



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 2011



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CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

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

Independent Non-executive Directors

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

COMPANY SECRETARY

Mr. Wong Huk Yung, Hudson

AUTHORISED REPRESENTATIVES

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

AUDIT COMMITTEE

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

REMUNERATION COMMITTEE

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

PRINCIPAL BANKERS

Wing Hang Bank
Bank of East Asia
China Merchants Bank
China Construction Bank

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

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

PLACE OF BUSINESS IN HONG KONG

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

GROUP'S PORTAL ADDRESSES

www.pconline.com.cn
www.pcauto.com.cn
www.pcgames.com.cn
www.pclady.com.cn
www.pcbaby.com.cn
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 2011 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 2011

		Unaudited	
		Six months ended 30 June	
	Note	2011	2010
		RMB'000	RMB'000
Revenue	6	261,488	202,598
Cost of revenue		(87,086)	(61,591)
Gross profit		174,402	141,007
Selling and marketing costs		(39,945)	(30,969)
Administrative expenses		(20,366)	(21,297)
Product development expenses		(13,106)	(10,201)
Operating profit		100,985	78,540
Finance income		4,519	1,981
Finance costs		(366)	(641)
Finance income — net	7	4,153	1,340
Profit before income tax		105,138	79,880
Income tax expense	8	(21,520)	(6,942)
Profit for the period		83,618	72,938
Attributable to:			
Equity holders of the Company		83,618	72,938
Earnings per share for profit attributable to equity holders of the Company			Restated
— basic (RMB)	9	7.79 cents	6.82 cents
— diluted (RMB)	9	7.55 cents	6.73 cents

The notes on pages 9 to 27 form an integral part of this condensed consolidated interim financial information.

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE SIX MONTHS ENDED 30 JUNE 2011

	Unaudited	
	Six months ended 30 June	
	2011	2010
	RMB'000	RMB'000
Profit for the period	83,618	72,938
Other comprehensive income for the period, net of tax	—	—
Total comprehensive income for the period	83,618	72,938
Attributable to:		
Equity holders of the Company	83,618	72,938

The notes on pages 9 to 27 form an integral part of this condensed consolidated interim financial information.

CONDENSED CONSOLIDATED BALANCE SHEET

AS AT 30 JUNE 2011

	Note	Unaudited 30 June 2011 RMB'000	Audited 31 December 2010 RMB'000
ASSETS			
Non-current assets			
Lease prepayment		18,203	18,390
Property and equipment	11	147,211	148,741
Intangible assets	11	9,170	9,345
Deferred income tax assets	12	7,354	8,978
Prepayments	14	29,860	—
		211,798	185,454
Current assets			
Trade receivables	13	196,089	139,799
Other receivables and prepayments	14	10,641	9,912
Short-term bank deposits with original terms of over three months		169,900	182,200
Cash and cash equivalents		84,670	262,283
		461,300	594,194
Total assets		673,098	779,648
EQUITY			
Capital and reserves attributable to equity holders of the Company			
Ordinary shares	15	10,060	9,201
Reserves		542,867	597,146
Total equity		552,927	606,347

CONDENSED CONSOLIDATED BALANCE SHEET (Continued)

AS AT 30 JUNE 2011

	Note	Unaudited 30 June 2011 RMB'000	Audited 31 December 2010 RMB'000
LIABILITIES			
Non-current liabilities			
Deferred income tax liabilities	12	4,915	—
Current liabilities			
Accruals and other payables	16	82,543	125,761
Prepaid advertising subscriptions from customers		23,217	21,539
Current income tax liabilities		9,496	26,001
		115,256	173,301
Total liabilities		120,171	173,301
Total equity and liabilities		673,098	779,648
Net current assets		346,044	420,893
Total assets less current liabilities		557,842	606,347

Lam Wai Yan
Director

Wang Ta-Hsing
Director

The notes on pages 9 to 27 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 2011

	Note	Unaudited Attributable to equity holders of the Company								Total equity RMB'000
		Ordinary shares RMB'000	Share premium RMB'000	Merger reserve RMB'000	Capital redemption reserve RMB'000	Share- based capital reserve RMB'000	Statutory reserve funds RMB'000	Shares held for Share Award Scheme RMB'000	Retained earnings RMB'000	
Balance at 1 January 2010		8,737	277,524	4	249	14,428	32,949	—	149,407	483,298
Comprehensive income										
Profit for the period		—	—	—	—	—	—	—	72,938	72,938
Other comprehensive income		—	—	—	—	—	—	—	—	—
Total comprehensive income		—	—	—	—	—	—	—	72,938	72,938
Cash dividends relating to 2009, paid in June 2010	10	—	—	—	—	—	—	—	(94,993)	(94,993)
Bonus shares issued in June 2010	15(b)	407	(407)	—	—	—	—	—	—	—
Employees Share Option Plan:										
— value of employee services		—	—	—	—	4,458	—	—	—	4,458
— proceeds from shares issued	15(a)	42	6,324	—	—	—	—	—	—	6,366
Balance at 30 June 2010		9,186	283,441	4	249	18,886	32,949	—	127,352	472,067
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 June 2011	10	—	—	—	—	—	—	—	(140,753)	(140,753)
Bonus shares issued in June 2011	15(b)	816	(816)	—	—	—	—	—	—	—
Share Award Scheme										
— purchase of shares held for Share Award Scheme	17(b)	—	—	—	—	—	—	(8,298)	—	(8,298)
— value of employee services	17(b)	—	—	—	—	360	—	—	—	360
Employees Share Option Plan:										
— value of employee services		—	—	—	—	3,140	—	—	—	3,140
— proceeds from shares issued	15(a)	43	8,470	—	—	—	—	—	—	8,513
Balance at 30 June 2011		10,060	293,564	4	249	26,447	43,250	(8,298)	187,651	552,927

