



Pacific Online Limited  
太平洋網絡有限公司

# INTERIM REPORT 2014

Incorporated in the Cayman  
Islands with limited liability

Stock Code : **543**





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## CORPORATE INFORMATION

### BOARD OF DIRECTORS

#### Executive Directors

Dr. 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

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

### PRINCIPAL BANKERS

Bank of China  
China Construction Bank

### AUDITOR

PricewaterhouseCoopers  
*Certified Public Accountants*

### PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Royal Bank of Canada Trust Company  
(Cayman) Limited  
4th Floor, Royal Bank House  
24 Shedden Road, George Town  
Grand Cayman KY1-1110  
Cayman Islands

### HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Investor Services Limited  
Level 22, Hopewell Centre  
183 Queen's Road East  
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](http://www.pconline.com.cn)  
[www.pcauto.com.cn](http://www.pcauto.com.cn)  
[www.pcgames.com.cn](http://www.pcgames.com.cn)  
[www.pclady.com.cn](http://www.pclady.com.cn)  
[www.pcbaby.com.cn](http://www.pcbaby.com.cn)  
[www.pchouse.com.cn](http://www.pchouse.com.cn)

### WEBSITE ADDRESS

[corp.pconline.com.cn](http://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 2014 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 INTERIM INCOME STATEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2014

	Note	Unaudited Six months ended 30 June	
		2014 RMB'000	2013 RMB'000
<b>Revenue</b>	6	<b>403,597</b>	340,971
Cost of revenue		<b>(125,406)</b>	(102,312)
<b>Gross profit</b>		<b>278,191</b>	238,659
Selling and marketing costs		<b>(94,200)</b>	(74,844)
Administrative expenses		<b>(37,774)</b>	(33,643)
Product development expenses		<b>(27,654)</b>	(22,547)
<b>Operating profit</b>		<b>118,563</b>	107,625
Finance income		<b>6,052</b>	6,278
Finance cost		<b>(1,892)</b>	—
Finance income — net	7	<b>4,160</b>	6,278
<b>Profit before income tax</b>		<b>122,723</b>	113,903
Income tax expense	8	<b>(28,121)</b>	(24,538)
<b>Profit for the period</b>		<b>94,602</b>	89,365
<b>Attributable to:</b>			
Equity holders of the Company		<b>94,602</b>	89,365
<b>Earnings per share for profit attributable to equity holders of the Company</b>			
— basic (RMB)	9(a)	<b>8.59 cents</b>	8.24 cents
— diluted (RMB)	9(b)	<b>8.40 cents</b>	8.07 cents

The notes on pages 9 to 31 form an integral part of this condensed consolidated interim financial information.



## CONDENSED CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME FOR THE SIX MONTHS ENDED 30 JUNE 2014

	<b>Unaudited</b>	
	<b>Six months ended 30 June</b>	
	<b>2014</b>	2013
	<b>RMB'000</b>	RMB'000
Profit for the period	<b>94,602</b>	89,365
Other comprehensive income for the period, net of tax	—	—
<b>Total comprehensive income for the period</b>	<b>94,602</b>	89,365
<b>Attributable to:</b>		
Equity holders of the Company	<b>94,602</b>	89,365

The notes on pages 9 to 31 form an integral part of this condensed consolidated interim financial information.

## CONDENSED CONSOLIDATED INTERIM BALANCE SHEET

AS AT 30 JUNE 2014

	Note	<b>Unaudited 30 June 2014 RMB'000</b>	Audited 31 December 2013 RMB'000
<b>ASSETS</b>			
<b>Non-current assets</b>			
Lease prepayment		17,103	17,316
Property and equipment	11	260,923	202,243
Construction in progress	11	5,665	—
Intangible assets	11	10,914	12,292
Deferred income tax assets	12	9,910	9,739
Prepayments	13	—	43,484
Investment in equity fund	14	31,197	—
Held-to-maturity financial assets	15	5,995	—
		<b>341,707</b>	285,074
<b>Current assets</b>			
Trade and other receivables and prepayments	13	410,739	380,553
Short-term bank deposits with original terms of over three months		115,386	12,500
Cash and cash equivalents		168,442	438,036
		<b>694,567</b>	831,089
<b>Total assets</b>		<b>1,036,274</b>	1,116,163
<b>EQUITY</b>			
<b>Capital and reserves attributable to equity holders of the Company</b>			
Ordinary shares	16	10,310	10,161
Reserves		821,119	876,972
<b>Total equity</b>		<b>831,429</b>	887,133

## CONDENSED CONSOLIDATED INTERIM BALANCE SHEET (Continued)

AS AT 30 JUNE 2014

	Note	Unaudited 30 June 2014 RMB'000	Audited 31 December 2013 RMB'000
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Deferred income tax liabilities	12	4,400	—
<b>Current liabilities</b>			
Accruals and other payables	17	142,084	169,826
Prepaid advertising subscriptions from customers and deferred revenue		22,188	17,431
Current income tax liabilities		36,173	41,773
		200,445	229,030
<b>Total liabilities</b>		204,845	229,030
<b>Total equity and liabilities</b>		1,036,274	1,116,163
<b>Net current assets</b>		494,122	602,059
<b>Total assets less current liabilities</b>		835,829	887,133

**Lam Wai Yan**  
Director

**Wang Ta-Hsing**  
Director

The notes on pages 9 to 31 form an integral part of this condensed consolidated interim financial information.

# CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY

## FOR THE SIX MONTHS ENDED 30 JUNE 2014



Unaudited										
Attributable to equity holders of the Company										
						Shares held				
	Note	Ordinary shares	Share premium	Merger reserve	Capital redemption reserve	Share-based compensation reserve	for Share Award Scheme	Statutory reserve funds	Retained earnings	Total equity
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
<b>Balance at 1 January 2014</b>		<b>10,161</b>	<b>302,206</b>	<b>4</b>	<b>306</b>	<b>40,184</b>	<b>(5,558)</b>	<b>43,250</b>	<b>496,580</b>	<b>887,133</b>
<b>Comprehensive income</b>										
Profit for the period		—	—	—	—	—	—	—	94,602	94,602
Other comprehensive income		—	—	—	—	—	—	—	—	—
<b>Total comprehensive income</b>		<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>94,602</b>	<b>94,602</b>
Cash dividends relating to 2013, paid in 2014	10	—	—	—	—	—	—	—	(180,303)	(180,303)
Share Award Scheme										
— purchase of shares		—	—	—	—	—	(1,232)	—	—	(1,232)
— value of employee services	18(b)	—	—	—	—	2,726	—	—	—	2,726
— vesting of Awarded Shares		—	(1,419)	—	—	—	1,419	—	—	—
Share Option Plans										
— exercise of share options	16(a)	149	28,354	—	—	—	—	—	—	28,503
<b>Balance at 30 June 2014</b>		<b>10,310</b>	<b>329,141</b>	<b>4</b>	<b>306</b>	<b>42,910</b>	<b>(5,371)</b>	<b>43,250</b>	<b>410,879</b>	<b>831,429</b>
<b>Balance at 1 January 2013</b>		<b>10,100</b>	<b>293,604</b>	<b>4</b>	<b>306</b>	<b>36,298</b>	<b>(9,819)</b>	<b>43,250</b>	<b>408,804</b>	<b>782,547</b>
<b>Comprehensive income</b>										
Profit for the period		—	—	—	—	—	—	—	89,365	89,365
Other comprehensive income		—	—	—	—	—	—	—	—	—
<b>Total comprehensive income</b>		<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>89,365</b>	<b>89,365</b>
Cash dividends relating to 2012, paid in 2013	10	—	—	—	—	—	—	—	(165,858)	(165,858)
Share Award Scheme										
— value of employee services	18(b)	—	—	—	—	1,440	—	—	—	1,440
— vesting of Awarded Shares		—	(2,310)	—	—	—	2,310	—	—	—
Share Option Plans										
— exercise of share options	16(a)	42	8,208	—	—	—	—	—	—	8,250
— value of employee services	18(a)	—	—	—	—	472	—	—	—	472
<b>Balance at 30 June 2013</b>		<b>10,142</b>	<b>299,502</b>	<b>4</b>	<b>306</b>	<b>38,210</b>	<b>(7,509)</b>	<b>43,250</b>	<b>332,311</b>	<b>716,216</b>

The notes on pages 9 to 31 form an integral part of this condensed consolidated interim financial information.



# CONDENSED CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS

## FOR THE SIX MONTHS ENDED 30 JUNE 2014

	Note	Unaudited	
		Six months ended 30 June	
		2014	2013
		RMB'000	RMB'000
<b>Cash flows from operating activities</b>			
Cash generated from operations		77,634	16,440
Income tax paid		(29,492)	(24,359)
Net cash generated/(used) in operating activities		48,142	(7,919)
<b>Cash flows from investing activities</b>			
Purchase of property and equipment and construction in progress		(28,369)	(2,739)
Disposals of property and equipment		156	—
Purchase of intangible assets		(619)	(1,170)
Investment in equity fund		(31,197)	—
Purchase of held-to-maturity financial assets		(5,995)	—
Increase in short-term bank deposits with original terms of over three months		(102,886)	(114,903)
Interest received		6,024	3,218
Net cash used in investing activities		(162,886)	(115,594)
<b>Cash flows from financing activities</b>			
Purchase of shares held for Share Award Scheme		(1,232)	—
Cash dividends paid	10	(180,303)	(165,858)
Proceeds from issuance of ordinary shares	16(a)	28,503	8,250
Net cash used in financing activities		(153,032)	(157,608)
<b>Net decrease in cash and cash equivalents</b>			
Cash and cash equivalents at beginning of period		438,036	437,316
Exchange (losses)/gains on cash and cash equivalents		(1,818)	870
<b>Cash and cash equivalents at end of period</b>		<b>168,442</b>	<b>157,065</b>

The notes on pages 9 to 31 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 is principally engaged in the provision of internet advertising services in the People's Republic of China ("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 25 August 2014.

The Interim Financial Information has been reviewed, but not 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 of the Group for the year ended 31 December 2013, 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 of the Group for the year ended 31 December 2013, as described in those annual consolidated financial statements.



## NOTES TO THE INTERIM FINANCIAL INFORMATION

### 3. ACCOUNTING POLICIES (CONTINUED)

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

#### **Available-for-sale financial assets and held-to-maturity financial assets**

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless the investment matures or management intends to dispose of it within 12 months of the end of the reporting period. The Group's available-for-sale financial assets comprise 'investment in equity fund' (Note 14) in the balance sheet.

Held-to-maturity financial assets are non-derivative financial assets with fixed or determinable payments and fixed maturity that an entity has the positive intention and ability to hold to maturity.

Regular way 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. 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. Available-for-sale financial assets are subsequently carried at fair value. Held-to-maturity financial assets are subsequently carried at amortised cost using the effective interest method.

Changes in the fair value of available-for-sale financial assets are recognised in other comprehensive income. Interest on held-to-maturity financial assets calculated using the effective interest method is recognised in the income statement as part of other income.

(a) The following amendments to existing standards and interpretations are effective for the financial year beginning 1 January 2014:

HKFRS 10, 12 and HKAS 27 (Amendment)	Consolidation for investment entities
HKAS 32 (Amendment)	"Financial instruments: Presentation" on asset and liability offsetting
HKAS 36 (Amendment)	"Impairment of assets" on recoverable amount disclosures
HKAS 39 (Amendment)	"Financial Instruments: Recognition and Measurement" — Novation of derivatives
HK(IFRIC) 21	Levies

The adoption of the above amendments to existing standards and interpretation 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.

