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Pacific Online Limited
太平洋網絡有限公司

(incorporated in the Cayman Islands with limited liability)

(Stock Code:543)



INTERIM REPORT 2012





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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. Chan Chi Mong, Hopkins

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. Chan Chi Mong, Hopkins

REMUNERATION COMMITTEE

Mr. Tsui Yiu Wa, Alec *(Chairman)*
Mr. Thaddeus Thomas Beczak
Mr. Chan Chi Mong, Hopkins

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
PRC
Postcode: 510663

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

CONDENSED CONSOLIDATED INTERIM RESULTS

The board of directors (the "Board") of Pacific Online Limited (the "Company") announces the unaudited condensed consolidated results of the Company and its subsidiaries (collectively the "Group") for the six months ended 30 June 2012 together with the comparative figures for the corresponding period of last year, as follows. These interim results have been reviewed by PricewaterhouseCoopers, the auditor of the Company, in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants, and by the Audit Committee of the Company.

CONDENSED CONSOLIDATED INCOME STATEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2012

	Note	Unaudited Six months ended 30 June	
		2012 RMB'000	2011 RMB'000
Revenue	6	298,174	261,488
Cost of revenue		(97,663)	(87,086)
Gross profit		200,511	174,402
Selling and marketing costs		(45,088)	(39,945)
Administrative expenses		(35,317)	(20,366)
Product development expenses		(17,200)	(13,106)
Other income		1,925	—
Operating profit		104,831	100,985
Finance income		3,070	4,519
Finance costs		(358)	(366)
Finance income — net	7	2,712	4,153
Profit before income tax		107,543	105,138
Income tax expense	8	(22,514)	(21,520)
Profit for the period		85,029	83,618
Attributable to:			
Equity holders of the Company		85,029	83,618
Earnings per share for profit attributable to equity holders of the Company			
— basic (RMB)	9(a)	7.83 cents	7.79 cents
— diluted (RMB)	9(b)	7.63 cents	7.55 cents

The notes on pages 9 to 26 form an integral part of this condensed consolidated interim financial information.

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE SIX MONTHS ENDED 30 JUNE 2012

	Unaudited	
	Six months ended 30 June	
	2012	2011
	RMB'000	RMB'000
Profit for the period	85,029	83,618
Other comprehensive income for the period, net of tax	—	—
Total comprehensive income for the period	85,029	83,618
Attributable to:		
Equity holders of the Company	85,029	83,618

The notes on pages 9 to 26 form an integral part of this condensed consolidated interim financial information.

CONDENSED CONSOLIDATED BALANCE SHEET

AS AT 30 JUNE 2012

	Note	Unaudited 30 June 2012 RMB'000	Audited 31 December 2011 RMB'000
ASSETS			
Non-current assets			
Lease prepayment		17,756	17,964
Property and equipment	11	203,828	207,299
Intangible assets	11	8,956	9,034
Deferred income tax assets	12	6,882	7,460
		237,422	241,757
Current assets			
Trade and other receivables and prepayments	13	282,714	197,300
Short-term bank deposits with original terms of over three months		2,541	2,500
Cash and cash equivalents		240,909	429,658
		526,164	629,458
Total assets		763,586	871,215
EQUITY			
Capital and reserves attributable to equity holders of the Company			
Ordinary shares	14	10,115	10,093
Reserves		622,166	697,786
Total equity		632,281	707,879

CONDENSED CONSOLIDATED BALANCE SHEET (Continued)

AS AT 30 JUNE 2012

	Note	Unaudited 30 June 2012 RMB'000	Audited 31 December 2011 RMB'000
LIABILITIES			
Non-current liabilities			
Deferred income tax liabilities	12	5,000	—
Current liabilities			
Accruals and other payables	15	82,948	106,633
Prepaid advertising subscriptions from customers		21,153	26,762
Current income tax liabilities		22,204	29,941
		126,305	163,336
Total liabilities		131,305	163,336
Total equity and liabilities		763,586	871,215
Net current assets		399,859	466,122
Total assets less current liabilities		637,281	707,879

Lam Wai Yan
Director

Wang Ta-Hsing
Director

The notes on pages 9 to 26 form an integral part of this condensed consolidated interim financial information.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30 JUNE 2012

Unaudited
Attributable to equity holders of the Company

	Note	Ordinary shares RMB'000	Share premium RMB'000	Merger reserve RMB'000	Capital redemption reserve RMB'000	Share-based compensation reserve RMB'000	Shares held for	Statutory reserve funds RMB'000	Retained earnings RMB'000	Total equity RMB'000
							Share Award Scheme RMB'000			
Balance at 1 January 2011		9,201	285,910	4	249	22,947	—	43,250	244,786	606,347
Comprehensive income										
Profit for the period		—	—	—	—	—	—	—	83,618	83,618
Other comprehensive income		—	—	—	—	—	—	—	—	—
Total comprehensive income		—	—	—	—	—	—	—	83,618	83,618
Cash dividends relating to 2010, paid in 2011	10	—	—	—	—	—	—	—	(140,753)	(140,753)
Bonus shares issued in June 2011		816	(816)	—	—	—	—	—	—	—
Share Award Scheme										
— purchase of shares		—	—	—	—	—	(8,298)	—	—	(8,298)
— value of employee services	16(b)	—	—	—	—	360	—	—	—	360
Employees share option schemes:										
— exercise of share options	14(a)	43	8,470	—	—	—	—	—	—	8,513
— value of employee services	16(a)	—	—	—	—	3,140	—	—	—	3,140
Balance at 30 June 2011		10,060	293,564	4	249	26,447	(8,298)	43,250	187,651	552,927
Balance at 1 January 2012		10,093	299,843	4	249	30,083	(8,605)	43,250	332,962	707,879
Comprehensive income										
Profit for the period		—	—	—	—	—	—	—	85,029	85,029
Other comprehensive income		—	—	—	—	—	—	—	—	—
Total comprehensive income		—	—	—	—	—	—	—	85,029	85,029
Cash dividends relating to 2011, paid in 2012	10	—	—	—	—	—	—	—	(160,572)	(160,572)
Repurchase of shares of the Company	14(b)	(35)	(9,291)	—	35	—	—	—	(35)	(9,326)
Share Award Scheme										
— purchase of shares		—	—	—	—	—	(3,839)	—	—	(3,839)
— value of employee services	16(b)	—	—	—	—	2,219	—	—	—	2,219
— vesting of awarded shares		—	(944)	—	—	—	944	—	—	—
Employees share option schemes:										
— exercise of share options	14(a)	57	9,719	—	—	—	—	—	—	9,776
— value of employee services	16(a)	—	—	—	—	1,115	—	—	—	1,115
Balance at 30 June 2012		10,115	299,327	4	284	33,417	(11,500)	43,250	257,384	632,281