The notes on pages 9 to 27 form an integral part of this condensed consolidated interim financial information.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE SIX MONTHS ENDED 30 JUNE 2011

	Note	Unaudited Six months ended 30 June	
		2011 RMB'000	2010 RMB'000
Cash flows from operating activities			
Cash generated from operations		52,804	51,816
Income tax paid		(31,486)	(34,164)
Net cash generated from operating activities		21,318	17,652
Cash flows from investing activities			
Purchase of property and equipment		(72,639)	(2,144)
Purchase of intangible assets		(65)	(197)
Decrease/(increase) in short-term bank deposits with original terms of over three months		12,300	(109,170)
Interest received		2,588	1,981
Net cash used in investing activities		(57,816)	(109,530)
Cash flows from financing activities			
Purchase of shares held for Share Award Scheme	17	(8,298)	—
Cash dividends paid	10	(140,753)	(94,993)
Proceeds from issuance of ordinary shares	15	8,513	6,366
Net cash used in financing activities		(140,538)	(88,627)
Net decrease in cash and cash equivalents			
Cash and cash equivalents at beginning of period		262,283	409,330
Exchange losses on cash and cash equivalents		(577)	(543)
Cash and cash equivalents at end of period		84,670	228,282

The notes on pages 9 to 27 form an integral part of this condensed consolidated interim financial information.

NOTES TO THE CONDENSED CONSOLIDATED 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 (the "PRC").

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

This condensed consolidated interim financial information (the "Interim Financial Information") has been approved for issue by the Board on 29 August 2011.

The Interim Financial Information has not been audited.

2. BASIS OF PREPARATION

The Interim Financial Information has been prepared in accordance with HKAS 34, 'Interim financial reporting'. The Interim Financial Information should be read in conjunction with the annual financial statements for the year ended 31 December 2010, which have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs").

3. ACCOUNTING POLICIES

Except as described below, the accounting policies adopted are consistent with those of the annual financial statements for the year ended 31 December 2010, as described in those annual financial statements.

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

(a) The following amendments to standards and interpretations are effective for the financial year beginning 1 January 2011:

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

The adoption of the above amended standards and interpretations 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 CONDENSED CONSOLIDATED 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 2011 and have not been early adopted:

		Effective for annual periods beginning on or after
HKFRS 7 (Amendment)	Disclosures — Transfers of financial assets	1 July 2011
HKFRS 1 (Amendment)	Severe hyperinflation and removal of fixed dates for first-time adopters	1 July 2011
HKAS 12 (Amendment)	Deferred tax: Recovery of underlying assets	1 January 2012
HKAS 1 (Amendment)	Presentation of financial statements	1 July 2012
HKFRS 9	Financial instruments	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

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 2010, together with the new estimates that are used in determining the provision for income tax for the six months ended 30 June 2011 (see Note 8).

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

5. FINANCIAL RISK MANAGEMENT

5.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and 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 financial statements, and should be read in conjunction with the Group's annual financial statements as at 31 December 2010.

For the six months ended 30 June 2011, there were no changes in any risk management policies.

5.2 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 2011. Management considers that the Group does not have significant liquidity risk.

5.3 Fair value estimation

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

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

For the six months ended 30 June 2011, 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 2011, there were no reclassifications of financial assets.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

6. SEGMENT INFORMATION

The chief operating decision maker has 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 maker reviews the Group's internal reports in order to assess performance and allocate resources. Management has determined the operating segments based on these internal reports.

The chief operating decision maker considers the 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 maker assesses 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 two major portals, namely POnline and PCauto. The Company currently does not allocate cost of revenue, operating costs or assets to its segments, as its chief operating decision maker does not use this information to allocate resources to or evaluate the performance of the operating segments. Therefore, the Company does not report a measure of profit for each reportable segment and total assets.

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

There were no inter-segment sales for the six months ended 30 June 2011 (six months ended 30 June 2010: same). The revenue from external parties reported to the chief operating decision maker is measured in a manner consistent with that in the condensed consolidated income statement.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

6. SEGMENT INFORMATION (Continued)

	PCauto RMB'000	PConline RMB'000	Others RMB'000	Group RMB'000
For the six months ended				
30 June 2011				
Revenue	118,101	113,799	29,588	261,488
For the six months ended				
30 June 2010				
Revenue	93,085	90,019	19,494	202,598

Though the Company is domiciled in the Cayman Islands, for the six months ended 30 June 2011, all revenues of the Group were derived from external customers and they were all generated from the PRC (six months ended 30 June 2010: same).

As at 30 June 2011, 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 2010: same).

For the six months ended 30 June 2011, 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 2010: same).

7. FINANCE INCOME — NET

	Six months ended 30 June	
	2011	2010
	RMB'000	RMB'000
Finance income		
— Interest income	4,519	1,981
Finance costs		
— Net foreign exchange losses	(366)	(641)
Finance income — net	4,153	1,340

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

8. INCOME TAX EXPENSE

	Six months ended 30 June	
	2011 RMB'000	2010 RMB'000
PRC current tax	14,981	17,246
Deferred taxation	6,539	2,734
Reversal of the over-provided dividend withholding tax	—	(13,038)
	21,520	6,942

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 2011 (six months ended 30 June 2010: same).