## NOTES TO THE INTERIM FINANCIAL INFORMATION

### 3. ACCOUNTING POLICIES (CONTINUED)

- (b) The following new standards and amendments to existing standards have been issued but are not effective for the financial year beginning 1 January 2014 and have not been early adopted:

		<b>Effective for annual periods beginning on or after</b>
HKAS 19 (Amendment)	Regarding defined benefit plans	1 July 2014
Annual improvements 2012	Annual Improvements 2010–2012 cycle	1 July 2014
Annual improvements 2013	Annual Improvements 2011–2013 cycle	1 July 2014
HKFRS 14	Regulatory Deferral Accounts	1 January 2016
HKFRS 11 (Amendment)	Accounting for acquisitions of interests in joint operation	1 January 2016
HKAS 16 and 38 (Amendment)	Clarification of acceptable methods of depreciation and amortisation	1 January 2016
HKFRS 15	Revenue from Contracts with Customers	1 January 2017
HKFRS 9	Financial instruments	1 January 2018

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 2013.



## NOTES TO THE INTERIM FINANCIAL INFORMATION

### 5. FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS

#### 5.1 Financial risk factors

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

The Interim Financial Information does not include all financial risk management information and disclosures required in the annual consolidated financial statements, and should be read in conjunction with the Group's annual consolidated financial statements as of 31 December 2013.

For the six months ended 30 June 2014, 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 2014, 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 RMB237,000 (six months ended 30 June 2013: RMB76,000) lower, mainly as a result of net foreign exchange losses in HKD/USD denominated cash at bank, other receivables and available-for-sale financial assets as at 30 June 2014.

#### 5.3 Price risk

The Group is exposed to price risk because of investments held by the Group and classified on the consolidated balance sheet either as available-for-sale financial assets or held-to-maturity financial assets. The Group is not exposed to commodity price risk. For the six months period ended 30 June 2014, the Group did not have significant price risk arising from these investments.



## NOTES TO THE INTERIM FINANCIAL INFORMATION

### 5. FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS (CONTINUED)

#### 5.4 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 2014. Management considers that the Group does not have significant liquidity risk.

#### 5.5 Fair value estimation

The table below analyses the Group's financial instruments carried at fair value as at 30 June 2014 by level of the inputs to valuation techniques used to measure fair value. Such inputs are categorised into three levels within a fair value hierarchy 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).

	Level 1	Level 2	Level 3	Total
	RMB'000	RMB'000	RMB'000	RMB'000
<b>Assets</b>				
Available-for-sale financial assets				
— Investment in equity fund	—	—	31,197	31,197

The fair value of financial instruments traded in active markets is based on quoted market prices at the balance sheet date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. These instruments are included in level 1.

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

## NOTES TO THE INTERIM FINANCIAL INFORMATION

### 5. FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS (CONTINUED)

#### 5.5 Fair value estimation (Continued)

Specific valuation techniques used to value financial instruments include:

- Quoted market prices or dealer quotes for similar instruments.
- The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows based on observable yield curves.
- The fair value of forward foreign exchange contracts is determined using forward exchange rates at the balance sheet date, with the resulting value discounted back to present value.
- Other techniques, such as discounted cash flow analysis, are used to determine fair value for the remaining financial instruments.

There were no changes in valuation techniques during the period.

The changes in level 3 instruments for the six months period ended 30 June 2014 are presented in Note 14.

The Group determines the fair value of the Group's financial instrument carried at fair value in level 3 at each the reporting dates.

For the six months ended 30 June 2014, 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.

#### 5.6 Fair value of financial assets and liabilities measured at amortised cost

The table below summarises the carrying amount and fair value of held-to-maturity financial assets.

	Carrying value		Fair value	
	Unaudited As at 30 June 2014 RMB'000	Audited As at 31 December 2013 RMB'000	Unaudited As at 30 June 2014 RMB'000	Audited As at 31 December 2013 RMB'000
Non-current	5,995	—	5,994	—

For the six months ended 30 June 2014, there were no reclassifications of financial assets.

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.



## 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 the Group 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.

Revenue of other segment relates to those generated from other portals, including on-line game, baby and home products, and other services.



## NOTES TO THE INTERIM FINANCIAL INFORMATION

### 6. SEGMENT INFORMATION (CONTINUED)

There were no inter-segment sales for the six months ended 30 June 2014 (six months ended 30 June 2013: 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 interim income statement.

	<b>PCauto</b> RMB'000 (Unaudited)	<b>POnline</b> RMB'000 (Unaudited)	<b>PClady</b> RMB'000 (Unaudited)	<b>Others</b> RMB'000 (Unaudited)	<b>Group</b> RMB'000 (Unaudited)
<b>For the six months ended 30 June 2014</b>					
Revenue	<b>227,520</b>	<b>100,390</b>	<b>37,762</b>	<b>37,925</b>	<b>403,597</b>
<b>For the six months ended 30 June 2013</b>					
Revenue	175,753	110,854	32,990	21,374	340,971

Though the Company is domiciled in the Cayman Islands, for the six months ended 30 June 2014 all revenues of the Group were derived from external customers and they were all generated from the PRC (six months ended 30 June 2013: same).

As at 30 June 2014, 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 2013: same).

For the six months ended 30 June 2014, there was no revenue derived from a single external customer accounting for ten percent or more of the Group's revenues (six months ended 30 June 2013: same).

## NOTES TO THE INTERIM FINANCIAL INFORMATION

### 7. FINANCE INCOME — NET

	Unaudited	
	Six months ended 30 June	
	2014	2013
	RMB'000	RMB'000
Finance income		
— Interest income	6,052	4,942
— Net foreign exchange gains	—	1,336
	6,052	6,278
Finance cost		
— Net foreign exchange losses	(1,892)	—
Finance income — net	4,160	6,278

### 8. INCOME TAX EXPENSE

	Unaudited	
	Six months ended 30 June	
	2014	2013
	RMB'000	RMB'000
PRC current tax	23,892	18,777
Deferred taxation	4,229	5,761
	28,121	24,538

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 2014 (six months ended 30 June 2013: 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.

