax charge for the year then ended. All the other PRC entities of the Group are subject to CIT at a rate of 25% (2010: same) in accordance with CIT Law.

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

	2011 RMB'000	2010 RMB'000
Profit before tax	**287,386**	238,986
Tax calculated at the statutory tax rate of 25% (2010: 25%)	**71,847**	59,747
Tax effects of:		
— Tax concessions available to certain PRC subsidiaries (a)	**(29,958)**	(26,963)
— Income not subject to tax	**(315)**	(206)
— Expenses not deductible for tax purposes (b)	**3,883**	8,526
Withholding tax on the earnings anticipated to be remitted by a PRC subsidiary	**13,000**	10,244
Reversal of the over-provided dividend withholding tax	**—**	(13,038)
Tax charge	**58,457**	38,310

(a) Two of the Group's major operating subsidiaries in the PRC were approved by the relevant tax authority to be entitled to the HNTE status in 2011. Accordingly, preferential tax treatments were enjoyed by these two companies for the year ended 31 December 2011 (2010: same).

(b) Expenses not deductible for tax purposes include primarily share-based compensation expenses and expenses incurred by the Company and subsidiaries incorporated in Hong Kong.

11. 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 (excluding the ordinary shares purchased by the Group and held for the Share Award Scheme). In determining the weighted average number of ordinary shares in issue for the years ended 31 December 2011 and 2010, the bonus shares issued in June 2011 were treated as if they had been issued prior to 1 January 2010, the earliest period presented. Accordingly, the 2010 comparatives have been restated.

	2011	2010 Restated
Profit attributable to equity holders of the Company (RMB'000)	**228,929**	200,676
Weighted average number of ordinary shares for basic earnings per share (thousand shares)	**1,076,513**	1,071,301
— Weighted average number of ordinary shares in issue (thousand shares)	**978,747**	973,910
— Impact of bonus issue of shares issued in June 2011 (thousand shares)	**97,766**	97,391
Basic earnings per share (RMB)	**21.27 cents**	18.73 cents

11. EARNINGS PER SHARE (CONTINUED)

(b) Diluted

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding by the assumption of the conversion of all potential dilutive ordinary shares arising from share options and awarded shares granted by the Company (collectively forming the denominator for computing diluted earnings per share). No adjustment is made to earnings (numerator).

	2011	2010 Restated
Profit attributable to equity holders of the Company (RMB'000)	**228,929**	200,676
Weighted average number of ordinary shares for diluted earnings per share (thousand shares)	**1,108,593**	1,090,737
— Weighted average number of ordinary shares for basic earnings per share (thousand shares)	**1,076,513**	1,071,301
— Adjustment for share options and awarded shares (thousand shares)	**32,080**	19,436
Diluted earnings per share (RMB)	**20.65 cents**	18.40 cents

12. DIVIDENDS

The dividend paid in 2011 included the payment of the 2010 final cash dividend of RMB14.38 cents (2010: RMB10.23 cents) per ordinary share out of the retained earnings, totalling RMB140,753,000 (2010: RMB94,996,000), which excluded the dividend related to the ordinary shares held under the Share Award Scheme of RMB359,000 (2010: nil) (note 21(b)), and a bonus issue of shares on the basis of one new share for every ten existing issued shares.

The directors recommended the payment of a final dividend of RMB14.78 cents per ordinary share in cash for the year ended 31 December 2011, totalling RMB160,250,000 based on the ordinary shares in issue as of 31 December 2011. Such final dividend is to be approved by the shareholders at the Annual General Meeting on 18 May 2012. These consolidated financial statements do not reflect this dividend payable.

