Pacific Online Limited
太平洋網絡有限公司

ANNUAL REPORT 2014

Incorporated in the Cayman Islands with limited liability

Stock Code : 543

CONTENTS

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

WEBSITE ADDRESS

corp.pconline.com.cn

STOCK CODE

543

CHAIRMAN'S STATEMENT

On behalf of the board of directors (the "Board") of Pacific Online Limited (the "Company") and its subsidiaries (together, the "Group"), I would like to present the annual results of the Company for the year ended 31 December 2014.

Despite a slowing economy in China and intense market competition, our revenue grew 16.5% year-over-year as a result of strong advertising demand in our auto, lady and baby portals. While our top line growth remained strong, net profit decreased 12.8% mainly due to an increase in costs which we believe are necessary to ensure future sustainable growth. During the year, we increased headcount to further strengthen our content and mobile product development capabilities and focus sales on expanding our auto dealer networks. We also increased marketing spending on various channels, in particular, mobile search. We are confident that these expenditures will result in a stronger, more robust platform going forward.

While these costs did have an impact on our bottom line, they were also instrumental in driving user growth and advertising demand. Our viewership and sales leads increased steadily, with significant growth coming from mobile devices. We extended the offerings on our e-commerce platform to a select number of portals. We also launched new mobile apps for our growing mobile user base.

Revenue from PCauto increased 25.7% in 2014, accounting for 57.1% of total revenue during the year. Increased spending from both our auto manufacturer and dealership customers continued to drive growth. During the year, we launched a new community platform for various auto fans and it quickly attracted new users and improved the amount of social interaction on our site. During the second half of 2014, we increased our marketing spending on various mobile and search engine platforms in order to strengthen our brand recognition and lead generation capabilities. We also launched various online and offline marketing events to support car sales from our dealership customers. We remain committed to the development of new digital offerings on our mobile platform. Going forward, we will continue to implement our auto portal strategy which we expect will result in its long-term sustainable growth.

Revenue from PConline declined 8.7% as manufacturers continue to reduce their marketing spending. This is largely in line with structural changes that are taking place in the market. While demand for laptops and desktops may not recover in the short-term, we will continue to improve the portal's operating efficiency and explore new market segments. We see good progress and will continue to penetrate the e-commerce market through our unique platform *best.pconline.com.cn*. We anticipate that the market for wearable devices will offer both new advertising growth and online selling opportunities going forward. But overall, we remain cautious about the future outlook of PConline.

PClady's revenue increased 24.1% as a result of strong advertising demand from cosmetics and fashion brands. During the year, we collaborated with several leading luxury brands to develop in-depth feature articles. PClady has steadily established itself as one of the leading websites for luxury products in the market. We will continue to strengthen our mobile product offerings and develop O2O beauty-related services for our users. We are confident that the steady growth of this portal will continue.

CHAIRMAN'S STATEMENT

Revenue from other operations, including PCgames, PCbaby, and PChouse increased 40.6%. The increase in revenue was mainly driven by PCbaby, which had another robust year of growth. We recently expanded our business with the development and launch of intelligent hardware and mobile applications for maternity care which we believe will attract pregnant women to our ecosystem. This new strategy will help us expand our brand, deepen our relationship with users, and complement our other service offerings in the vibrant baby market. We believe that growth in our baby and house portals will remain very strong.

Going forward, while we expect competition to remain stiff, especially in the automobile segment, we will continue to execute our strategy to strengthen revenue growth over the long-term. This includes our commitment to the development of high quality content, expansion into select e-commerce markets, prudent investment in marketing, and continued innovation of mobile product offerings. In addition, we will maintain a nimble corporate structure that will allow us to respond to changes quickly as we seek out new and effective approaches to address the market's needs.

APPRECIATION

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

Lam Wai Yan
Chairman

Hong Kong, 27 March 2015

REVENUE

Revenue increased 16.5% from RMB847.9 million for the year ended 31 December 2013 to RMB987.5 million for the year ended 31 December 2014.

Revenue for PCauto, the Group's automobile portal, increased 25.7% from RMB448.7 million for the year ended 31 December 2013 to RMB564.2 million during the year ended 31 December 2014. The increase in revenue for PCauto was primarily due to increased spending from both our auto manufacturer and dealership customers. As a percentage of revenue, PCauto accounted for 52.9% during the year ended 31 December 2013 and 57.1% during the year ended 31 December 2014.

Revenue for PConline, the Group's IT and consumer electronics portal, decreased 8.7% from RMB251.8 million during the year ended 31 December 2013 to RMB229.9 million during the year ended 31 December 2014. The decrease was attributable to generally reduction of advertising budget from brands and manufacturers, offset by increase in those from e-commerce vendors. As a percentage of revenue, PConline accounted for 29.7% during the year ended 31 December 2013 and 23.3% during the year ended 31 December 2014.