## NOTES TO THE INTERIM FINANCIAL INFORMATION

### 8. 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"). Guangzhou Pacific Computer Information Consulting Co., Ltd. ("GZP Computer") and Guangdong Pacific Internet Information Service Co., Ltd. ("GDP Internet"), the principal operating subsidiaries of the Company, were designated as HNTE for the three years ended 31 December 2013 under the CIT Law. As a result, GZP Computer and GDP Internet were subject to CIT at a rate of 15% from 2011 to 2013. For the six months ended 30 June 2014, management has conducted research and confirm the view of the Board that GZP Computer and GDP Internet will obtain their formal HNTE designation in 2014 under the CIT Law upon completion of certain administrative approval procedures. Consequently, GZP Computer and GDP Internet use 15% in the computation of deferred taxes as of 30 June 2014 and the current income tax charge for the six months then ended.

All other PRC entities of the Group are subject to CIT at a rate of 25% (six months ended 30 June 2013: same) in accordance with the CIT Law.

### 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 18(b))).

	<b>Unaudited</b> <b>Six months ended 30 June</b> <b>2014</b>	2013
Profit attributable to equity holders of the Company (RMB'000)	<b>94,602</b>	89,365
Weighted average number of ordinary shares for basic earnings per share (thousand shares)	<b>1,101,638</b>	1,084,040
Basic earnings per share (RMB)	<b>8.59 cents</b>	8.24 cents

## NOTES TO THE INTERIM FINANCIAL INFORMATION

### 9. 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).

	<b>Unaudited</b>	
	<b>Six months ended 30 June</b>	
	<b>2014</b>	2013
Profit attributable to equity holders of the Company (RMB'000)	<b>94,602</b>	89,365
Weighted average number of ordinary shares for diluted earnings per share (thousand shares)	<b>1,126,017</b>	1,106,947
— Weighted average number of ordinary shares for basic earnings per share (thousand shares)	<b>1,101,638</b>	1,084,040
— Adjustment for share options and awarded shares (thousand shares)	<b>24,379</b>	22,907
Diluted earnings per share (RMB)	<b>8.40 cents</b>	8.07 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 2014 (six months ended 30 June 2013: nil).

The dividend paid in the six months ended 30 June 2014 included the 2013 final cash dividend of RMB16.25 cents (six months ended 30 June 2013: RMB15.26 cents) per ordinary share out of the retained earnings, totalling RMB180,303,000 (six months ended 30 June 2013: RMB165,858,000), which has already excluded the dividend related to the ordinary shares held for the Share Award Scheme of RMB276,000 (six months ended 30 June 2013: RMB464,000).

### 11. PROPERTY AND EQUIPMENT, CONSTRUCTION IN PROGRESS AND INTANGIBLE ASSETS

	Property and equipment RMB'000 (Unaudited)	Construction in progress (a) RMB'000 (Unaudited)	Intangible assets RMB'000 (Unaudited)
<b>Six months ended 30 June 2014</b>			
Net book amount as at 1 January 2014	202,243	—	12,292
Additions	66,188	5,665	619
Disposals	(119)	—	—
Depreciation and amortisation	(7,389)	—	(1,997)
Net book amount as at 30 June 2014	260,923	5,665	10,914
<b>Six months ended 30 June 2013</b>			
Net book amount as at 1 January 2013	209,042	—	14,677
Additions	2,739	—	1,170
Disposals	(181)	—	—
Depreciation and amortisation	(7,287)	—	(1,784)
Net book amount as at 30 June 2013	204,313	—	14,063

(a) Construction in progress represented the expenditure for certain office decoration projects.

## NOTES TO THE INTERIM FINANCIAL INFORMATION

### 12. DEFERRED INCOME TAX

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.

#### Deferred income tax assets

	<b>Unaudited As at 30 June 2014 RMB'000</b>	Audited As at 31 December 2013 RMB'000
Deferred income tax assets:		
— to be recovered after more than 12 months	5,002	4,732
— to be recovered within 12 months	4,908	5,007
	<b>9,910</b>	9,739

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

	<b>Advertising expenses in excess of allowance RMB'000 (Unaudited)</b>	<b>Provision for impairment of trade receivables RMB'000 (Unaudited)</b>	<b>Accrued salary expense RMB'000 (Unaudited)</b>	<b>Total RMB'000 (Unaudited)</b>
At 1 January 2014	—	4,732	5,007	9,739
Credited/(Charged) to the income statement	695	270	(794)	171
At 30 June 2014	695	5,002	4,213	9,910
At 1 January 2013	—	3,251	3,823	7,074
Credited/(Charged) to the income statement	422	187	(780)	(171)
At 30 June 2013	422	3,438	3,043	6,903

## NOTES TO THE INTERIM FINANCIAL INFORMATION

### 12. DEFERRED INCOME TAX (CONTINUED)

#### Deferred income tax liabilities

	<b>Unaudited As at 30 June 2014 RMB'000</b>	Audited As at 31 December 2013 RMB'000
Deferred income tax liabilities:		
— to be recovered within 12 months	<b>4,400</b>	—

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

	<b>Deferred income tax liabilities- withholding tax RMB'000 (Unaudited)</b>
At 1 January 2014	—
Charged to the income statement	<b>4,400</b>
At 30 June 2014	<b>4,400</b>

As at 30 June 2014, the deferred income tax liabilities represented the withholding tax provided for the earnings anticipated to be remitted abroad from a PRC subsidiary of the Company.