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

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. (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 ended 31 December 2010 under the CIT Law. As a result, GZP Computer and GDP Internet were subject to CIT at a rate of 15% from 2008 to 2010. For the six months ended 30 June 2011, management has conducted research and consulted relevant third parties to confirm the view of the Board that GZP Computer and GDP Internet will obtain its formal HNTE designation in 2011 under the CIT Law upon the completion of certain administrative approval procedures. Consequently, GZP Computer and GDP Internet used 15% in the computation of deferred taxes as of 30 June 2011 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 2010: same) in accordance with the CIT Law.

NOTES TO THE CONDENSED CONSOLIDATED 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 17(b))). In determining the weighted average number of ordinary shares in issue for the six months ended 30 June 2010 and 2011, the 98,131,000 bonus shares (Note 15(b)) issued in June 2011 were treated as if they had been issued prior to 1 January 2010, the earliest period presented.

	Six months ended 30 June	
	2011	2010 Restated
Profit attributable to equity holders of the Company (RMB'000)	83,618	72,938
Weighted average number of ordinary shares in issue (thousand shares)	977,766	971,899
Shares held for the Share Award Scheme (thousand shares)	(2,750)	—
Impact of bonus shares issued in June 2011 (thousand shares)	98,131	97,491
Weighted average number of ordinary shares for basic earnings per share (thousand shares)	1,073,147	1,069,390
Basic earnings per share (RMB)	7.79 cents	6.82 cents



NOTES TO THE CONDENSED CONSOLIDATED 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).

	Six months ended 30 June	
	2011	2010 Restated
Profit attributable to equity holders of the Company (RMB'000)	83,618	72,938
Weighted average number of ordinary shares for basic earnings per share (thousand shares)	1,073,147	1,069,390
Effect of dilution:		
— Share options scheme (thousand shares)	33,389	13,652
— Shares granted under the Share Award Scheme (thousand shares)	261	—
Weighted average number of ordinary shares for diluted earnings per share (thousand shares)	1,106,797	1,083,042
Diluted earnings per share (RMB)	7.55 cents	6.73 cents

The weighted average number of ordinary shares used in the calculation of diluted earnings per share has taken into account the impact of bonus issues of shares as disclosed above.

10. DIVIDENDS

The directors did not recommend the payment of interim dividend for the six months ended 30 June 2011 (six months ended 30 June 2010: nil).

The dividend that related to the year ended 31 December 2010 included: a) the final cash dividend amounting to RMB140,753,000 (2010: RMB94,993,000) which has been net off the dividend of RMB359,000 (2010: nil) paid to the Share Award Scheme Trust (Note 17(b)); and b) a bonus issue of shares on the basis of one new share for every ten existing issued shares was paid in June 2011.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

11. PROPERTY AND EQUIPMENT AND INTANGIBLE ASSETS

	Property and equipment RMB'000	Intangible assets RMB'000
Six months ended 30 June 2010		
Opening net book amount as at 1 January 2010	12,534	9,321
Additions	2,144	197
Disposals	(8)	—
Depreciation and amortization	(2,011)	(256)
Closing net book amount as at 30 June 2010	12,659	9,262
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 amortization	(3,814)	(240)
Closing net book amount as at 30 June 2011	147,211	9,170

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

	As at 30 June 2011 RMB'000	As at 31 December 2010 RMB'000
Deferred income tax assets:		
— to be recovered after more than 12 months	3,191	4,100
— to be recovered within 12 months	4,163	4,878
	7,354	8,978

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

12. DEFERRED INCOME TAX (Continued)

Deferred income tax assets (Continued)

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

	Intra-group software sales RMB'000	Provision for impairment of trade receivables RMB'000	Provision for tax losses RMB'000	Accrued salary expense RMB'000	Total RMB'000
At 1 January 2010	847	2,289	1,707	—	4,843
(Charged)/credited to the income statement	(327)	285	1,457	—	1,415
At 30 June 2010	520	2,574	3,164	—	6,258
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

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

12. DEFERRED INCOME TAX (Continued)

Deferred income tax liabilities

	As at 30 June 2011 RMB'000
Deferred income tax liabilities:	
— to be recovered within 12 months	4,915

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

	Deferred income tax liabilities- withholding tax RMB'000
At 1 January 2010	—
Charged to the income statement	4,149
At 30 June 2010	4,149
At 1 January 2011	—
Charged to the income statement	4,915
At 30 June 2011	4,915

As at 30 June 2011, 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.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

13. TRADE RECEIVABLES

Credit terms granted to customers by the Group are generally within six months. As at 30 June 2011, the ageing analysis of the trade receivables (net of impairment provision of RMB12,763,000 (31 December 2010: RMB13,989,000)) was as follows:

	As at 30 June 2011 RMB'000	As at 31 December 2010 RMB'000
Current to 6 months	185,134	114,714
6 months to 1 year	9,482	22,593
1 year to 2 years	1,473	2,492
	196,089	139,799

14. OTHER RECEIVABLES AND PREPAYMENTS

	As at 30 June 2011 RMB'000	As at 31 December 2010 RMB'000
Non-current portion Prepayments (a)	29,860	—
Current portion		
Other receivables	10,061	5,427
Receivables from related parties	470	468
Prepayments	110	4,017
	10,641	9,912