The notes on pages 9 to 26 form an integral part of this condensed consolidated interim financial information.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE SIX MONTHS ENDED 30 JUNE 2012

	Note	Unaudited	
		Six months ended 30 June	
		2012	2011
		RMB'000	RMB'000
Cash flows from operating activities			
Cash generated from operations		10,316	52,804
Income tax paid		(24,673)	(31,486)
Net cash (used in)/generated from operating activities		(14,357)	21,318
Cash flows from investing activities			
Purchase of property and equipment		(12,378)	(72,639)
Purchase of intangible assets		(91)	(65)
(Increase)/decrease in short-term bank deposits with original terms of over three months		(41)	12,300
Interest received		2,307	2,588
Net cash used in investing activities		(10,203)	(57,816)
Cash flows from financing activities			
Purchase of shares held for Share Award Scheme		(3,839)	(8,298)
Cash dividends paid	10	(160,572)	(140,753)
Proceeds from issuance of ordinary shares	14(a)	9,776	8,513
Repurchase of shares of the Company	14(b)	(9,326)	—
Net cash used in financing activities		(163,961)	(140,538)
Net decrease in cash and cash equivalents			
Cash and cash equivalents at beginning of period		429,658	262,283
Exchange losses on cash and cash equivalents		(228)	(577)
Cash and cash equivalents at end of period		240,909	84,670

The notes on pages 9 to 26 form an integral part of this condensed consolidated interim financial information.



NOTES TO THE INTERIM FINANCIAL INFORMATION

1. GENERAL INFORMATION

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

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

The Company has its shares listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") since 18 December 2007.

This condensed consolidated interim financial information (the "Interim Financial Information") is presented in Renminbi ("RMB"), unless otherwise stated. The Interim Financial Information has been approved by the Board on 27 August 2012.

The Interim Financial Information has not been audited.

2. BASIS OF PREPARATION

The Interim Financial Information has been prepared in accordance with Hong Kong Accounting Standard 34, 'Interim Financial Reporting'. The Interim Financial Information should be read in conjunction with the annual consolidated financial statements for the year ended 31 December 2011, which have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs").

3. ACCOUNTING POLICIES

Except as described below, the accounting policies applied are consistent with those of the annual consolidated financial statements for the year ended 31 December 2011, as described in those annual consolidated financial statements.

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

- (a) The following amendments to standards are effective for the financial year beginning 1 January 2012:

Amendment to HKAS 12	Deferred tax on recovery of underlying assets
Amendment to HKFRS 7	Disclosures of transfers of financial assets
Amendment to HKFRS 1	Severe hyperinflation and removal of fixed dates for first time adopters

The adoption of the above amended standards did not have any material impact on the Interim Financial Information of the Group except for disclosure and has not led to any changes in the accounting policies except disclosed elsewhere.

NOTES TO THE INTERIM FINANCIAL INFORMATION

3. ACCOUNTING POLICIES (CONTINUED)

- (b) The following new standards, amendments to existing standards and interpretations have been issued but are not effective for the financial year beginning 1 January 2012 and have not been early adopted:

		Effective for annual periods beginning on or after
HKAS 1 (Amendment)	Presentation of financial statements	1 July 2012
HKAS 27 (Revised 2011)	Separate financial statements	1 January 2013
HKAS 28 (Revised 2011)	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)	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
HKFRSs (Amendments)	Fourth improvements to HKFRSs (2013)	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

Management of the Group is in the process of making an assessment of their impact and is 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.

4. ESTIMATES

The preparation of the Interim Financial Information requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing the Interim Financial Information, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 31 December 2011, with the exception of changes in estimates that are required in determining the provision for income taxes.



NOTES TO THE INTERIM FINANCIAL INFORMATION

5. FINANCIAL RISK MANAGEMENT

5.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: foreign exchange risk, credit risk and liquidity risk.

The Interim Financial Information does not include all financial risk management information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements as at 31 December 2011.

For the six months ended 30 June 2012, there were no changes in any risk management policies.

5.2 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.

At 30 June 2012, if RMB had strengthened by 0.5% against the HKD/USD with all other variables held constant, post tax profit for the period would have been RMB93,000 (six months ended 30 June 2011: RMB132,000) lower, mainly as a result of net foreign exchange losses in HKD/USD denominated cash at bank and other receivables as at 30 June 2012.

5.3 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 six months ended 30 June 2012. Management considers that the Group does not have significant liquidity risk.

5.4 Fair value estimation

For the six months ended 30 June 2012, there were no significant changes in the business or economic circumstances that affect the fair value of the Group's financial assets and financial liabilities.

For the six months ended 30 June 2012, there were no reclassifications of financial assets.

NOTES TO THE INTERIM FINANCIAL INFORMATION

6. SEGMENT INFORMATION

The chief operating decision makers have been identified as the executive directors who make strategic decisions.

The Group is principally engaged in the provision of internet advertising services for different commodities. The chief operating decision makers review 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 makers consider the business from the performance of the internet advertising generated from 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 makers assess the performance of the operating segments based on revenue derived from its different internet portals. The reportable operating segments derive their revenue primarily from the three major portals, namely PCauto, PConline and PClady. The Company currently does not allocate cost of revenue, operating costs or assets to its segments, as its chief operating decision makers do not use this information to allocate resources to or evaluate the performance of the operating segments. Therefore, the Company does not report a measure of profit for each reportable segment and total assets.