13. PROPERTY AND EQUIPMENT

	Buildings	Building improvement	Computers and servers	Motor vehicles	Furniture, fittings and equipment	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2010						
Cost	—	—	22,646	471	4,723	27,840
Accumulated depreciation	—	—	(12,838)	(28)	(2,440)	(15,306)
Net book amount	—	—	9,808	443	2,283	12,534
Year ended 31 December 2010						
Opening net book amount	—	—	9,808	443	2,283	12,534
Additions	134,810	—	3,065	1,130	1,454	140,459
Disposals	—	—	(142)	—	(74)	(216)
Depreciation (note 6)	—	—	(3,100)	(109)	(827)	(4,036)
Closing net book amount	134,810	—	9,631	1,464	2,836	148,741
At 31 December 2010						
Cost	134,810	—	24,340	1,601	5,457	166,208
Accumulated depreciation	—	—	(14,709)	(137)	(2,621)	(17,467)
Net book amount	134,810	—	9,631	1,464	2,836	148,741
Year ended 31 December 2011						
Opening net book amount	134,810	—	9,631	1,464	2,836	148,741
Additions	19,466	37,405	3,653	3,011	3,484	67,019
Disposals	—	—	(71)	—	(61)	(132)
Depreciation (note 6)	(3,148)	(573)	(3,028)	(528)	(1,052)	(8,329)
Closing net book amount	151,128	36,832	10,185	3,947	5,207	207,299
At 31 December 2011						
Cost	154,276	37,405	27,260	4,612	8,628	232,181
Accumulated depreciation	(3,148)	(573)	(17,075)	(665)	(3,421)	(24,882)
Net book amount	151,128	36,832	10,185	3,947	5,207	207,299

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

	2011	2010
	RMB'000	RMB'000
Cost of revenue	**3,159**	3,342
Selling and marketing costs	**108**	73
Administrative expenses	**5,062**	621
	8,329	4,036

Lease rentals amounted to RMB2,863,000 for the year ended 31 December 2011 (2010: RMB3,213,000) relating to the lease of office buildings were included in the consolidated income statement.

14. INTANGIBLE ASSETS

	Computer software licences RMB'000	Club membership RMB'000	Total RMB'000
At 1 January 2010			
Cost	7,858	8,793	16,651
Accumulated amortisation	(7,330)	—	(7,330)
Net book amount	528	8,793	9,321
Year ended 31 December 2010			
Opening net book amount	528	8,793	9,321
Additions	564	—	564
Amortisation charge (note 6)	(540)	—	(540)
Closing net book amount	552	8,793	9,345
At 31 December 2010			
Cost	8,422	8,793	17,215
Accumulated amortisation	(7,870)	—	(7,870)
Net book amount	552	8,793	9,345
Year ended 31 December 2011			
Opening net book amount	552	8,793	9,345
Additions	122	—	122
Amortisation charge (note 6)	(433)	—	(433)
Closing net book amount	241	8,793	9,034
At 31 December 2011			
Cost	8,544	8,793	17,337
Accumulated amortisation	(8,303)	—	(8,303)
Net book amount	241	8,793	9,034

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

	2011 RMB'000	2010 RMB'000
Cost of revenue	**23**	5
Selling and marketing costs	**29**	18
Administrative expenses	**381**	517
	433	540

15. INTERESTS IN AND AMOUNTS DUE FROM/(TO) SUBSIDIARIES

	2011 RMB'000	2010 RMB'000
Non-current portion		
Investments in equity interests — at cost, unlisted	**88,286**	88,286
Investments arising from share-based compensation (a)	**30,082**	22,946
Amounts due from a subsidiary (b)	**150,000**	150,000
Total	**268,368**	261,232
Current portion		
Amounts due from subsidiaries (c)	**3,724**	6,057
Amounts due to subsidiaries (c)	**(12,694)**	(8,604)
Total	**(8,970)**	(2,547)

(a) The amount represented the amortisation of share-based compensation expense relating to share options and awarded shares granted by the Company to certain directors and employees working for subsidiaries of the Group. They were recorded as deemed investments made by the Company in these subsidiaries.

(b) The amounts due from a subsidiary included under non-current portion are unsecured, interest-free and not repayable in foreseeable future.

(c) The amounts due from/(to) subsidiaries included under current portion are unsecured, interest-free and repayable on demand.