(a) It represented the advances for the new office decorations.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

15. ORDINARY SHARES

	Authorised ordinary shares		
	Number of shares (‘000)	HK\$’000	RMB’000
At 31 December 2010 and 30 June 2011	100,000,000	1,000,000	969,200
	Issued and fully paid up		
	Number of shares (‘000)	HK\$’000	RMB’000
At 1 January 2010	923,710	9,237	8,737
Employees Share Option Plan — issued shares (a)	4,784	48	42
Bonus shares issued in June 2010 (b)	46,420	464	407
At 30 June 2010	974,914	9,749	9,186
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 (b)	98,131	981	816
At 30 June 2011	1,079,908	10,799	10,060

- (a) Share options exercised during the six months ended 30 June 2011 resulted in 5,069,000 shares being issued (six months ended 30 June 2010: 4,784,000), with exercise proceeds of RMB8,513,000 (six months ended 30 June 2010: RMB6,366,000). The nominal value of these shares of RMB43,000 (six months ended 30 June 2010: RMB42,000) and the premium of RMB8,470,000 (six months ended 30 June 2010: RMB6,324,000) had been credited to ordinary shares and share premium accounts, respectively. The related weighted average price at the time of exercise was HK\$4.16 per share (six months ended 30 June 2010: HK\$2.45).
- (b) At the Annual General Meeting held on 30 May 2011, shareholders of the Company approved a bonus issue of shares on the basis of one new share for every ten existing issued shares held. As a result, the ordinary shares in issue increased by 98,131,000 shares (six months ended 30 June 2010: 46,420,000 shares), representing an increase in share capital of the Company by RMB816,000 (six months ended 30 June 2010: RMB407,000) with a corresponding amount of reduction in the share premium account.

All the ordinary shares issued during the six months ended 30 June 2011 rank pari passu with the then existing ordinary shares in all respects.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

16. ACCRUALS AND OTHER PAYABLES

	As at 30 June 2011 RMB'000	As at 31 December 2010 RMB'000
Salaries payable	27,958	29,621
Accrued expenses (a)	30,909	28,121
Other payables (b)	23,676	68,019
	82,543	125,761

- (a) Accrued expenses mainly represented accrued sales commission fees payable to advertising agencies.
- (b) Other payables as at 30 June 2011 mainly represented business tax and other levies payable.

17. 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.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

17. SHARE-BASED COMPENSATION COSTS (Continued)**(a) Share Option Plan (Continued)***(ii) Post-IPO Share Option Plan*

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

The total number of shares in respect of which options may be granted under the Post-IPO Share Option Plan is not permitted to exceed, in aggregate, 98,130,880 shares of the Company, without prior approval obtained from the Company's shareholders. 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 HK\$5 million must be approved in advance by the Company's shareholders.

Options granted must be taken up by the Eligible Person within 28 days of the date of offer, upon payment of HK\$1 per grant. Options may be exercised at any time during the option period, which should not be more than 10 years from the date of grant. The exercise price is determined by the directors of the Company, and will not be less than the higher of (i) the closing price of the Company's shares on the date of grant; (ii) the average closing price of the share for the five business dates immediately preceding the date of grant; and (iii) the nominal value of the Company's shares.

(iii) Adjustment for bonus issue of shares

As a result of the bonus shares issued in June 2011 (Note 15(b)), adjustments have been made to the exercise price and the number of shares to be allotted and issued upon exercise of the subscription rights attaching to the outstanding share options of the Company as at 25 May 2011 granted under the Pre-IPO Share Option Plan and Post-IPO Share Option Plan.

Accordingly, the impact of the bonus shares issued in June 2011 has been considered in Note 17(a)(iv) and Note 17(a)(v) as below.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

17. SHARE-BASED COMPENSATION COSTS (Continued)

(a) Share Option Plan (Continued)

(iv) Movements in share options

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

	Pre-IPO		Post-IPO		Total number of options (thousands)
	Average exercise price (HK\$)	Number of options (thousands)	Average exercise price (HK\$)	Number of options (thousands)	
At 1 January 2010	1.92	40,792	1.57	14,963	55,755
Granted	—	—	3.09	15,633	15,633
Exercised	1.52	(4,784)	—	—	(4,784)
Forfeited	1.92	(36)	1.51	(270)	(306)
Adjustment for bonus shares issued in June 2010	—	1,771	—	1,520	3,291
At 30 June 2010	1.88	37,743	2.24	31,846	69,589
Currently exercisable as at 30 June 2010	1.45	9,232	—	—	9,232
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)	(1,199)
Adjustment for bonus shares issued in June 2011	—	3,332	—	2,838	6,029
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

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

17. SHARE-BASED COMPENSATION COSTS (Continued)

(a) Share Option Plan (Continued)

(v) Outstanding share options

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

Expiry date	30 June 2011		31 December 2010	
	Adjusted exercise price in HK\$ per share	Adjusted number of options (thousands)	Exercise price in HK\$ per share	Number of options (thousands)
Pre-IPO Share Option Plan				
— 22 November 2017	1.32	8,567	1.45	8,157
— 22 November 2017	1.71	12,428	1.88	13,445
— 22 November 2017	1.96	15,406	2.16	14,206
Post-IPO Share Option Plan				
— 11 April 2014	2.68	12,298	2.95	13,125
— 13 April 2014	2.63	874	2.89	797
— 17 May 2014	1.31	11,838	1.44	11,923
— 17 May 2014	2.65	2,242	2.92	2,390
— 5 July 2014	1.56	3,542	1.72	3,391
		67,195		67,434

(vi) Fair values of options

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

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

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

17. SHARE-BASED COMPENSATION COSTS (Continued)

(b) Share Award Scheme

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

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

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

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. Non-vesting conditions and market conditions shall be taken into account when estimating the fair value of the equity instruments granted.