According to the 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 a period of six months to a year. As at 30 June 2014, the ageing analysis of the trade receivables (net of impairment provision of RMB21,925,000 (31 December 2013: RMB20,849,000)) was as follows:

	<b>Unaudited As at 30 June 2014 RMB'000</b>	Audited As at 31 December 2013 RMB'000
Current to 6 months	<b>320,267</b>	308,513
6 months to 1 year	<b>51,778</b>	42,429
1 year to 2 years	<b>3,245</b>	7,591
Above 2 years	<b>955</b>	—
	<b>376,245</b>	358,533

#### (b) Other receivables and prepayments

	<b>Unaudited As at 30 June 2014 RMB'000</b>	Audited As at 31 December 2013 RMB'000
Other receivables	<b>5,107</b>	4,971
Advance to employees	<b>8,365</b>	8,805
Prepayments	<b>21,022</b>	51,728
	<b>34,494</b>	65,504
Less non-current portion: Prepayments	<b>—</b>	(43,484)
Current Portion	<b>34,494</b>	22,020



## NOTES TO THE INTERIM FINANCIAL INFORMATION

### 14. INVESTMENT IN EQUITY FUND

	RMB'000 (Unaudited)
At 1 January 2014	—
Additions (a)	31,197
At 30 June 2014	31,197

- (a) In June 2014, a subsidiary of the Company invested as a limited partner in an unlisted equity fund (“the Fund”) established and managed by an independent third party partner. The Group does not have control or significant influence in the Fund. The directors classified the investment as available-for-sale financial assets.

The directors consider that there was no significant change in the fair value up to 30 June 2014 as the Fund is still in pre-operating stage.

### 15. HELD-TO-MATURITY FINANCIAL ASSETS

All the held-to-maturity financial assets are listed bonds.

The movement in held-to-maturity financial assets during the period was as follows:

	RMB'000 (Unaudited)
At 1 January 2014	—
Additions	5,995
At 30 June 2014	5,995

The terms of maturity of the held-to-maturity financial assets are summarised as follow:

	Unaudited As at 30 June 2014 RMB'000
<b>Listed bonds:</b>	
Between 1 and 2 years	1,986
Between 2 and 3 years	1,001
Over 3 years	3,008
	5,995

## NOTES TO THE INTERIM FINANCIAL INFORMATION

### 15. HELD-TO-MATURITY FINANCIAL ASSETS (CONTINUED)

The coupon rate of the bonds is 3.25% to 4.50% per annum.

All the held-to-maturity financial assets are non-current.

The maximum exposure to credit risk at the reporting date is the carrying amount of held-to-maturity financial assets.

### 16. ORDINARY SHARES

	Authorised ordinary shares		
	Number of shares ('000)	HKD'000	RMB'000
At 31 December 2013 and 30 June 2014	100,000,000	1,000,000	969,200
	Issued and fully paid up		
	Number of shares ('000) (Unaudited)	HKD'000 (Unaudited)	RMB'000 (Unaudited)
<b>At 1 January 2014</b>	<b>1,092,554</b>	<b>10,926</b>	<b>10,161</b>
Share Option Plans — issued shares (a)	<b>18,797</b>	<b>188</b>	<b>149</b>
<b>At 30 June 2014</b>	<b>1,111,351</b>	<b>11,114</b>	<b>10,310</b>
<b>At 1 January 2013</b>	1,084,966	10,850	10,100
Share Option Plans — issued shares (a)	5,261	53	42
<b>At 30 June 2013</b>	1,090,227	10,903	10,142

- (a) Share options exercised during the six months ended 30 June 2014 resulted in 18,797,000 shares being issued (six months ended 30 June 2013: 5,261,000 shares) with exercise proceeds of RMB28,503,000 (six months ended 30 June 2013: RMB8,250,000). The nominal value of these shares of RMB149,000 (six months ended 30 June 2013: RMB42,000) and the premium of RMB28,354,000 (six months ended 30 June 2013: RMB8,208,000) had been credited to ordinary shares and share premium accounts, respectively. The related weighted average price at the time of exercise was HKD4.81 per share (six months ended 30 June 2013: HKD3.12).

All the ordinary shares issued during the six months ended 30 June 2014 rank pari passu with the then existing ordinary shares in all respects.

## NOTES TO THE INTERIM FINANCIAL INFORMATION

### 17. ACCRUALS AND OTHER PAYABLES

	<b>Unaudited As at 30 June 2014 RMB'000</b>	Audited As at 31 December 2013 RMB'000
Salaries payable	<b>28,621</b>	34,015
Accrued expenses (a)	<b>84,386</b>	90,916
Other payables (b)	<b>29,077</b>	44,895
	<b>142,084</b>	169,826

- (a) Accrued expenses mainly represented accrued sales commission fees payable to advertising agencies and accrued advertising expenses.
- (b) Other payables mainly represented value-added tax payable, other levies payable and deposits due to third parties.

### 18. 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% of the issued share capital of the Company as of 30 June 2014. 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

### 18. 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 2014	1.71	28,409	1.92	18,461	46,870
Granted	—	—	—	—	—
Exercised	1.82	(376)	1.92	(18,421)	(18,797)
Forfeited	—	—	2.68	(40)	(40)
At 30 June 2014	1.71	28,033	—	—	28,033
Currently exercisable as at 30 June 2014	1.71	28,033	—	—	28,033
At 1 January 2013	1.72	30,523	2.03	25,466	55,989
Granted	—	—	—	—	—
Exercised	1.92	(1,743)	1.97	(3,518)	(5,261)
Forfeited	—	—	2.00	(774)	(774)
At 30 June 2013	1.71	28,780	2.02	21,174	49,954
Currently exercisable as at 30 June 2013	1.71	28,780	2.03	20,439	49,219

## NOTES TO THE INTERIM FINANCIAL INFORMATION

### 18. 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 2014		31 December 2013	
	Exercise price in HKD per share (Unaudited)	Number of options (thousands) (Unaudited)	Exercise price in HKD per share (Audited)	Number of options (thousands) (Audited)
<b>Pre-IPO Share Option Plan</b>				
— 22 November 2017	1.32	7,017	1.32	7,081
— 22 November 2017	1.71	10,192	1.71	10,237
— 22 November 2017	1.96	10,824	1.96	11,091
<b>Post-IPO Share Option Plan</b>				
— 11 April 2014	2.68	—	2.68	6,404
— 13 April 2014	2.63	—	2.63	872
— 17 May 2014	1.31	—	1.31	9,222
— 17 May 2014	2.65	—	2.65	745
— 5 July 2014	1.56	—	1.56	1,218
		<b>28,033</b>		<b>46,870</b>

##### (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.

No expenses were recognised for employee services received in respect of the Pre-IPO Share Option Plan and Post-IPO Share Option Plan for the six months ended 30 June 2014 (six months ended 30 June 2013: RMB472,000).