The following is a list of the principal subsidiaries of the Company at 31 December 2011:

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	HKD11,875	100%
Pacific E-Commerce Limited	Hong Kong, 10 October 2003, limited liability company	Investment holding in Hong Kong	HKD2	*100%
New Forest Limited ("New Forest")	Hong Kong, 5 February 2010, limited liability company	Investment holding in Hong Kong	HKD1	*100%

(All amounts are stated in Renminbi (RMB) unless otherwise stated)

15. INTERESTS IN AND AMOUNTS DUE FROM/(TO) SUBSIDIARIES (CONTINUED)

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
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%
GDP Internet (d)	The PRC, 27 November 2002, limited liability company	Provision of online advertising services in the PRC	RMB10,000,000	100%
GZ Yingxin (d)	The PRC, 25 November 2003, limited liability company	Provision of computer technology services in the PRC	RMB5,700,000	100%
GZP Advertising (d)	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	USD140,000	100%
Shanghai Huanyu Pacific Network and Technology Consulting Co., Ltd. (上海環宇太平洋網絡科技諮詢有限公司, "Shanghai Huanyu") (d)	The PRC, 18 January 2007, limited liability company	Dormant	RMB1,800,000	100%
Guangzhou Pacific Online Technology Co., Ltd (廣州太平洋網絡科技有限公司)	The PRC, 8 August 2011, foreign investment enterprise	Not yet commenced formal operations	RMB500,000	100%
Shanghai Yingzhen Online Technology Co., Ltd (上海英臻網絡科技有限公司)	The PRC, 7 November 2011, foreign investment enterprise	Not yet commenced formal operations	RMB500,000	100%
Beijing Taihe Xinyang Online Technology Co., Ltd (北京太合新洋網絡科技有限公司)	The PRC, 14 December 2011, foreign investment enterprise	Not yet commenced formal operations	RMB500,000	100%

* Shares held directly by the Company.

15. INTERESTS IN AND AMOUNTS DUE FROM/(TO) SUBSIDIARIES (CONTINUED)

(d) As described in note 1(b), GZ Yingxin, GDP Internet, GZP Advertising and Shanghai Huanyu (a subsidiary of GDP Internet) 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.

In connection with the implementation of the Share Award Scheme of the Group mentioned in note 21(b), the Company has set up a special purpose entity, and its particulars are as follows:

Special purpose entity	Principal activities
Share Award Scheme Trust	Administering and holding the Company's shares acquired for a share award scheme which is set up for the benefits of eligible employees of the Group

As the Company has the power to govern the financial and operating policies of the Share Award Scheme Trust and can derive benefits from the contributions of the employees who are awarded with the shares by the scheme through their continued employment with the Group, the directors of the Company consider that it is appropriate to consolidate the Share Scheme Trust in accordance with the requirements of HKFRS.

16. FINANCIAL INSTRUMENTS BY CATEGORY

(a) Group

	Loans and receivables	
	2011	2010
	RMB'000	RMB'000
Current assets		
Trade and other receivables excluding prepayments (note18)	**197,058**	145,694
Short-term bank deposits with original terms of over three months (note 19)	**2,500**	182,200
Cash and cash equivalents (note 19)	**429,658**	262,283
Total	**629,216**	590,177

	Other financial liabilities at amortised cost	
	2011	2010
	RMB'000	RMB'000
Current liabilities		
Accruals and other payables (note 22)	**106,633**	125,761

16 FINANCIAL INSTRUMENTS BY CATEGORY (CONTINUED)

(b) Company

	Loans and receivables	
	2011	2010
	RMB'000	RMB'000
Current assets		
Dividend due from subsidiaries	**400,000**	339,000
Amounts due from subsidiaries (note 15)	**3,724**	6,057
Cash and cash equivalents (note 19)	**68,879**	21,350
Total	**472,603**	366,407

	Other financial liabilities at amortised cost	
	2011	2010
	RMB'000	RMB'000
Current liabilities		
Amounts due to subsidiaries (note 15)	**12,694**	8,604
Accruals and other payables (note 22)	**1,018**	1,575
Total	**13,712**	10,179

17. DEFERRED INCOME TAX ASSETS

Deferred income taxes are calculated in full on temporary differences under the liability method using the tax rates, which are enacted or substantively enacted and expected to apply to the period when the assets are realised.