Other segment relates to revenue generated from other portals, including PCgames, PCbaby and PChouse, e-commerce and other services.

There were no inter-segment sales for the six months ended 30 June 2012 (six months ended 30 June 2011: nil). The revenue from external parties reported to the chief operating decision makers is measured in a manner consistent with that in the condensed consolidated income statement.

	PCauto RMB'000 (Unaudited)	PConline RMB'000 (Unaudited)	PClady RMB'000 (Unaudited)	Others RMB'000 (Unaudited)	Group RMB'000 (Unaudited)
For the six months ended 30 June 2012					
Revenue	145,463	112,914	24,342	15,455	298,174
For the six months ended 30 June 2011					
Revenue	118,101	113,799	17,082	12,506	261,488

Though the Company is domiciled in the Cayman Islands, for the six months ended 30 June 2012, all revenues of the Group were derived from external customers and they were all generated from the PRC (six months ended 30 June 2011: same).

NOTES TO THE INTERIM FINANCIAL INFORMATION

6. SEGMENT INFORMATION (CONTINUED)

As at 30 June 2012, majority of non-current assets of the Group other than the club membership included in the intangible assets were located in the PRC (31 December 2011: same).

For the six months ended 30 June 2012, there was no revenue derived from a single external customer accounting for ten per cent or more of the Group's revenues (six months ended 30 June 2011: same).

7. FINANCE INCOME — NET

	Unaudited	
	Six months ended 30 June	
	2012	2011
	RMB'000	RMB'000
Finance income		
— Interest income	3,070	4,519
Finance costs		
— Net foreign exchange losses	(358)	(366)
Finance income — net	2,712	4,153

8. TAX EXPENSE

(a) Income tax expense

	Unaudited	
	Six months ended 30 June	
	2012	2011
	RMB'000	RMB'000
PRC current tax	16,936	14,981
Deferred taxation	5,578	6,539
	22,514	21,520

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

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 six months ended 30 June 2012 (six months ended 30 June 2011: same).

NOTES TO THE INTERIM FINANCIAL INFORMATION

8. TAX EXPENSE (CONTINUED)

(a) Income tax expense (Continued)

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.

Pursuant to the 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"). Guangzhou Pacific Computer Information Consulting Co., Ltd. (廣州太平洋電腦信息諮詢有限公司, "GZP Computer") and Guangdong Pacific Internet Information Service Co., Ltd. (廣東太平洋互聯網信息服務有限公司, "GDP Internet"), the principal operating subsidiaries of the Company, were formally designated as HNTE for the three years ending 31 December 2013 under the CIT Law. As a result, GZP Computer and GDP Internet are subject to CIT at a rate of 15% from 2011 to 2013. Consequently, GZP Computer and GDP Internet used 15% in the computation of deferred taxes as of 30 June 2012 and the current income tax charge for the six months then ended.

All the other PRC entities of the Group are subject to CIT at a rate of 25% (six months ended 30 June 2011: same) in accordance with the CIT Law.

(b) Value-added tax, business tax and related taxes

The operations of the Group are also subject to the following taxes in the PRC:

Category	Tax rate	Basis of levy
Business tax ("BT")	5%	Advertising income
Value-added tax ("VAT")	6%	Advertising income, offsetting by VAT on purchases
City construction tax	7%	Net VAT and BT payable amount
Educational surcharge	5%	Net VAT and BT payable amount

Pursuant to the pilot program for the transition from BT to VAT launched in Shanghai, the advertising income in Shanghai is subject to VAT instead of BT since 1 January 2012. Other than the advertising income in Shanghai, all the other advertising income of Group is subject to BT.

In the condensed consolidated income statement, business tax and related surcharges for revenue earned by the Group are included in cost of revenue.

NOTES TO THE INTERIM FINANCIAL INFORMATION

9. 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 (Note 16(b)).

	Unaudited Six months ended 30 June	
	2012	2011
Profit attributable to equity holders of the Company (RMB'000)	85,029	83,618
Weighted average number of ordinary shares for basic earnings per share (thousand shares)	1,086,321	1,073,147
— Weighted average number of ordinary shares in issue (thousand shares)	1,086,321	975,016
— Impact of bonus issue of shares issued in June 2011 (thousand shares)	—	98,131
Basic earnings per share (RMB)	7.83 cents	7.79 cents

(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).

	Unaudited Six months ended 30 June	
	2012	2011
Profit attributable to equity holders of the Company (RMB'000)	85,029	83,618
Weighted average number of ordinary shares for diluted earnings per share (thousand shares)	1,114,425	1,106,797
— Weighted average number of ordinary shares for basic earnings per share (thousand shares)	1,086,321	1,073,147
— Adjustment for share options and awarded shares (thousand shares)	28,104	33,650
Diluted earnings per share (RMB)	7.63 cents	7.55 cents

NOTES TO THE INTERIM FINANCIAL INFORMATION

10. DIVIDENDS

The directors did not recommend the payment of interim dividend for the six months ended 30 June 2012 (six months ended 30 June 2011: nil).

The dividend paid in the six months ended 30 June 2012 included the 2011 final cash dividend of RMB14.78 cents (six months ended 30 June 2011: RMB14.38 cents) per ordinary share out of the retained earnings, totalling RMB160,572,000 (six months ended 30 June 2011: RMB140,753,000), which eliminated the dividend related the ordinary shares held under the Share Award Scheme of RMB486,000 (six months ended 30 June 2011: RMB359,000).