## NOTES TO THE INTERIM FINANCIAL INFORMATION

### 18. 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 the six months ended 30 June 2014 were as follows:

	<b>Shares held for the Share Award Scheme</b> (thousands) (Unaudited)	<b>Awarded Shares held by Trustee</b> (thousands) (Unaudited)
At 1 January 2014	<b>727</b>	<b>1,193</b>
Purchased	<b>358</b>	—
Granted to employees	<b>(961)</b>	<b>961</b>
Forfeited	<b>65</b>	<b>(65)</b>
Vested	—	<b>(579)</b>
<b>At 30 June 2014</b>	<b>189</b>	<b>1,510</b>
At 1 January 2013	1,908	1,637
Granted to employees	(603)	603
Forfeited	65	(65)
Vested	—	(785)
<b>At 30 June 2013</b>	<b>1,370</b>	<b>1,390</b>

## NOTES TO THE INTERIM FINANCIAL INFORMATION

### 18. 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 granted during the six months ended 30 June 2014 and their vesting period are as follows:

<b>Date of grant</b>	<b>Total value of shares at grant date (HKD'000)</b>	<b>No. of shares granted (thousands)</b>	<b>Market price at grant date (HKD)</b>	<b>Vesting period</b>
30 January 2014	4,997	961	5.20	1 year

The total expense recognised for employee services received in respect of the Share Award Scheme for the six months ended 30 June 2014 was RMB2,726,000 (six months ended 30 June 2013: RMB1,440,000).

During the six months ended 30 June 2014, the Share Award Scheme Trust received cash dividend amounting to RMB276,000 (six months ended 30 June 2013: RMB464,000) 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

### 19. 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 ("GPET Mall")	Controlled by Mr. Wang
Shanghai Huanyu Pacific Digital Technology Company Limited ("SHPD Technology")	Controlled by Mr. Wang
Shanghai Huanyu Pacific Digital Consulting Co., Ltd. ("SHPD Consulting")	Controlled by Mr. Wang
Kexim Company Limited ("Kexim")	Controlled by Mr. Wang
Beijing Pacific Times Property Management Co., Ltd	Controlled by Mr. Wang
South China Resources Development Consultants Limited ("SCRD Consultants")	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	
	2014 RMB'000	2013 RMB'000
Rental expenses for office and advertising billboards:		
SCRD Consultants	416	—
Kexim	975	108
GPET Mall	—	875
SHPD Consulting	—	655
SHPD Technology	—	239
	<b>1,391</b>	<b>1,877</b>
Property management fees for office:		
Beijing Pacific Times Property Management Co., Ltd	106	169

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





## CHAIRMAN'S STATEMENT

I am pleased to report an 18.4% year-over-year increase in revenues and a rise of 5.9% in net profit during the first half of 2014. Despite the economic uncertainty in China and increasingly intense market competition, we remain optimistic about the future of our business model which continues to generate both viewership and revenue growth. We believe that a greater focus on resource allocation will allow us to meet users' demand and allow us to seize new opportunities in China's vibrant e-commerce industry by leveraging our strength in different consumer verticals.

PCauto continued to generate strong growth with revenue increasing 29.5%. The portal remains our most important revenue contributor accounting for 56.4% of total revenue during the first half of 2014. Growth was mainly driven by increased spending from both our automaker and dealership customers. Advertisements for car accessory products also showed signs of strong growth.

Revenue from our IT-focused POnline portal declined 9.4%. POnline remains one of the leading verticals in the market and continued to see a stable increase in smart phone and tablet advertising spending. Revenue from software brands and e-commerce vendors also increased. The increases were offset however by a broader decline in demand for laptops and desktops in China.

PClady's revenue increased 14.5% thanks to increasing demand for cosmetics and other fashion products, as well as a modest increase in skin-care products. We anticipate stronger growth during the second half of the year once strengthening of the portal's organizational structure and re-focusing on its product mix is complete.

Revenue from other operations including PCgames, PCbaby, and PChouse increased 77.4% during the six months ended 30 June 2014. PCbaby, in particular, continued to attract increased online marketing spending from baby formula producers and diaper brands.

We continue to develop strategic products that will contribute to the sustainable growth of the Group. These include our mobile websites and applications which facilitate traffic growth and closer relationships between our clients and users. Our three downloadable magazines maintained their top positions on Apple's iTunes recommendation list with more than 4 million downloads during the first half of this year. They are beginning to make meaningful revenue contribution to the Group.

We recently made a strategic investment in a Silicon Valley-based venture capital fund which focuses primarily on the consumer and mobile technology sectors. The fund is expected to benefit us by offering opportunities to acquire knowledge of the latest technologies and business models from its portfolio companies.

We remain optimistic in our outlook for the second half of 2014. While we have always taken a cautious approach, we are confident in our ability to maintain growth amidst challenges in the market.



## MANAGEMENT DISCUSSION AND ANALYSIS

### REVENUE

Revenue increased 18.4% from RMB341.0 million for the six months ended 30 June 2013 to RMB403.6 million for the six months ended 30 June 2014.

Revenue for PCauto, the Group's automobile portal, increased 29.5% from RMB175.8 million for the six months ended 30 June 2013 to RMB227.5 million during the six months ended 30 June 2014. The increase in revenue for PCauto was primarily due to increased advertising spending from automobile producers and dealerships. As a percentage of revenue, PCauto accounted for 51.5% during the six months ended 30 June 2013 and 56.4% during the six months ended 30 June 2014.