	2011	2010
	RMB'000	RMB'000
Deferred income tax assets:		
— to be recovered after more than 12 months	**3,213**	4,100
— to be recovered within 12 months	**4,247**	4,878
	7,460	8,978

17. DEFERRED INCOME TAX ASSETS (CONTINUED)

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

	Intra-group software sales (a) RMB'000	Provision for impairment of trade receivables RMB'000	Provision for tax losses RMB'000	Accrued salary expense RMB'000	Total RMB'000
At 1 January 2010	847	2,289	1,707	—	4,843
Credited/(charged) to the consolidated income statement	256	1,208	(1,707)	4,378	4,135
At 31 December 2010	1,103	3,497	—	4,378	8,978
Charged to the consolidated income statement	(1,103)	(284)	—	(131)	(1,518)
At 31 December 2011	—	3,213	—	4,247	7,460

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

18. TRADE AND OTHER RECEIVABLES AND PREPAYMENTS

	Group		Company	
	2011 RMB'000	2010 RMB'000	**2011 RMB'000**	2010 RMB'000
Trade receivables, net of impairment provision (a)	**191,536**	139,799	**—**	—
Receivables from related parties (note 26(d))	**—**	468	**—**	—
Other receivables (b)	**5,522**	5,427	**—**	—
Prepayments	**242**	4,017	**12**	13
	197,300	149,711	**12**	13
Denominated in				
— RMB	**197,112**	149,696	**—**	—
— HKD	**188**	15	**12**	13
	197,300	149,711	**12**	13

18. TRADE AND OTHER RECEIVABLES AND PREPAYMENTS (CONTINUED)

(a) Trade receivables, net of impairment provision

Credit terms granted to customers by the Group are generally within six months. At 31 December 2011, the ageing analysis of the trade receivables (net of impairment provision of RMB12,851,000 (2010: RMB13,989,000)) was as follows:

	Group	
	2011	2010
	RMB'000	RMB'000
Current to 6 months	158,396	114,714
6 months to 1 year	30,740	22,593
1 year to 2 years	2,400	2,492
	191,536	139,799

As of 31 December 2011, trade receivables of RMB15,563,000 (2010: RMB17,913,000) were past due but not impaired. These related to a number of independent customers for whom there was no recent history of default. The ageing analysis of these trade receivables was as follows:

	Group	
	2011	2010
	RMB'000	RMB'000
Current to 6 months	7,512	13,354
6 months to 1 year	8,051	4,559
	15,563	17,913

(b) Other receivables

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

The Group does not hold any collateral as security.

19. CASH AND CASH EQUIVALENTS AND SHORT-TERM BANK DEPOSITS WITH ORIGINAL TERMS OF OVER THREE MONTHS

	Group		Company	
	2011	2010	**2011**	2010
	RMB'000	RMB'000	**RMB'000**	RMB'000
Cash at bank and on hand	**208,091**	205,981	**18,739**	—
Short-term bank deposits	**224,067**	238,502	**50,140**	21,350
	432,158	444,483	**68,879**	21,350
Less:				
Short-term bank deposits with original terms of over three months	**(2,500)**	(182,200)	**—**	—
Cash and cash equivalents	**429,658**	262,283	**68,879**	21,350

An analysis of the cash and cash equivalents and short-term bank deposits with original terms of over three months as at 31 December 2011 denominated in different currency is as follows:

	Group		Company	
	2011	2010	**2011**	2010
	RMB'000	RMB'000	**RMB'000**	RMB'000
— RMB	**412,391**	420,845	**50,140**	—
— HKD	**15,587**	9,340	**14,571**	7,064
— USD	**4,180**	14,298	**4,168**	14,286
	432,158	444,483	**68,879**	21,350

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

The weighted average effective interest rate on short-term bank deposits with original terms of over three months of the Group was 3.30% for the year ended 31 December 2011 (2010: 2.20%). The weighted average effective interest rate of the remaining short-term bank deposits of the Group was 1.91% for the year ended 31 December 2011 (2010: 1.89%).

19. CASH AND CASH EQUIVALENTS AND SHORT-TERM BANK DEPOSITS WITH ORIGINAL TERMS OF OVER THREE MONTHS (CONTINUED)

The table below shows the bank deposits balance placed with major counterparties of the Group as at 31 December 2011.