Revenue for PClady, the Group's lady and fashion portal, increased 24.1% from RMB83.6 million during the year ended 31 December 2013 to RMB103.8 million during the year ended 31 December 2014. The increase was driven by strong advertising revenue from cosmetics and luxury fashion products. As a percentage of revenue, PClady accounted for 9.9% during the year ended 31 December 2013 and 10.5% during the year ended 31 December 2014.

Revenue from other operations, including the PCgames, PCbaby and PChouse portals, increased by 40.6% from RMB63.7 million during the year ended 31 December 2013 to RMB89.6 million during the year ended 31 December 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 7.5% during the year ended 31 December 2013 and 9.1% during the year ended 31 December 2014.

COST OF REVENUE

Cost of revenue increased 29.2% from RMB249.9 million during the year ended 31 December 2013 to RMB322.9 million during the year ended 31 December 2014. Gross profit margin was 70.5% during the year ended 31 December 2013 and 67.3% during the year ended 31 December 2014.

The increase in cost of revenue was due to a rise in personnel-related expenses in content production, as well as technology service fees and bandwidth costs.

SELLING AND MARKETING COSTS

Selling and marketing costs increased 48.6% from RMB167.9 million during the year ended 31 December 2013 to RMB249.4 million during the year ended 31 December 2014. The increase was mainly due to increases in staff costs and marketing expenses related to brand development, particularly in mobile search.

ADMINISTRATIVE EXPENSES

Administrative expenses increased by 1.9% from RMB77.4 million during the year ended 31 December 2013 to RMB78.9 million during the year ended 31 December 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 33.8% from RMB45.9 million during the year ended 31 December 2013 to RMB61.5 million during the year ended 31 December 2014. The increase was primarily due to increases in the number of product development staff and other related expenses.

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

Operating profit before share-based compensation expenses (non-GAAP) was RMB281.5 million during the year ended 31 December 2014, representing a 11.4% decrease from RMB317.9 million during the year ended 31 December 2013.

OTHER INCOME

Other income was RMB7.2 million during the year ended 31 December 2013 and RMB1.6 million during the year ended 31 December 2014. The decrease was attributable to reduction in government grants during the year.

FINANCE INCOME AND COST

Net finance income was RMB9.0 million during the year ended 31 December 2013 and RMB6.9 million during the year ended 31 December 2014.

INCOME TAX EXPENSE

Income tax expenses decreased 10.4% from RMB69.4 million during the year ended 31 December 2013 to RMB62.2 million during the year ended 31 December 2014.

NET PROFIT

Net profit decreased 12.8% from RMB253.6 million during the year ended 31 December 2013 to RMB221.2 million during the year ended 31 December 2014.

LIQUIDITY AND FINANCIAL RESOURCES

As of 31 December 2014, the Group had short-term deposits and cash totaling RMB394.8 million, compared with RMB450.5 million as of 31 December 2013. The decline in cash was primarily due to the investment in equity fund and financial assets as non current assets totaling RMB80.4 million during the year ended 31 December 2014.

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

BANK BORROWINGS

As of both 31 December 2014 and 31 December 2013, the Group did not have any bank borrowings and therefore, its gearing ratio, representing the ratio of total bank borrowings to shareholders' equity, was nil for both years.

MATERIAL ACQUISITIONS AND DISPOSALS

During the year ended 31 December 2014, the Group had no material acquisitions or disposals of subsidiaries and associates.

CHARGES ON ASSETS

As at 31 December 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 China with most of its transactions denominated and settled in Renminbi, and therefore the overall foreign currency risk was not considered to be significant.

BUSINESS OUTLOOK

The Group believes that internet will remain as one of the fastest growing industries in China in the coming years. The demand for advertising in the automobile, lady, and baby products will continue to grow. In addition, online transaction is expected to be fuelled further by increasing pace of mobile usage and penetration. The Group will continue to enhance new content, build our brands, and develop new products so as to grow viewership and facilitate e-commerce transactions on our websites. We are confident that this strategy will lead to increase demand of our services in the future.