During the six months ended 30 June 2011, the Share Award Scheme Trust acquired 2,750,000 shares of the Company through purchases on the open market, at a total cost (including related transaction costs) of approximately RMB8,298,000 and 261,000 shares were awarded to a number of employees with a vesting period of one year. The excess 2,489,000 shares would be awarded to employees in future.

During the six months ended 30 June 2011, the Share Award Scheme Trust received cash dividend amounting to RMB359,000 which will be used to pay for the fees of trust or purchase a maximum number of shares as specified by the Board.

The total expenses recognised for employee services received in respect of the Share Award Scheme for the six months ended 30 June 2011 was RMB360,000 (six months ended 30 June 2010: nil).

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

18. RELATED PARTY TRANSACTIONS

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

(a) Name and relationship with related parties

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

(b) Related party transactions

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

	Six months ended 30 June	
	2011 RMB'000	2010 RMB'000
Rental expenses for office and advertising billboards paid/payable:		
GPET Mall	1,293	1,495
SHPD Consulting	387	387
BUPE Technology	113	113
Kexim	104	99
SHPD Technology	18	36
	1,915	2,130

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

19. EVENTS AFTER THE BALANCE SHEET DATE

There were no significant post balance sheet events up to the date of approval of the Interim Financial Information.

MANAGEMENT DISCUSSION AND ANALYSIS

REVENUE

Revenue increased by 29.1% from RMB202.6 million for the six months ended 30 June 2010 to RMB261.5 million for the six months ended 30 June 2011. The increase was mainly due to organic growth across the Group's different portals, with notably strong performance from PConline, PCauto and our female segments. Profit before tax rose by 31.6%, which was in line with the growth in the Group's revenue.

Revenue for PConline, the Group's IT and consumer electronics portal, increased by 26.4% from RMB90.0 million for the six months ended 30 June 2010 to RMB113.8 million for the six months ended 30 June 2011. The increase in revenue from PConline was mainly due to an overall increase in advertising spending from consumer electronic customers, especially from large multinationals.

Revenue for PCauto, the Group's automobile portal, increased by 26.9% from RMB93.1 million for the six months ended 30 June 2010 to RMB118.1 million for the six months ended 30 June 2011. According to a report issued by the China Association of Automobile Manufacturers (CAAM), in the first six months of 2011, automobile sales in Mainland China reached nearly 9.4 million vehicles, a 3.4% increase from the same period in 2010. Even with this modest growth backdrop, PCauto was able to increase its revenue as advertisers continue to allocate more marketing budget toward digital media.

Revenue for other operations, including the Group's other portals, PCgames, PClady, PCbaby, and PChouse increased by 51.8% from RMB19.5 million for the six months ended 30 June 2010 to RMB29.6 million for the six months ended 30 June 2011. Revenue from this segment increased significantly as a result of higher consumer spending in Mainland China and as consumer goods companies allotted a larger percentage of their advertising budgets to internet advertising.

As a percentage of total revenue, PCauto accounted for 46.0% for the six months ended 30 June 2010 and 45.2% for the six months ended 30 June 2011. PConline accounted for 44.4% for the six months ended 30 June 2010 and 43.5% for the six months ended 30 June 2011. Other operations accounted for 9.6% for the six months ended 30 June 2010 and 11.3% for the six months ended 30 June 2011. The Group continued to diversify its revenue base as the other portals significantly scaled up their operations.

COST OF REVENUE

Cost of revenue increased by 41.4% from RMB61.6 million for the six months ended 30 June 2010 to RMB87.1 million for the six months ended 30 June 2011. Gross profit margin was 66.7% for the six months ended 30 June 2011 and 69.6% for the six months ended 30 June 2010. The increase in cost of revenue was mainly due to an increase in number of employees to support the Group's expansion plans.

MANAGEMENT DISCUSSION AND ANALYSIS

SELLING AND MARKETING COSTS

Selling and marketing costs increased by 28.7% from RMB31.0 million for the six months ended 30 June 2010 to RMB39.9 million for the six months ended 30 June 2011. The rise was primarily due to increase in staff cost and increased promotional activities for existing products and brand building for the whole Group.

ADMINISTRATIVE EXPENSES

Administrative expenses decreased by 4.2% from RMB21.3 million for the six months ended 30 June 2010 to RMB20.4 million for the six months ended 30 June 2011. The decrease was mainly due to less provision for impairment of receivables during the period.

PRODUCT DEVELOPMENT EXPENSES

Product development expenses increased by 28.4% from RMB10.2 million for the six months ended 30 June 2010 to RMB13.1 million for the six months ended 30 June 2011. 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 RMB104.5 million in the first half of 2011, representing a 26.0% increase from RMB83.0 million over the period in 2010.

NET FINANCE INCOME

Net finance income was RMB1.3 million for the six months ended on 30 June 2010 and RMB4.2 million for the six months ended on 30 June 2011. Net finance income came mainly from interest income on short-term bank deposits.