11. PROPERTY AND EQUIPMENT AND INTANGIBLE ASSETS

	Property and equipment	Intangible assets
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Six months ended 30 June 2011		
Opening net book amount as at 1 January 2011	148,741	9,345
Additions	2,324	65
Disposals	(40)	—
Depreciation and amortisation	(3,814)	(240)
Closing net book amount as at 30 June 2011	147,211	9,170
Six months ended 30 June 2012		
Opening net book amount as at 1 January 2012	207,299	9,034
Additions	3,070	91
Disposals	(30)	—
Depreciation and amortisation	(6,511)	(169)
Closing net book amount as at 30 June 2012	203,828	8,956

NOTES TO THE INTERIM FINANCIAL INFORMATION

12. DEFERRED INCOME TAX

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.

	Unaudited As at 30 June 2012 RMB'000	Audited As at 31 December 2011 RMB'000
Deferred income tax assets:		
— to be recovered after more than 12 months	4,419	3,213
— to be recovered within 12 months	2,463	4,247
	6,882	7,460

The movement in deferred income tax assets during the period was as follows:

	Intra-group software sales RMB'000 (Unaudited)	Provision for impairment of trade receivables RMB'000 (Unaudited)	Accrued salary expense RMB'000 (Unaudited)	Total RMB'000 (Unaudited)
At 1 January 2011	1,103	3,497	4,378	8,978
Charged to the income statement	(1,103)	(306)	(215)	(1,624)
At 30 June 2011	—	3,191	4,163	7,354
At 1 January 2012	—	3,213	4,247	7,460
Credited/(Charged) to the income statement	—	1,206	(1,784)	(578)
At 30 June 2012	—	4,419	2,463	6,882

NOTES TO THE INTERIM FINANCIAL INFORMATION

12. DEFERRED INCOME TAX (CONTINUED)

Deferred income tax liabilities

	Unaudited As at 30 June 2012 RMB'000	Audited As at 31 December 2011 RMB'000
Deferred income tax liabilities:		
— to be recovered within 12 months	5,000	—

The movement in deferred income tax liabilities during the period was as follows:

	Deferred income tax liabilities- withholding tax RMB'000 (Unaudited)
At 1 January 2011	—
Charged to the income statement	4,915
At 30 June 2011	4,915
At 1 January 2012	—
Charged to the income statement	5,000
At 30 June 2012	5,000

As at 30 June 2012, the deferred income tax liabilities represented the withholding tax provided for the earnings anticipated to be remitted abroad from a PRC subsidiary of the Group.

According to applicable PRC tax regulations, dividends distributed by a company established in the PRC to a foreign investor with respect to profits derived after 1 January 2008 are generally subject to a 10% withholding tax. If a foreign investor is incorporated in Hong Kong and meets the conditions or requirements under the double taxation arrangement entered into between the PRC and Hong Kong, the relevant withholding tax rate will be reduced from 10% to 5%.

NOTES TO THE INTERIM FINANCIAL INFORMATION

13. TRADE AND OTHER RECEIVABLES AND PREPAYMENTS

(a) Trade receivables, net of impairment provision

Credit terms granted to customers by the Group are generally within six months. As at 30 June 2012, the ageing analysis of the trade receivables (net of impairment provision of RMB17,677,000 (31 December 2011: RMB12,851,000)) was as follows:

	Unaudited As at 30 June 2012 RMB'000	Audited As at 31 December 2011 RMB'000
Current to 6 months	222,722	158,396
6 months to 1 year	40,128	30,740
1 year to 2 years	2,352	2,400
Above 2 years	1,431	—
	266,633	191,536

(b) Other receivables and prepayments

	Unaudited As at 30 June 2012 RMB'000	Audited As at 31 December 2011 RMB'000
Other receivables	7,655	3,470
Advance to employees	3,799	2,052
Prepayments	4,627	242
	16,081	5,764

NOTES TO THE INTERIM FINANCIAL INFORMATION

14. ORDINARY SHARES

	Authorised ordinary shares		
	Number of shares ('000)	HKD'000	RMB'000
At 31 December 2011 and 30 June 2012	100,000,000	1,000,000	969,200
	Issued and fully paid up		
	Number of shares ('000) (Unaudited)	HKD'000 (Unaudited)	RMB'000 (Unaudited)
At 1 January 2011	976,708	9,767	9,201
Employees Share Option Plan — issued shares (a)	5,069	51	43
Bonus shares issued in June 2011	98,131	981	816
At 30 June 2011	1,079,908	10,799	10,060
At 1 January 2012	1,084,019	10,840	10,093
Employees Share Option Plan — issued shares (a)	6,504	65	57
Repurchase of shares of the Company (b)	(3,672)	(37)	(35)
At 30 June 2012	1,086,851	10,868	10,115

- (a) Share options exercised during the six months ended 30 June 2012 resulted in 6,504,000 shares being issued (six months ended 30 June 2011: 5,069,000 shares), with exercise proceeds of RMB9,776,000 (six months ended 30 June 2011: RMB8,513,000). The nominal value of these shares of RMB57,000 (six months ended 30 June 2011: RMB43,000) and the premium of RMB9,719,000 (six months ended 30 June 2011: RMB8,470,000) had been credited to ordinary shares and share premium accounts, respectively. The related weighted average price at the time of exercise was HKD3.41 per share (six months ended 30 June 2011: HKD4.16).
- (b) The Company repurchased 3,672,000 shares of its own ordinary shares during the six months ended 30 June 2012 (six months ended 30 June 2011: nil). The total purchased consideration was approximately HKD11,432,000 (equivalent to RMB9,326,000). The nominal value of these shares of HKD37,000 (equivalent to RMB35,000) had been credited to capital redemption reserve. The nominal value of these shares of RMB35,000 and the premium paid for such purchases of approximately RMB9,291,000 were paid out off the Company's retained earnings and share premium, respectively. The shares were cancelled right after the repurchase.

All the ordinary shares issued during the six months ended 30 June 2012 rank pari passu with the then existing ordinary shares in all respects.