Cash at bank	Group		Company	
	2011	2010	2011	2010
	RMB'000	RMB'000	RMB'000	RMB'000
Counterparties				
Listed banks				
— BNP Paribas	235	10,116	235	10,116
— Wing Hang Bank	16,688	9,546	14,679	7,257
— China Construction Bank	122,389	220,802	53,965	3,977
— Bank of China	239,119	100,504	—	—
— Bank of East Asia	38,549	73,105	—	—
— China Merchants Bank	14,617	29,379	—	—
— Industrial and Commercial Bank of China	1	1	—	—
Total listed banks	431,598	443,453	68,879	21,350
Non-listed banks				
— Bank of Shanghai	467	854	—	—
	432,065	444,307	68,879	21,350

The remaining balance of the cash and cash equivalents as at 31 December 2011 represents cash on hand (2010: same).

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

20. ORDINARY SHARES

	Authorised ordinary shares		
	Number of shares '000	HKD'000	RMB'000
At 31 December 2010 and 2011	100,000,000	1,000,000	969,200

	Issued and fully paid up		
	Number of shares '000	HKD'000	RMB'000
At 1 January 2010	923,710	9,237	8,737
Employees share option schemes — issued shares (a)	6,578	66	57
Bonus shares issued in June 2010 (b)	46,420	464	407
At 31 December 2010	976,708	9,767	9,201
Employees share option schemes — issued shares (a)	9,180	92	76
Bonus shares issued in June 2011 (b)	98,131	981	816
At 31 December 2011	1,084,019	10,840	10,093

* As at 31 December 2011, the total number of issued ordinary shares of the Company was 1,084,019,000 shares (2010: 976,708,000 shares) which included 2,850,000 shares (2010: nil) held under the Share Award Scheme (note 21(b)).

(a) Share options exercised during the year ended 31 December 2011 resulted in 9,180,000 shares being issued (2010: 6,578,000 shares), with exercise proceeds of RMB14,825,000 (2010: RMB8,850,000). The nominal value of these shares of RMB76,000 (2010: RMB57,000) and the premium of RMB14,749,000 (2010: RMB8,793,000) had been credited to ordinary shares and share premium accounts, respectively. The related weighted average price at the time of exercise was HKD4.04 per share.

(b) At the Annual General Meeting held on 30 May 2011, shareholders of the Company approved a bonus issue of shares on the basis of one new share for every ten existing issued shares held. As a result, the ordinary shares in issue increased by 98,131,000 shares (2010: 46,420,000 shares), representing an increase in share capital of the Company by RMB816,000 (2010: RMB407,000) with a corresponding amount of reduction in the share premium account.

All the ordinary shares issued during the year ended 31 December 2011 rank pari passu with the then existing ordinary shares in all respects.

21. RESERVES

Group

	Share premium	Merger reserve	Capital redemption reserve	Share-based compensation reserve	Shares held for Share Award Scheme	Statutory reserve funds	Retained earnings	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
						note (c)		
At 1 January 2010	277,524	4	249	14,428	—	32,949	149,407	474,561
Employees share option schemes (note (a))								
— exercise of share options	8,793	—	—	—	—	—	—	8,793
— value of employee services	—	—	—	8,519	—	—	—	8,519
Bonus shares issued in June 2010 (note 20(b))	(407)	—	—	—	—	—	—	(407)
Profit	—	—	—	—	—	—	200,676	200,676
Cash dividends relating to 2009, paid in 2010	—	—	—	—	—	—	(94,996)	(94,996)
Appropriation to statutory reserves	—	—	—	—	—	10,301	(10,301)	—
At 31 December 2010	285,910	4	249	22,947	—	43,250	244,786	597,146
Share Award Scheme (note (b))								
— purchase of shares	—	—	—	—	(8,605)	—	—	(8,605)
— value of employee services	—	—	—	1,441	—	—	—	1,441
Employees share option schemes (note (a))								
— exercise of share options	14,749	—	—	—	—	—	—	14,749
— value of employee services	—	—	—	5,695	—	—	—	5,695
Bonus shares issued in June 2011 (note 20(b))	(816)	—	—	—	—	—	—	(816)
Profit	—	—	—	—	—	—	228,929	228,929
Cash dividends relating to 2010, paid in 2011	—	—	—	—	—	—	(140,753)	(140,753)
At 31 December 2011	299,843	4	249	30,083	(8,605)	43,250	332,962	697,786