INCOME TAX EXPENSE

Income tax expense increased by 211.6% from RMB6.9 million for the six months ended 30 June 2010 to RMB21.5 million for the six months ended 30 June 2011. For the six months ended 30 June 2010, there was a reversal of the over-provided dividend withholding tax from different tax rates in 2008 and 2009, and there was no tax adjustment for the six months ended 30 June 2011.

NET PROFIT

Net profit increased by 14.7% from RMB72.9 million for the six months ended 30 June 2010, to RMB83.6 million for the six months ended 30 June 2011.

MANAGEMENT DISCUSSION AND ANALYSIS

LIQUIDITY AND FINANCIAL RESOURCES

As of 30 June 2011, the Group had short-term bank deposits and cash totalling RMB254.6 million, compared with RMB444.5 million as of 31 December 2010. Cash dividend amounting to RMB140.8 million was paid out during the six months ended 30 June 2011.

The Group had no external debt as of 31 December 2010 and 30 June 2011.

BANK BORROWINGS

As of 30 June 2011, 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 2010.

PROPERTY UPDATE

The new Guangzhou headquarters has been under internal decoration and tentatively the Group will move into the new property in the fourth quarter of the year. In early 2010, GZP Computer (a subsidiary of the Company) acquired the said property located at No. 115 Gaopu Road, Gaotang Software Station, Tianhe District, Guangzhou at a total consideration of RMB148.7 million. Further details of the said acquisition were disclosed in the Company's announcement dated 28 January 2010.

MATERIAL ACQUISITIONS AND DISPOSALS

During the period ended 30 June 2011, the Group had no material acquisitions and disposals of subsidiaries and associates.

CHARGES ON ASSETS

As of 30 June 2011, the Group had no bank deposits or other assets pledged to secure its banking facilities.

FOREIGN EXCHANGE RISK

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

BUSINESS OUTLOOK

The Group delivered strong results for the first half of 2011 and expects to see continued upward momentum in the second half of 2011. Given its strong market position and growing user base, the Group expects to continue to attract new advertising customers as the Chinese online advertising industry grows.

MANAGEMENT DISCUSSION AND ANALYSIS

POnline, the Group's flagship IT portal, continued to grow at a steady pace as the Group broadened its base of advertising customers and attracted new users to its site. In addition to our traditional brand advertisers, the increased competition in the e-commerce space has resulted in increasing need to market and to draw more traffic to these e-commerce sites. As consumer electronic products are among the most popular net purchases, POnline has benefited from such increased demand in advertising from these e-commerce sites.

PCauto, the Group's automobile portal continued to grow despite of industry headwind in the automobile sector. Overall automobile sales in China has grown modestly in the first half as the government instilled various buying restrictions across some first-tier cities. Increased competition among automobile brands, however, favors consumer oriented site like PCauto as advertisers allocate a greater amount to reach potential purchasers. In addition, the continued transition from traditional advertising to digital advertising will only enhance the growth of PCauto.

The Group's other portals, such as PClady, PCgames and PCbaby, also delivered meaningful growth in the first half of 2011. The Group expects to see continued growth across all of its portals in the second half of the year, and, in particular, our female segment is likely to contribute a greater percentage of the Group's overall revenues as consumer products companies are starting to emphasize and allocate a greater amount to digital marketing. Our newest site, PChouse, has progressed along steadily and we expect to start contributing next year.

The Group is highly confident in the long-term outlook of its businesses. The Group plans to continue to invest in technology and R&D to enhance its offering and attract new users. The Group has already rolled out its various wireless applications, including the POnline, PCauto, and PClady app for the iOS and Android platform. In addition, the Group also introduced the PCauto iPad electronic magazine to complement its digital offering.

The Group also plans to continue to recruit new employees to support its expansion and accommodate a greater number of users. As we are a service company, recruiting and retaining talent has always been our challenge and priority. The Group will further utilize equity based compensation and invest in people.

In the second half of 2011, the Group expects to increase the Group's share in its existing portal markets by adding a variety of new features that will better serve the Group's customers. The Group remains confident that it has a clear strategy to continue to drive profitability and add value for shareholders over the long term.

EMPLOYEES AND REMUNERATION INFORMATION

As of 30 June 2011, the Group had 1,073 employees (31 December 2010: 946), an increase of 13.4% from the first half of 2011. The increase in staff level represented the expansion of the Group's operations in 2011. The Group determines staff's remuneration based on factors such as qualifications and years of experience.

OTHER INFORMATION

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

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the six months ended 30 June 2011.

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. Louie Ming, 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 contained in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange, except that there is no separation of the role of Chairman and Chief Executive Officer. 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.

SHARE OPTION PLAN

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

As a result of the bonus issue of shares of the Company ("Bonus Issue") as approved by the shareholders at the Annual General Meeting of the Company held on 30 May 2011, adjustments have been made to the exercise price and the number of shares to be allotted and issued upon exercise of the subscription rights attaching to the outstanding share options of the Company granted under the two share option plans of the Company.