NOTES TO THE INTERIM FINANCIAL INFORMATION

15. ACCRUALS AND OTHER PAYABLES

	Unaudited As at 30 June 2012 RMB'000	Audited As at 31 December 2011 RMB'000
Salaries payable	16,631	28,831
Accrued expenses (a)	34,073	31,875
Other payables (b)	32,244	45,927
	82,948	106,633

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

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

16. SHARE-BASED COMPENSATION COSTS

(a) Share Option Plan

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.

(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 are 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.

NOTES TO THE INTERIM FINANCIAL INFORMATION

16. SHARE-BASED COMPENSATION COSTS (CONTINUED)

(a) Share Option Plan (Continued)

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

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 shares for the five business days immediately preceding the date of grant; and (iii) the nominal value of the Company's shares.

(iii) Movements in share options

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

	Pre-IPO Share Option Plan		Post-IPO Share Option Plan		Total number of options (thousands) (Unaudited)
	Average exercise price (HKD) (Unaudited)	Number of options (thousands) (Unaudited)	Average exercise price (HKD) (Unaudited)	Number of options (thousands) (Unaudited)	
At 1 January 2011	1.88	35,808	2.25	31,626	67,434
Granted	—	—	—	—	—
Exercised	1.81	(2,513)	2.23	(2,556)	(5,069)
Forfeited	2.16	(226)	2.75	(1,114)	(1,340)
Adjustment for bonus shares issued in June 2011	—	3,332	—	2,838	6,170
At 30 June 2011	1.72	36,401	2.02	30,794	67,195
Currently exercisable as at 30 June 2011	1.55	20,995	2.08	7,268	28,263
At 1 January 2012	1.73	33,812	2.01	29,233	63,045
Granted	—	—	—	—	—
Exercised	1.76	(2,893)	1.92	(3,611)	(6,504)
Forfeited	—	—	—	—	—
At 30 June 2012	1.72	30,919	1.92	25,622	56,541
Currently exercisable as at 30 June 2012	1.72	30,919	2.04	14,001	44,920

NOTES TO THE INTERIM FINANCIAL INFORMATION

16. SHARE-BASED COMPENSATION COSTS (CONTINUED)

(a) Share Option Plan (Continued)

(iv) Outstanding share options

Share options outstanding at the end of the period have the following expiry dates and exercise prices:

Expiry date	30 June 2012		31 December 2011	
	Exercise price in HKD per share (Unaudited)	Number of options (thousands) (Unaudited)	Exercise price in HKD per share (Audited)	Number of options (thousands) (Audited)
Pre-IPO Share Option Plan				
— 22 November 2017	1.32	7,227	1.32	7,769
— 22 November 2017	1.71	10,792	1.71	11,691
— 22 November 2017	1.96	12,900	1.96	14,353
Post-IPO Share Option Plan				
— 11 April 2014	2.68	10,316	2.68	11,548
— 13 April 2014	2.63	873	2.63	874
— 17 May 2014	1.31	10,490	1.31	11,757
— 17 May 2014	2.65	1,909	2.65	2,125
— 5 July 2014	1.56	2,034	1.56	2,928
		56,541		63,045

(v) 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 six months ended 30 June 2012 was RMB1,115,000 (six months ended 30 June 2011: RMB3,140,000).

NOTES TO THE INTERIM FINANCIAL INFORMATION

16. SHARE-BASED COMPENSATION COSTS (CONTINUED)

(b) Share Award Scheme

On 10 January 2011 (the "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.

Movements in the number of shares held for the Share Award Scheme for six months ended 30 June 2012 were as follows:

	Shares held for the Share Award Scheme (thousands) (Unaudited)	Awarded Shares (thousands) (Unaudited)
At 1 January 2011	—	—
Purchased in January 2011	2,500	—
Granted to employees	(237)	237
Adjustment for bonus issue of shares issued in June 2011	226	24
At 30 June 2011	2,489	261
At 1 January 2012	2,098	752
Purchased	1,500	—
Granted to employees	(907)	907
Forfeited	5	(5)
Vested	—	(313)
At 30 June 2012	2,696	1,341

NOTES TO THE INTERIM FINANCIAL INFORMATION

16. SHARE-BASED COMPENSATION COSTS (CONTINUED)

(b) Share Award Scheme (Continued)

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.

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 the Awarded Shares.

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

Dates of grant	Total value of shares at grant dates (HKD)	No. of shares granted (thousands)	Market price at grant dates (HKD)	Vesting period
13 Jan 2012	2,177,000	597	3.65	1 year
16 Jan 2012	215,000	57	3.78	nil*
2 Apr 2012	903,000	253	3.57	1 year
	3,295,000	907		

* can be exercised immediately.

The total expense recognised for employee services received in respect of the Share Award Scheme for the six months ended 30 June 2012 was RMB2,219,000 (six months ended 30 June 2011: RMB360,000).

During the six months ended 30 June 2012, the Share Award Scheme Trust received cash dividend amounting to RMB486,000 (six months ended 30 June 2011: 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.

NOTES TO THE INTERIM FINANCIAL INFORMATION

17. RELATED PARTY TRANSACTIONS

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

(a) Name and relationship with related parties

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

(b) Related party transactions

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

	Unaudited	
	Six months ended 30 June	
	2012	2011
	RMB'000	RMB'000
Rental expenses for office and advertising billboards paid:		
GPET Mall	995	1,293
SHPD Consulting	741	387
SHPD Technology	256	18
Kexim	107	104
BUPE Technology	—	113
	2,099	1,915

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



MANAGEMENT DISCUSSION AND ANALYSIS

REVENUE

Revenue increased by 14.0% from RMB261.5 million for the six months ended 30 June 2011 to RMB298.2 million for the six months ended 30 June 2012. The increase was mainly due to organic growth across the Company's different portals, with notably strong performance from PCauto and PClady.

Revenue for PConline decreased by 0.8% from RMB113.8 million for the six months ended 30 June 2011 to RMB112.9 million for the six months ended 30 June 2012. The slight decrease in revenue from PConline resulted from a slowdown in advertising spending from consumer electronics clients, especially large multinational companies.