21. RESERVES (CONTINUED)

Company

	Share premium	Capital redemption reserve	Share-based compensation reserve	Contributed surplus	Shares held for Share Award Scheme	Retained earnings	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2010	262,524	249	14,428	88,277	—	133,882	499,360
Employees share option schemes (note (a))							
— exercise of share options	8,793	—	—	—	—	—	8,793
— value of employee services	—	—	8,519	—	—	—	8,519
Bonus shares issued in June 2010 (note 20(b))	(407)	—	—	—	—	—	(407)
Profit	—	—	—	—	—	195,796	195,796
Cash dividends relating to 2009, paid in 2010	—	—	—	—	—	(94,996)	(94,996)
At 31 December 2010	270,910	249	22,947	88,277	—	234,682	617,065
Share Award Scheme (note (b))							
— purchase of shares	—	—	—	—	(8,605)	—	(8,605)
— value of employee services	—	—	1,441	—	—	—	1,441
Employees share option schemes (note (a))							
— exercise of share options	14,749	—	—	—	—	—	14,749
— value of employee services	—	—	5,695	—	—	—	5,695
Bonus shares issued in June 2011 (note 20(b))	(816)	—	—	—	—	—	(816)
Profit	—	—	—	—	—	237,195	237,195
Cash dividends relating to 2010, paid in 2011	—	—	—	—	—	(140,753)	(140,753)
At 31 December 2011	284,843	249	30,083	88,277	(8,605)	331,124	725,971

The profit attributable to equity holders of the Company is dealt within the financial statements of the Company to the extent of RMB237,195,000 (2010: RMB195,796,000).

(a) Share options reserves

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.

21. RESERVES (CONTINUED)

(a) Share options reserves (Continued)

(i) Pre-IPO Share Option Plan

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

(ii) Post-IPO Share Option Plan

On 23 November 2007, the Company also adopted a Post-IPO Share Option Plan pursuant to which a total of 95,000,000 unissued shares of the Company were reserved and made available for grant of share options. In 2011, the Company refreshed the limit of the Post-IPO Share Option Plan to 98,130,880 ordinary shares. These shares, reserved for future grant of share options, represented 9.05% of the issued share capital of the Company as of 31 December 2011. The number of shares issued and to be issued in respect of these 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 obtained 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 and with a value in excess of HKD5 million must be approved in advance by the Company's shareholders.

Options granted must be taken up by the option holders within 28 days of the date of offer, upon payment of HKD1 per grant. 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 days immediately preceding the date of grant; and (iii) the nominal value of the Company's shares.

(iii) Adjustment for bonus issue of shares

As a result of the bonus issue of shares in June 2011 (note 20(b)), adjustments have been made to the exercise price and the number of shares to be allotted and issued upon exercise of the outstanding share options of the Company granted under the Pre-IPO Share Option Plan and Post-IPO Share Option Plan.

Accordingly, the impact of the bonus issue of shares has been considered in note 21(a)(iv) and note 21(a)(v) as below.

21. RESERVES (CONTINUED)

(a) Share options reserves (Continued)

(iv) Movements in share options

Movements in the number of share options outstanding and their related weighted average exercise prices are as follows:

	Pre-IPO Share Option Plan		Post-IPO Share Option Plan		
	Average exercise price (HKD)	Number of options (thousands)	Average exercise price (HKD)	Number of options (thousands)	Total number of options (thousands)
At 1 January 2010	1.92	40,792	1.57	14,963	55,755
Granted	—	—	3.09	15,633	15,633
Exercised	1.55	(6,578)	—	—	(6,578)
Forfeited	1.99	(178)	1.83	(490)	(668)
Adjustment for bonus issue of shares issued in June 2010	—	1,772	—	1,520	3,292
At 31 December 2010	1.88	35,808	2.25	31,626	67,434
Currently exercisable as at 31 December 2010	1.72	21,602	—	—	21,602
At 1 January 2011					
Granted	—	—	—	—	—
Exercised	1.43	(5,102)	2.20	(4,078)	(9,180)
Forfeited	2.16	(226)	2.72	(1,153)	(1,379)
Adjustment for bonus issue of shares issued in June 2011	—	3,332	—	2,838	6,170
At 31 December 2011	1.73	33,812	2.01	29,233	63,045
Currently exercisable as at 31 December 2011	1.73	33,812	1.94	7,662	41,474