OTHER INFORMATION

During the six months ended 30 June 2011, 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⁾	Adjusted exercise price per share	Number of share options				
				As at 1 January 2011	Exercised during the period	Lapsed during the period	Adjustment for Bonus Issue	As at 30 June 2011
Director								
Ms. Zhang Cong Min	23 November 2007	A	I	3,975,062	—	—	391,483	4,366,545
	23 November 2007	B	II	5,545,340	—	—	551,291	6,096,631
	23 November 2007	C	III	5,561,500	—	—	567,500	6,129,000
				15,081,902	—	—	1,510,274	16,592,176
Employees in aggregate								
	23 November 2007	A	I	4,181,886	(365,317)	—	383,850	4,200,419
	23 November 2007	B	II	7,900,010	(2,147,855)	—	579,360	6,331,515
	23 November 2007	C	III	8,644,217	—	(225,949)	859,007	9,277,275
				20,726,113	(2,513,172)	(225,949)	1,822,217	19,809,209
Total				35,808,015	(2,513,172)	(225,949)	3,332,491	36,401,385
Exercise period				Adjusted exercise price				
A:	from 23 November 2009 to 22 November 2017			I: HK\$1.32				
B:	from 23 November 2010 to 22 November 2017			II: HK\$1.71				
C:	from 23 November 2011 to 22 November 2017			III: HK\$1.96				

Notes:

- (1) The vesting period of the share options is from the date of grant until the commencement of the exercise period.
- (2) No share options have been granted/cancelled under the Pre-IPO Share Option Plan during the six months ended 30 June 2011.

OTHER INFORMATION

(b) Post-IPO Share Option Plan

Category	Date of grant ⁽²⁾	Exercise period ⁽¹⁾	Adjusted exercise price per share	Number of share options				
				As at 1 January 2011	Exercised during the period	Lapsed during the period	Adjustment for Bonus Issue	As at 30 June 2011
Director								
Mr. Lam Wai Yan	18 May 2009	A	I	1,153,472	(1,153,472)	—	—	—
	18 May 2009	B	I	1,153,472	—	—	114,466	1,267,938
	18 May 2009	C	I	1,153,472	—	—	114,467	1,267,939
				3,460,416	(1,153,472)	—	228,933	2,535,877
Mr. Wang Ta-Hsing	18 May 2009	A	I	1,048,611	—	—	104,060	1,152,671
	18 May 2009	B	I	1,048,611	—	—	104,061	1,152,672
	18 May 2009	C	I	1,048,611	—	—	104,061	1,152,672
				3,145,833	—	—	312,182	3,458,015
Ms. Zhang Cong Min	18 May 2009	A	I	1,740,694	—	—	172,740	1,913,434
	18 May 2009	B	I	1,740,695	—	—	172,741	1,913,436
	18 May 2009	C	I	1,761,667	—	—	174,822	1,936,489
	12 April 2010	G	III	630,508	—	—	63,521	694,029
	12 April 2010	H	III	630,508	—	—	63,522	694,030
	12 April 2010	I	III	630,509	—	—	63,521	694,030
				7,134,581	—	—	710,867	7,845,448
Mr. Tsui Yiu Wa, Alec	6 July 2009	D	II	69,453	—	—	7,123	76,576
	6 July 2009	E	II	70,506	—	—	7,231	77,737
	6 July 2009	F	II	70,506	—	—	7,232	77,738
				210,465	—	—	21,586	232,051
Mr. Thaddeus Thomas Beczak	6 July 2009	D	II	69,453	—	—	7,123	76,576
	6 July 2009	E	II	70,506	—	—	7,231	77,737
	6 July 2009	F	II	70,506	—	—	7,232	77,738
				210,465	—	—	21,586	232,051
Mr. Louie Ming	6 July 2009	D	II	69,453	—	—	7,123	76,576
	6 July 2009	E	II	70,506	—	—	7,231	77,737
	6 July 2009	F	II	70,506	—	—	7,232	77,738
				210,465	—	—	21,586	232,051
				14,372,225	(1,153,472)	—	1,316,740	14,535,493

OTHER INFORMATION

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

Category	Date of grant	Exercise period ⁽¹⁾	Adjusted exercise price per share	Number of share options					
				As at 1 January 2011	Exercised during the period	Lapsed during the period	Adjustment for Bonus Issue	As at 30 June 2011	
Employees in aggregate	18 May 2009	A	I	73,403	—	—	7,284	80,687	
	6 July 2009	D	II	1,707,924	—	(178,896)	156,825	1,685,853	
	6 July 2009	E	II	526,163	—	—	53,965	580,128	
	6 July 2009	F	II	526,163	—	—	53,965	580,128	
	12 April 2010	G	III	3,745,218	(1,040,379)	(309,999)	266,350	2,661,190	
	12 April 2010	H	III	3,745,221	—	(310,000)	346,091	3,781,312	
	12 April 2010	I	III	3,743,120	—	(315,255)	345,345	3,773,210	
	14 April 2010	J	IV	262,110	(1,048)	—	25,809	286,871	
	14 April 2010	K	IV	262,111	—	—	25,912	288,023	
	14 April 2010	L	IV	272,596	—	—	26,948	299,544	
	18 May 2010	M	V	790,625	(361,237)	—	50,165	479,553	
	18 May 2010	N	V	790,631	—	—	80,554	871,185	
	18 May 2010	O	V	808,508	—	—	82,377	890,885	
					17,253,793	(1,402,664)	(1,114,150)	1,521,590	16,258,569
	Total				31,626,018	(2,556,136)	(1,114,150)	2,838,330	30,794,062

Exercise period

Adjusted exercise price

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

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

Notes:

- (1) The vesting period of the share options is from the date of grant until the commencement of the exercise period.
- (2) No share options have been granted/cancelled under the Post-IPO Share Option Plan during the six months ended 30 June 2011.