Revenue for PCauto increased by 23.2% from RMB118.1 million for the six months ended 30 June 2011 to RMB145.5 million for the six months ended 30 June 2012. During the first six months of 2012, passenger car sales in China increased by only 5.6% to seven million vehicles, according to statistics from the China Association of Automobile Manufacturers. Despite recent modest growth in China's auto industry, PCauto revenues continued to show strong growth as advertisers allocate increasingly greater portions of their marketing budgets to digital media.

Revenue for PClady increased by 42.5% from RMB17.1 million for the six months ended 30 June 2011 to RMB24.3 million for the six months ended 30 June 2012. The increase was mainly the result of continued strong interest and demand for luxury and fashion goods among female consumers in China.

Revenue from the Company's other portals, PCgames, Pcbaby, and PChouse, increased by 23.6% from RMB12.5 million for the six months ended 30 June 2011 to RMB15.5 million for the six months ended 30 June 2012. Revenue from this segment increased significantly due to both higher consumer spending in Mainland China, as well as consumer goods companies allotting larger percentages of their advertising budgets to digital media.

As a percentage of total revenue, for the six month period ended 30 June 2011 compared with the six month period ended 30 June 2012, PCauto accounted for 45.2% versus 48.8%, respectively; PConline accounted for 43.5% versus 37.8%, respectively; PClady accounted for 6.5% versus 8.2%, respectively; and other operations accounted for 4.8% versus 5.2%, respectively. The shift in revenue contributions from each business resulted from the Company's continued efforts to diversify its revenue base and scale up operations for its smaller portals.

COST OF REVENUE

Cost of revenue increased by 12.1% from RMB87.1 million for the six months ended 30 June 2011 to RMB97.7 million for the six months ended 30 June 2012. Gross profit margin was 67.2% for the six months ended 30 June 2012 and 66.7% for the six months ended 30 June 2011. The increase in cost of revenue was mainly due to an increase in the number of new employees to support the Company's expansion plans.



MANAGEMENT DISCUSSION AND ANALYSIS

OPERATING EXPENSES

Selling and Marketing Costs

Selling and marketing costs increased 12.9% from RMB39.9 million for the six months ended 30 June 2011 to RMB45.1 million for the six months ended 30 June 2012. The increase was primarily due to an increase in staff cost and marketing expenses.

Administrative Expenses

Administrative expenses increased by 73.4% from RMB20.4 million for the six months ended 30 June 2011 to RMB35.3 million for the six months ended 30 June 2012. The increase was primarily due to an increase in staff cost, estate management fees, traveling expenses, and provision for impairment of receivables during the period.

Product Development Expenses

Product development expenses increased by 31.2% from RMB13.1 million for the six months ended 30 June 2011 to RMB17.2 million for the six months ended 30 June 2012. The increase was primarily due to greater staff recruitment in research and development during the period.

Operating Profit before Share-based Compensation Expenses (non-GAAP)

Operating profit before share-based compensation expenses (non-GAAP) was RMB108.2 million in the first half of 2012, representing a 3.5% increase from RMB104.5 million over the same period in 2011.

Finance Income and Cost

Net finance income was RMB2.7 million for the six months ended on 30 June 2012, compared with RMB4.2 million for the six months ended on 30 June 2011. Net finance income largely came from interest income on short-term bank deposits.

Income Tax Expense

Income tax expense increased by 4.6% from RMB21.5 million for the six months ended 30 June 2011 to RMB22.5 million for the six months ended 30 June 2012.

Net Profit

Net profit increased by 1.7% from RMB83.6 million for the six months ended 30 June 2011, to RMB85.0 million for the six months ended 30 June 2012.



MANAGEMENT DISCUSSION AND ANALYSIS

Liquidity, Financial Resources and Dividend

As of 30 June 2012, the Company had short-term bank deposits and cash totaling RMB243.5 million, compared with RMB432.2 million as of 31 December 2011.

A cash dividend totaling RMB160.6 million was paid out during the six months ended 30 June 2012.

The Company had no external debt as of 31 December 2011 and 30 June 2012.

BANK BORROWINGS

As of 30 June 2012, the Group did not have any bank borrowings and therefore, its gearing ratio, representing ratio of total bank borrowings to shareholders' equity, was nil. The Group also did not have any bank borrowings as of 31 December 2011.

MATERIAL ACQUISITIONS AND DISPOSALS

During the period ended 30 June 2012, the Group had no material acquisitions and disposals of subsidiaries and associates.

CHARGES ON ASSETS

As of 30 June 2012, 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 Mainland China, with most of its transactions denominated and settled in Renminbi. Therefore, the overall foreign currency risk was not considered to be significant.

EMPLOYEES AND REMUNERATION INFORMATION

As of 30 June 2012, the Group had 1,283 employees (31 December 2011: 1,149), an increase of 11.7% from the first half of 2012. The increase in staff level represented the expansion of the Group's operations in 2012. The Group determines staff's remuneration based on factors such as qualifications and years of experience.



MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS OUTLOOK

The revenues rose 14.0% from the previous period to RMB298.2 million, driven by increased advertising spending on our portals. PCauto, our auto market-focused portal, continues to be our strongest performing portal. Revenues for PCauto increased 23.2% compared with the same period in 2011, despite the deceleration of automobile sales growth in China during the first half of the year. While a number of policy changes have affected demand for new car purchases in China, manufactures have stepped up their advertising to try to differentiate themselves in such a highly competitive market, and they also appear to be directing more of their advertising spending to important online outlets. We believe our high-quality content and rising brand recognition in this market are helping to draw important advertisers to our platform. We also continued to see strong performance from PClady, which focuses on the fashion and luxury goods markets and is targeted towards female consumers. We expect PClady to continue to perform well as Chinese demand for luxury and brand-name goods rises.

Our original consumer electronics and IT portal, PConline, experienced a mild decline in revenues of 0.8% from the previous period. While the decline was expected, we believe it mainly reflects a drop in advertising spending among consumer electronic companies in the face of the economic slowdown in China. We have also been pleased with our other portals, PCgames, PChouse, and PCbaby, each of which continues to see steady advances in terms of user growth and interaction.