21. RESERVES (CONTINUED)

(a) Share options reserves (Continued)

(v) Outstanding share options

Share options outstanding at end of the year have the following expiry date and exercise prices:

	2011		2010	
Expiry date	Exercise price in HKD per share	Number of options (thousands)	Exercise price in HKD per share	Number of options (thousands)
Pre-IPO Share Option Plan				
— 22 November 2017	1.32	7,769	1.45	8,157
— 22 November 2017	1.71	11,691	1.88	13,445
— 22 November 2017	1.96	14,353	2.16	14,206
Post-IPO Share Option Plan				
— 11 April 2014	2.68	11,548	2.95	13,125
— 13 April 2014	2.63	874	2.89	797
— 17 May 2014	1.31	11,757	1.44	11,923
— 17 May 2014	2.65	2,125	2.92	2,390
— 5 July 2014	1.56	2,928	1.72	3,391
At 31 December		63,045		67,434

(vi) Fair values of options

The fair value of options granted on 23 November 2007 under Pre-IPO Share Option Plan determined using the Binomial valuation model was approximately RMB19.8 million.

The fair values of options granted under Post-IPO Share Option Plan determined using the Trinomial valuation model was approximately RMB16.6 million.

The total expenses recognised for employee services received in respect of the Pre-IPO Share Option Plan and Post-IPO Share Option Plan for the year ended 31 December 2011 was RMB5,695,000 (2010: RMB8,519,000) (see note 7).

21. RESERVES (CONTINUED)

(b) Share Award Scheme

On 10 January 2011 ("Adoption Date"), the Board approved and adopted a restricted share award scheme (the "Share Award Scheme") in which selected employees of the Group are entitled to participate. The Group has set up a trust (the "Share Award Scheme Trust") for the purpose of administering the Share Award Scheme and holding shares awarded to the employees (the "Awarded Shares") before they vest. Unless early terminated by the Board, the Share Award Scheme shall be valid and effective for a term of ten years commencing on the Adoption Date.

The Board will implement the scheme in accordance with the terms of the scheme rules including providing necessary funds to the trustee for the purchase of shares up to 2.5% of the issued share capital of the Company as of the Adoption Date.

Employees are not entitled to dividends on any awarded shares that are not yet transferred to them.

During the year ended 31 December 2011, the Share Award Scheme Trust acquired 2,600,000 shares of the Company through purchases on the open market according to the instructions of the Board, at a total cost (including related transaction costs) of approximately RMB8,605,000.

Movements in the number of shares held for the Share Award Scheme for the year ended 31 December 2011 (2010: nil) are as follows:

	Shares held for the Share Award Scheme (thousands)	**Awarded Shares (thousands)**
At 1 January 2011	—	—
Purchased in January 2011	2,500	—
Granted to employees in January 2011	(237)	237
Adjustment for bonus issue of shares issued in June 2011	226	24
Granted to employees in August 2011	(491)	491
Purchased in September 2011	100	—
At 31 December 2011	2,098	752

For the Awarded Shares granted under the Share Award Scheme, the fair value of the employee services received in exchange for the grant of the Awarded Shares is recognised as an expense and credited to equity over the period in which the vesting conditions are fulfilled. The total amount to be expensed over the vesting period is determined by reference to the fair value of the Awarded Shares granted.

21. RESERVES (CONTINUED)

(b) Share Award Scheme (Continued)

The fair value of the Awarded Shares was calculated based on market prices of the Company's shares as at the respective grant dates. The expected dividends during the vesting periods have been taken into account when assessing the fair value of these Awarded Shares.