Further details of the two share option plans of the Company are set out in note 17 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 2011, the interests of the directors of the Company in the shares and underlying shares of the Company (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) as recorded in the register required to be kept by the Company under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code were as follows:

(1) Interests in shares of the Company

Name of director	Long/Short position	Capacity	Number of ordinary shares in the Company	Note	Percentage of the Company's issued share capital [†]
Mr. Lam Wai Yan	Long	Interests held by a controlled corporation	296,345,280	(1)	27.44%
	Long	Interests held jointly with spouse	7,284,585	(2)	0.67%
	Long	Beneficial owner	1,268,819	—	0.12%
			304,898,684	—	28.23%
Mr. Ho Kam Wah	Long	Interests held by a controlled corporation	99,348,480	(3)	9.20%
	Long	Beneficial owner	2,055,900	—	0.19%
	Long	Interests of spouse	1,432,200	(4)	0.13%
			102,836,580	—	9.52%
Ms. Zhang Cong Min	Long	Beneficial owner	4,914,800	—	0.45%

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 2011.

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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 2011.

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

Name of director	Long/Short position	Capacity	Number of underlying shares in respect of the share options granted	Percentage of the underlying shares over the Company’s issued share capital[†]
Mr. Lam Wai Yan	Long	Beneficial owner	2,535,877	0.23%
Mr. Wang Ta-Hsing	Long	Beneficial owner	3,458,015	0.32%
Ms. Zhang Cong Min	Long	Beneficial owner	24,437,624	2.26%
Mr. Tsui Yiu Wa, Alec	Long	Beneficial owner	232,051	0.02%
Mr. Thaddeus Thomas Beczak	Long	Beneficial owner	232,051	0.02%
Mr. Louie Ming	Long	Beneficial owner	232,051	0.02%

Note: Details of the above share options as required by the Listing Rules have been disclosed in above section headed “Share Option Plan” and note 17 to the condensed consolidated 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 2011.

Save as disclosed above and in the above section headed “Share Option Plan”, as at 30 June 2011, none of the directors or chief executive of the Company had any interests or short positions in the shares, underlying shares or debentures of the Company or any associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he/she was deemed or taken to have under such provisions of the SFO) or which

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

(1) Interests in shares of the Company

Name of substantial shareholder	Long/Short position	Capacity	Number of ordinary shares in the Company	Note	Percentage of the Company's issued share capital [†]
Pac Tech Investment Co. Ltd.	Long	Beneficial owner	296,345,280	(1)	27.44%
Ms. Ma Muk Lan	Long	Interests of spouse	297,614,099	(2)	27.56%
	Long	Interests held jointly with another person	7,284,585	(3)	0.67%
			304,898,684	—	28.23%
Gallop Assets Management Limited	Long	Beneficial owner	296,172,030	(4)	27.42%
J.P. Morgan Trust Company (Bahamas) Limited as trustee of The Gallop Trust	Long	Trustee	296,172,030	(4)	27.42%
Mr. Wang Ko Chiang	Long	Founder of a discretionary trust	296,172,030	(4)	27.42%
Mrs. Wang Tang Shi Ming	Long	Interests of spouse	296,172,030	(5)	27.42%
Treasure Field Holdings Limited	Long	Beneficial owner	99,348,480	(6)	9.20%
Ms. Yeung Yuk Chun	Long	Interests of spouse	101,404,380	(7)	9.39%
	Long	Beneficial owner	1,432,200	—	0.13%
			102,836,580	—	9.52%

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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 297,614,099 shares of the Company through the interests of her spouse, Mr. Lam Wai Yan.
- (3) These shares were held jointly by Ms. Ma Muk Lan and her spouse, Mr. Lam Wai Yan.
- (4) These shares were held by Gallop Assets Management Limited, the entire issued share capital of which was owned by J.P. Morgan Trust Company (Bahamas) Limited as trustee of The Gallop Trust, a discretionary trust founded by Mr. Wang Ko Chiang. As such, J.P. Morgan Trust Company (Bahamas) Limited as trustee of The Gallop Trust was deemed to be interested in 296,172,030 shares of the Company held by Gallop Assets Management Limited.

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

- (5) Mrs. Wang Tang Shi Ming was deemed to be interested in 296,172,030 shares of the Company through the interests of her spouse, Mr. Wang Ko Chiang.
- (6) The interests of Treasure Field Holdings Limited was also disclosed as the interests of Mr. Ho Kam Wah in the above section headed "Directors' interests in the shares and underlying shares of the Company and its associated corporation".
- (7) Ms. Yeung Yuk Chun was deemed to be interested in 101,404,380 shares of the Company through the interests of her spouse, Mr. Ho Kam Wah.

[†] The percentage represents the number of ordinary shares interested divided by the number of the Company's issued shares as at 30 June 2011.

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

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

OTHER INFORMATION

Note: Ms. Ma Muk Lan was deemed to be interested in 2,535,877 share options of the Company through the interests of her spouse, Mr. Lam Wai Yan. Details of the above share options as required by the Listing Rules have been disclosed in above section headed "Share Option Plan" and note 17 to the condensed consolidated 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 2011.

Save as disclosed above, as at 30 June 2011, no person, other than the directors of the Company who 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.

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, 29 August 2011