Meanwhile we continue to develop useful new features and content for our users. During the first half of 2012, we worked on optimizing our portals for mobile devices, giving users greater freedom to research their favorite brands and the latest products on the go. In addition, our two leading iPad magazines, PCauto and PChouse, have already seen a pickup new subscribers and they gained significant popularity. While we do not expect significant revenue contribution from this segment in the near future, we will continue to invest in mobile technology to better position ourselves as mobile internet expands. This year we are ramping up our R&D in preparation for further content and product launches.

We are cautiously optimistic for the rest of the year. As China's middle class grows, they increasingly turn to the Internet for information, shopping, and entertainment. According to data published earlier this year by the China Internet Network Information Center, Internet users in China numbered over half a billion. This number is projected to grow over the coming years, and with it, the number of consumers reachable via traditional computer and mobile devices. Having established our brand early on, we not only retain a larger user base compared with some of our competitors, we are also better-positioned to capture new users. However, we are not immune to the general slowing of the Chinese economy, and at the same time we face upward pressure in terms of retaining personnel. We will continue to invest in areas of opportunity and at the same time improve efficiency and manage cost. By staying current with the latest trends in consumer goods, and consistently catering to the changing needs and tastes of our user base, we believe we are well-prepared to lead our business forward and create long-term value for our shareholders.

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

The Company repurchased a total of 3,672,000 shares on the Stock Exchange during the six months ended 30 June 2012. Such shares were cancelled upon repurchase and accordingly the issued capital of the Company was reduced by the nominal value of these shares.

Details of the repurchase are summarized as follows:

Month of repurchase	Total number of shares repurchased	Repurchase price per share		Aggregate consideration
		Highest	Lowest	
		HKD	HKD	HKD
May 2012	3,672,000	3.35	2.68	11,432,190

Except as disclosed above, neither the Company nor its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the six months ended 30 June 2012.

AUDIT COMMITTEE

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

CORPORATE GOVERNANCE

The Board is of the view that the Company has met the code provisions set out in the Code on Corporate Governance Practices during the period from 1 January 2012 to 31 March 2012 and the Corporate Governance Code during the period from 1 April 2012 to 30 June 2012 as contained in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"), except that there is no separation of the role of Chairman and Chief Executive Officer as stipulated in the code provision A.2.1. Mr. Lam Wai Yan currently assumes the role of both the Chairman and the Chief Executive Officer of the Company. As Mr. Lam is a co-founder of the Group and has extensive experiences in the internet industry, the Board believes that this structure provides the Group with strong and consistent leadership and allows for more effective and efficient business planning and decisions as well as execution of long-term business strategies. As such, it is beneficial to the business prospects of the Group.

OTHER INFORMATION

CHANGES IN INFORMATION OF DIRECTORS

Pursuant to Rule 13.51B(1) of the Listing Rules, the changes in information of directors of the Company are set out below:

- (a) Mr. Wang Ta-Hsing, an executive director of the Company, has been appointed as a director of Kwong Fong Industries Corporation (a company listed on the Taiwan Stock Exchange) with effect from 28 June 2012.
- (b) Mr. Tsui Yiu Wa, Alec, an independent non-executive director of the Company, has ceased to be an independent non-executive director of China BlueChemical Ltd. (a company listed on the Hong Kong Stock Exchange) with effect from 5 June 2012.

SHARE OPTION PLAN

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.

During the six months ended 30 June 2012, movements of the two share option plans of the Company are as follows:

(a) Pre-IPO Share Option Plan

Category	Date of grant	Exercise period ⁽¹⁾	Exercise price per share	Number of share options			
				As at 1 January 2012	Exercised during the period	Lapsed during the period	As at 30 June 2012
Director							
Ms. Zhang Cong Min	23 November 2007	A	I	4,366,545	—	—	4,366,545
	23 November 2007	B	II	6,096,631	—	—	6,096,631
	23 November 2007	C	III	6,129,000	—	—	6,129,000
				16,592,176	—	—	16,592,176
Employees in aggregate	23 November 2007	A	I	3,402,122	(541,149)	—	2,860,973
	23 November 2007	B	II	5,594,049	(898,929)	—	4,695,120
	23 November 2007	C	III	8,224,079	(1,452,722)	—	6,771,357
				17,220,250	(2,892,800)	—	14,327,450
Total				33,812,426	(2,892,800)	—	30,919,626

OTHER INFORMATION

Exercise period	Exercise price
A: from 23 November 2009 to 22 November 2017	I: HKD1.32
B: from 23 November 2010 to 22 November 2017	II: HKD1.71
C: from 23 November 2011 to 22 November 2017	III: HKD1.96

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 six months ended 30 June 2012.

(b) Post-IPO Share Option Plan

Category	Date of grant	Exercise period ⁽¹⁾	Exercise price per share	Number of share options			
				As at 1 January 2012	Exercised during the period	Lapsed during the period	As at 30 June 2012
Director Mr. Lam Wai Yan	18 May 2009	B	I	1,267,938	(1,267,938)	—	—
	18 May 2009	C	I	1,267,939	—	—	1,267,939
				2,535,877	(1,267,938)	—	1,267,939
Mr. Wang Ta-Hsing	18 May 2009	A	I	1,152,671	—	—	1,152,671
	18 May 2009	B	I	1,152,672	—	—	1,152,672
	18 May 2009	C	I	1,152,672	—	—	1,152,672
			3,458,015	—	—	3,458,015	
Ms. Zhang Cong Min	18 May 2009	A	I	1,913,434	—	—	1,913,434
	18 May 2009	B	I	1,913,436	—	—	1,913,436
	18 May 2009	C	I	1,936,489	—	—	1,936,489
	12 April 2010	G	III	694,029	—	—	694,029
	12 April 2010	H	III	694,030	—	—	694,030
	12 April 2010	I	III	694,030	—	—	694,030
			7,845,448	—	—	7,845,448	
Mr. Tsui Yiu Wa, Alec	6 July 2009	D	II	76,576	—	—	76,576
	6 July 2009	E	II	77,737	—	—	77,737
	6 July 2009	F	II	77,738	—	—	77,738
			232,051	—	—	232,051	
Mr. Thaddeus Thomas Beczak	6 July 2009	D	II	76,576	—	—	76,576
	6 July 2009	E	II	77,737	—	—	77,737
	6 July 2009	F	II	77,738	—	—	77,738
			232,051	—	—	232,051	
Mr. Louie Ming ⁽³⁾	6 July 2009	D	II	76,576	(76,576)	—	—
	6 July 2009	E	II	77,737	—	—	77,737
	6 July 2009	F	II	77,738	—	—	77,738
			232,051	(76,576)	—	155,475	
			14,535,493	(1,344,514)	—	13,190,979	