Revenue for PConline, the Group's IT and consumer electronics portal, decreased 9.4% from RMB110.9 million during the six months ended 30 June 2013 to RMB100.4 million during the six months ended 30 June 2014. Advertising spending from smart phones and tablet manufacturers remained strong, but was offset by a decrease in demand from desktop and laptop computers. As a percentage of revenue, PConline accounted for 32.5% during the six months ended 30 June 2013 and 24.9% during the six months ended 30 June 2014.

Revenue for PClady, the Group's lady and fashion portal, increased 14.5% from RMB33.0 million during the six months ended 30 June 2013 to RMB37.8 million during the six months ended 30 June 2014. The increase reflected the strong demand in the women's segment, especially for cosmetics and fashion goods. As a percentage of revenue, PClady accounted for 9.7% during the six months ended 30 June 2013 and 9.3% during the six months ended 30 June 2014.

Revenue from other operations, including the PCgames, PCbaby and PChouse portals, increased by 77.4% from RMB21.4 million during the six months ended 30 June 2013 to RMB37.9 million during the six months ended 30 June 2014. Revenue from these segments increased as advertisers allocated more of their marketing budgets towards online advertising. As a percentage of revenue, revenue from other operations accounted for 6.3% during the six months ended 30 June 2013 and 9.4% during the six months ended 30 June 2014.

### COST OF REVENUE

Cost of revenue increased 22.6% from RMB102.3 million during the six months ended 30 June 2013 to RMB125.4 million during the six months ended 30 June 2014. Gross profit margin was 70.0% during the six months ended 30 June 2013 and 68.9% during the six months ended 30 June 2014.

The increase in cost of revenue was due to a rise in personnel-related expenses in content production, as well as higher costs related to offline marketing activities.



## MANAGEMENT DISCUSSION AND ANALYSIS

### SELLING AND MARKETING COSTS

Selling and marketing costs increased 25.9% from RMB74.8 million during the six months ended 30 June 2013 to RMB94.2 million during the six months ended 30 June 2014. The increase was mainly due to increases in staff costs and marketing expenses related to brand development.

### ADMINISTRATIVE EXPENSES

Administrative expenses increased by 12.3% from RMB33.6 million during the six months ended 30 June 2013 to RMB37.8 million during the six months ended 30 June 2014, due to an increase in headcount in support of the Group's growth during the year.

### PRODUCT DEVELOPMENT EXPENSES

Product development expenses increased by 22.7% from RMB22.5 million during the period ended 30 June 2013 to RMB27.7 million during the period ended 30 June 2014. The increase was primarily due to increases in the number of staff in the Group's research and development team.

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

Operating profit before share-based compensation expenses (non-GAAP) was RMB121.3 million during the six months ended 30 June 2014, representing a 10.8% increase from RMB109.5 million during the six months ended 30 June 2013.

### FINANCE INCOME AND COST

Net finance income was RMB6.3 million during the six months ended 30 June 2013 and RMB4.2 million during the six months ended 30 June 2014.

### INCOME TAX EXPENSE

Income tax expenses increased 14.6% from RMB24.5 million during the six months ended 30 June 2013 to RMB28.1 million during the six months ended 30 June 2014.

### NET PROFIT

Net profit increased 5.9% from RMB89.4 million during the six months ended 30 June 2013 to RMB94.6 million during the six months ended 30 June 2014.



## MANAGEMENT DISCUSSION AND ANALYSIS

### LIQUIDITY AND FINANCIAL RESOURCES

As of 30 June 2014, the Group had short-term deposits and cash totaling RMB283.8 million, compared with RMB450.5 million as of 31 December 2013. The decline in cash was primarily due to the payment of a cash dividend totaling RMB180.3 million during the six months ended 30 June 2014.

The Company had no external debt as of 31 December 2013 and 30 June 2014.

### BANK BORROWINGS

As of 30 June 2014, 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. The Group also did not have any bank borrowings as of 31 December 2013.

### MATERIAL ACQUISITIONS AND DISPOSALS

During the six months ended 30 June 2014, the Group had no material acquisitions and disposals of subsidiaries and associates.

### CHARGES ON ASSETS

As of 30 June 2014, 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 2014, the Group had 1,702 employees (31 December 2013: 1,495), an increase of 13.8% from the first half of 2014. The Group increased headcount to support its expansion. The Group determines staff's remuneration based on factors such as performance and years of experience.

### BUSINESS OUTLOOK

The Group believes that online advertising spending will continue to account for a higher share of overall marketing budgets in China. PCauto is expected to benefit from the continuous growth of new car retail sales in China. PClady and PCbaby are also expected to perform well. The Group remains well positioned to meet demand from a rapidly changing Chinese internet industry.



## OTHER INFORMATION

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

Neither the Company nor its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the six months ended 30 June 2014.

### 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 Corporate Governance Code as contained in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**") during the six months ended 30 June 2014, except that there is no separation of the role of chairman and chief executive as stipulated in the code provision A.2.1. Dr. Lam Wai Yan currently assumes the role of both the Chairman and the Chief Executive Officer of the Company. As Dr. Lam is a co-founder of the Group and has extensive experience 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.

## 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 2014, 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 <sup>(1)</sup>	Exercise price per share	Number of share options			
				As at 1 January 2014	Exercised during the period	Lapsed during the period	As at 30 June 2014
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	2,714,332	(63,940)	—	2,650,392
	23 November 2007	B	II	4,140,116	(44,521)	—	4,095,595
	23 November 2007	C	III	4,962,659	(267,225)	—	4,695,434
				11,817,107	(375,686)	—	11,441,421
Total				28,409,283	(375,686)	—	28,033,597

#### 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

#### Exercise price

- I: HKD1.32  
 II: HKD1.71  
 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 2014.