The fair value of the Awarded Shares and their vesting period are as follows:

Dates of grant	Total value of shares at grant dates (HKD)	No. of share granted (thousands)	Market price at grant dates (HKD)	Vesting period
11 Jan 2011	902,000	237	3.80	1 year
10 Aug 2011	2,162,000	491	4.40	1 year

The total expense recognised for employee services received in respect of the Share Award Scheme for the year ended 31 December 2011 was RMB1,441,000 (2010: nil) (see note 7).

During the year ended 31 December 2011, the Share Award Scheme Trust received cash dividend amounting to RMB359,000 which will be used to pay for the fees of trust or purchase a maximum number of shares as specified by the Board.

(c) 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 at the 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 of the Company in the PRC, appropriations 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 Funds 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.

22. ACCRUALS AND OTHER PAYABLES

	Group		Company	
	2011	2010	**2011**	2010
	RMB'000	RMB'000	**RMB'000**	RMB'000
Salaries payable	**28,831**	29,621	**27**	29
Accrued expenses (a)	**31,875**	28,121	**991**	1,546
Other payables (b)	**45,927**	68,019	**—**	—
	106,633	125,761	**1,018**	1,575

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

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

23. PREPAID ADVERTISING SUBSCRIPTIONS FROM CUSTOMERS

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 delivery of services, the balances would be transferred to revenue based on the time period of the respective online advertisements.

24. CASH GENERATED FROM OPERATIONS

	2011	2010
	RMB'000	RMB'000
Profit before income tax	**287,386**	238,986
Adjustments for:		
— Finance income	**(6,229)**	(4,941)
— Finance costs	**996**	769
— Depreciation (note 13)	**8,329**	4,036
— Loss on disposal of property and equipment (note 13)	**132**	216
— Amortisation of lease prepayment	**426**	—
— Amortisation of intangible assets (note 14)	**433**	540
— Share-based compensation expense (note 21)	**7,136**	8,519
	298,609	248,125
Changes in working capital:		
— Trade and other receivables	**(51,249)**	(13,939)
— Accruals and other payables	**18,632**	19,721
— Prepaid advertising subscriptions from customers	**5,223**	268
Cash generated from operations	**271,215**	254,175

25. COMMITMENTS

Operating lease commitments

The Group leases offices and buses under non-cancellable operating lease agreements. The leases have varying terms and renewal rights. The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

	2011 RMB'000	2010 RMB'000
Not later than 1 year	3,014	1,919
Later than 1 year and not later than 5 years	143	1,285
	3,157	3,204

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

26. RELATED PARTY TRANSACTIONS (CONTINUED)

(b) Related party transactions

The Group undertook the following related party transactions during the year ended 31 December 2011:

	2011 RMB'000	2010 RMB'000
Continuing:		
Rental expenses for office and advertising bill board paid/payable:		
GPET Mall	**2,174**	2,579
SHPD Consulting	**774**	896
BUPE Technology	**113**	307
Kexim	**202**	197
SHPD Technology	**36**	60
	3,299	4,039

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 2011 is set out in note 7.

(d) Balances with related parties

	2011 RMB'000	2010 RMB'000
Included in trade and other receivables:		
GPET Mall	**—**	468

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

FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last five financial years, as extracted from the published audited financial statements and restated/reclassified/re-presented as appropriate, is set out below.

	Year ended 31 December				
RESULTS	**2011**	2010	2009	2008	2007
Revenue	**640,095**	508,608	386,994	324,608	236,830
Profit before income tax	**287,386**	238,986	183,763	117,523	108,456
Income tax expense	**(58,457)**	(38,310)	(48,782)	(29,242)	(17,425)
Profit for the year	**228,929**	200,676	134,981	88,281	91,031
Attributable to:					
Equity holders of the Company	**228,929**	200,676	134,981	88,281	91,031
Dividends (excluding special dividend)	**160,250**	140,473	94,996	64,660	70,965
ASSETS, LIABILITIES AND ASSETS LESS LIABILITIES					
Total assets	**871,215**	779,648	606,480	742,253	732,361
Total liabilities	**163,336**	173,301	123,182	86,772	67,180
Total assets less liabilities	**707,879**	606,347	483,298	655,481	665,181