OTHER INFORMATION

Category	Date of grant	Exercise period ⁽¹⁾	Exercise price per share	Number of share options			As at 30 June 2012
				As at 1 January 2012	Exercised during the period	Lapsed during the period	
Employees in aggregate	6 July 2009	D	II	1,072,013	(817,846)	—	254,167
	6 July 2009	E	II	580,128	—	—	580,128
	6 July 2009	F	II	580,128	—	—	580,128
	12 April 2010	G	III	1,950,228	(536,499)	—	1,413,729
	12 April 2010	H	III	3,762,804	(694,741)	—	3,068,063
	12 April 2010	I	III	3,752,389	—	—	3,752,389
	14 April 2010	J	IV	286,871	—	—	286,871
	14 April 2010	K	IV	288,023	(1,152)	—	286,871
	14 April 2010	L	IV	299,544	—	—	299,544
	18 May 2010	M	V	363,009	(78,230)	—	284,779
	18 May 2010	N	V	871,185	(137,860)	—	733,325
	18 May 2010	O	V	890,885	—	—	890,885
					14,697,207	(2,266,328)	—
Total				29,232,700	(3,610,842)	—	25,621,858

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

Exercise price

I: HKD1.31
 II: HKD1.56
 III: HKD2.68
 IV: HKD2.63
 V: HKD2.65

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 six months ended 30 June 2012.
- (3) Mr. Louie Ming retired as an independent non-executive director of the Company on 18 May 2012. The outstanding share options granted by the Company to Mr. Louie were lapsed on 18 August 2012 pursuant to the Post-IPO Share Option Plan.

Further details of the two share option plans of the Company are set out in note 16(a) to the interim financial information.

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

As at 30 June 2012, the interests of the directors of the Company in the shares and underlying shares of the Company (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) as recorded in the register required to be kept by the Company under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") were as follows:

(1) Interests in shares of the Company

Name of director	Long/Short position	Capacity	Number of 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)	27.27%
	Long	Interests held jointly with spouse	7,914,585	(2)	0.73%
	Long	Beneficial owner	2,536,757	—	0.23%
			306,796,622	—	28.23%
Mr. Ho Kam Wah	Long	Interests held by a controlled corporation	99,348,480	(3)	9.14%
	Long	Beneficial owner	2,055,900	—	0.19%
	Long	Interests of spouse	1,432,200	(4)	0.13%
			102,836,580	—	9.46%
Ms. Zhang Cong Min	Long	Beneficial owner	6,325,000	—	0.58%
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 30 June 2012.

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(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 30 June 2012.

(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	1,267,939	0.12%
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%

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 16(a) to the interim financial information.

[†] The percentage represents the number of underlying shares interested divided by the number of the Company’s issued shares as at 30 June 2012.

Save as disclosed above and in the above section headed “Share Option Plan”, as at 30 June 2012, 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.

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

As at 30 June 2012, 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)	27.27%
Ms. Ma Muk Lan	Long	Interests of spouse	298,882,037	(2)	27.50%
	Long	Interests held jointly with another person	7,914,585	(3)	0.73%
			306,796,622	—	28.23%
Gallop Assets Management Limited	Long	Beneficial owner	296,172,030	(4)	27.25%
J.P. Morgan Trust Company (Bahamas) Limited as trustee of The Gallop Trust	Long	Trustee	296,172,030	(4)	27.25%
Mr. Wang Ko Chiang	Long	Founder of a discretionary trust	296,172,030	(4)	27.25%
	Long	Interests held by controlled corporations	440,000	(5)	0.04%
			296,612,030	—	27.29%
Mrs. Wang Tang Shi Ming	Long	Interests of spouse	296,612,030	(6)	27.29%
Treasure Field Holdings Limited	Long	Beneficial owner	99,348,480	(7)	9.14%
Ms. Yeung Yuk Chun	Long	Interests of spouse	101,404,380	(8)	9.33%
	Long	Beneficial owner	1,432,200	—	0.13%
			102,836,580	—	9.46%



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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 298,882,037 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) These shares were held by South China Resources Development Consultants Limited, which was controlled by Cosmos Sky Investments Limited. Cosmos Sky Investments Limited was wholly owned by Mr. Wang Ko Chiang.

Accordingly, Mr. Wang Ko Chiang was deemed to be interested in 440,000 shares of the Company held by South China Resources Development Consultants Limited.

- (6) Mrs. Wang Tang Shi Ming was deemed to be interested in 296,612,030 shares of the Company through the interests of her spouse, Mr. Wang Ko Chiang.
- (7) 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".
- (8) 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 30 June 2012.

(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	1,267,939	0.12%

Note: Ms. Ma Muk Lan was deemed to be interested in 1,267,939 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 16(a) to the interim financial information.

[†] The percentage represents the number of underlying shares interested divided by the number of the Company's issued shares as at 30 June 2012.

Save as disclosed above, as at 30 June 2012, 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.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

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

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



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

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

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.

On behalf of the Board
Pacific Online Limited
Lam Wai Yan
Chairman

Hong Kong, 27 August 2012