## OTHER INFORMATION

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

Category	Date of grant	Exercise period <sup>(1)</sup>	Exercise price per share	Number of share options			
				As at 1 January 2014	Exercised during the period	Lapsed during the period	As at 30 June 2014
Director							
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)	—	—
				11,767,565	(11,767,565)	—	—
Employees in aggregate	6 July 2009	D	II	174,039	(174,039)	—	—
	6 July 2009	E	II	—	—	—	—
	6 July 2009	F	II	580,128	(580,128)	—	—
	12 April 2010	G	III	685,387	(685,387)	—	—
	12 April 2010	H	III	1,384,814	(1,384,814)	—	—
	12 April 2010	I	III	2,251,480	(2,212,152)	(39,328)	—
	14 April 2010	J	IV	286,871	(286,871)	—	—
	14 April 2010	K	IV	286,871	(286,871)	—	—
	14 April 2010	L	IV	298,391	(298,391)	—	—
	18 May 2010	M	V	123,959	(123,959)	—	—
	18 May 2010	N	V	266,637	(266,637)	—	—
18 May 2010	O	V	354,556	(354,556)	—	—	
				6,693,133	(6,653,805)	(39,328)	—
Total				18,460,698	(18,421,370)	(39,328)	—

Exercise period	Exercise price
A: from 18 May 2011 to 17 May 2014	I: HKD1.31
B: from 18 May 2012 to 17 May 2014	II: HKD1.56
C: from 18 May 2013 to 17 May 2014	III: HKD2.68
D: from 6 July 2011 to 5 July 2014	IV: HKD2.63
E: from 6 July 2012 to 5 July 2014	V: HKD2.65
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	

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 2014.

Further details of the two share option plans of the Company are set out in note 18(a) to the interim financial information.



## OTHER INFORMATION

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

As at 30 June 2014, 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 <sup>†</sup>
Dr. Lam Wai Yan	Long	Beneficial owner	308,064,561	—	27.72%
Mr. Ho Kam Wah	Long	Interests held by a controlled corporation	99,348,480	(1)	8.94%
	Long	Beneficial owner	2,055,900	—	0.18%
	Long	Interests of spouse	1,432,200	(2)	0.13%
			102,836,580	—	9.25%
Ms. Zhang Cong Min	Long	Beneficial owner	14,293,448	—	1.29%
Mr. Wang Ta-Hsing	Long	Beneficial owner	3,458,015	—	0.31%
Mr. Tsui Yiu Wa, Alec	Long	Beneficial owner	232,051	—	0.02%
Mr. Thaddeus Thomas Beczak	Long	Beneficial owner	232,051	—	0.02%

Notes:

- (1) These shares were held by Treasure Field Holdings Limited, a controlled corporation of Mr. Ho Kam Wah.
- (2) 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.

<sup>†</sup> The percentage represents the number of ordinary shares interested divided by the number of the Company's issued shares as at 30 June 2014.

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

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

<sup>†</sup> The percentage represents the number of shares interested divided by the number of GZ Yingxin's issued shares as at 30 June 2014.

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

<b>Name of director</b>	<b>Long/Short position</b>	<b>Capacity</b>	<b>Number of underlying shares in respect of the share options granted</b>	<b>Percentage of the underlying shares over the Company's issued share capital<sup>†</sup></b>
Ms. Zhang Cong Min	Long	Beneficial owner	16,592,176	1.49%

Note: Details of the above share options as required by the Listing Rules have been disclosed in the above section headed "Share Option Plan" and note 18(a) to the interim financial information.

<sup>†</sup> The percentage represents the number of underlying shares interested divided by the number of the Company's issued shares as at 30 June 2014.

Save as disclosed above and in the above section headed "Share Option Plan", as at 30 June 2014, 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.

## OTHER INFORMATION

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

As at 30 June 2014, 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:

#### 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 <sup>†</sup>
Ms. Ma Muk Lan	Long	Interests of spouse	308,064,561	(1)	27.72%
Gallop Assets Management Limited	Long	Beneficial owner	296,172,030	(2)	26.65%
J.P. Morgan Trust Company (Bahamas) Limited as trustee of The Gallop Trust	Long	Trustee	296,172,030	(2)	26.65%
Mr. Wang Ko Chiang	Long	Founder of a discretionary trust	296,172,030	(2)	26.65%
	Long	Interests held by controlled corporations	540,000	(3)	0.05%
			296,712,030	—	26.70%
Mrs. Wang Tang Shi Ming	Long	Interests of spouse	296,612,030	(4)	26.69%
	Long	Interests held by a controlled corporation	100,000	(3)	0.01%
			296,712,030	—	26.70%
Treasure Field Holdings Limited	Long	Beneficial owner	99,348,480	(5)	8.94%
Ms. Yeung Yuk Chun	Long	Interests of spouse	101,404,380	(6)	9.12%
	Long	Beneficial owner	1,432,200	—	0.13%
			102,836,580	—	9.25%

### Notes:

- (1) Ms. Ma Muk Lan was deemed to be interested in 308,064,561 shares of the Company through the interests of her spouse, Dr. Lam Wai Yan.
- (2) 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.

- (3) 440,000 shares of the Company 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.

The remaining 100,000 shares of the Company were held by Joy Way Co., Ltd., which was jointly owned by Mr. Wang Ko Chiang and Mrs. Wang Tang Shi Ming.

- (4) 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.
- (5) 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".
- (6) 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.

<sup>†</sup> The percentage represents the number of ordinary shares interested divided by the number of the Company's issued shares as at 30 June 2014.

Save as disclosed above, as at 30 June 2014, 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.



## OTHER INFORMATION

### 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.

### 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 possess inside 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.

### CHANGE IN INFORMATION OF DIRECTOR

Pursuant to Rule 13.51B(1) of the Listing Rules, the change in information of a director of the Company is set out below:

Mr. Tsui Yiu Wa, Alec, an independent non-executive director of the Company, has been appointed as an independent non-executive director of Kangda International Environmental Company Limited, which was listed on the main board of the Stock Exchange on 4 July 2014.

### 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, 25 August 2014