DIRECTORS' AND SENIOR MANAGEMENT'S PROFILES

EXECUTIVE DIRECTORS

Dr. Lam Wai Yan ("Dr. Lam"), aged 63, is an executive director, the Chairman of the Board and of the nomination committee and the Chief Executive Officer of the Company, a director of certain subsidiaries of the Company and a substantial shareholder of the Company. Dr. Lam obtained a bachelor's degree in Science from the University of Texas at EL PASO, in 1975 and a doctor's degree in Professional Studies from Middlesex University in 2014. He has extensive local and overseas general management experience and has more than 10 years of experience in IT industry. He had been a vice president and director of Dean Witter Reynolds Inc. from 1979 to 1989 and a director of CLSA Limited (formerly known as "Credit Lyonnais Securities (Asia) Limited") from 1990 to 1991. Dr. Lam co-founded the Group and has played a key role in developing the businesses of the Group since 1997 and led the Group to become one of the leading specialized content portal in China.

Mr. Ho Kam Wah ("Mr. Ho"), aged 62, is an executive director of the Company and a director of certain subsidiaries of the Company. He is also a director and the controlling shareholder of Treasure Field Holdings Limited, a substantial shareholder of the Company. Mr. Ho obtained a bachelor's degree in Science from Illinois State University in 1976. He is principally involved in strategic planning and assisting in overall management and business development of the Group. Mr. Ho co-founded the Group and has played a major role in developing the businesses of the Group since 1997 and has an extensive management experience over 10 years in the IT industry.

Mr. Wang Ta-Hsing ("Mr. Wang"), aged 40, is an executive director of the Company and a director of certain subsidiaries of the Company. He joined the Group in 2005. Mr. Wang obtained a bachelor's degree in Science from the University of California, Berkeley in 1998 and a master's degree in Business Administration from Columbia University in 2004. Mr. Wang is responsible for financing and accounting management of the Group. Mr. Wang has been the director of Kwong Fong Industries Corporation (a company listed on the Taiwan Stock Exchange) since June 2012.

Ms. Zhang Cong Min ("Ms. Zhang"), aged 47, is an executive director and the Chief Operating Officer of the Company and a director of certain subsidiaries of the Company. Ms. Zhang graduated EMBA programme from China Europe International Business School (中歐國際工商學院) in 2011 and obtained a bachelor's degree in Chemical Analysis from the University of Science and Technology of China (中國科學技術大學) in 1991. She is also a member of National People's Congress of Tianhe District, Guangzhou (中國廣州天河區人民代表大會). Ms. Zhang joined the Group in January 2003. Prior to joining the Group, Ms. Zhang worked as a marketing manager and assistant general manager of Guangdong Pacific Electronic Technology Mall Co., Ltd. (廣東太平洋電子科技廣場有限公司). Ms. Zhang has over 10 years of experience in operation management and the IT industry. She has held various management positions in the Group.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Tsui Yiu Wa, Alec ("Mr. Tsui"), aged 65, is an independent non-executive director, the chairman of both the audit committee and remuneration committee and a member of the nomination committee of the Company. He joined the Group in November 2007. Mr. Tsui obtained a bachelor's degree in Science (Industrial Engineering) and a master's degree in Engineering (Industrial Engineering) from the University of Tennessee, Knoxville in 1975 and 1976, respectively. He attended the Programme for Senior Managers in Government at the John F. Kennedy School of Government, Harvard University in 1993. He has been a member of the Hong Kong Securities and Investment Institute (formerly known as "Hong Kong Securities Institute") since 1998. Mr. Tsui has over 20 years' extensive experience in finance and administration, corporate and strategic planning, information technology and human resources management, having served at various international companies. He held key positions at the Securities and Futures Commission of Hong Kong prior to joining the Hong Kong Stock Exchange in 1994 as an executive director of the finance and operations services division and becoming the chief executive in 1997. He was also the chairman of the Hong Kong Securities and Investment Institute from 2001 to 2004. He was an adviser and a council member of the Shenzhen Stock Exchange from July 2001 to June 2002. Currently, Mr. Tsui is an independent non-executive director of Industrial and Commercial Bank of China (Asia) Limited (a company delisted on The Stock Exchange of Hong Kong Limited on 21 December 2010). Besides, Mr. Tsui is acting as independent non-executive director of the following listed companies:

Name of listed companies
China Oilfield Services Limited
China Power International Development Limited
COSCO International Holdings Limited
Kangda International Environmental Company Limited
Melco Crown Entertainment Limited
Summit Ascent Holdings Limited
ATA Inc.
Melco Crown (Philippines) Resorts Corporation

DIRECTORS' AND SENIOR MANAGEMENT'S PROFILES

Mr. Thaddeus Thomas Beczak ("Mr. Beczak"), aged 64, is an independent non-executive director and a member of the audit committee, remuneration committee and nomination committee of the Company. He joined the Group in November 2007. Mr. Beczak graduated from Georgetown University (B.S.F.S.) and Columbia University (M.B.A.). He is a member of the board of advisers of the Edmund A. Walsh School of Foreign Service at Georgetown University. He is currently the chairman of Cowen Latitude Asia. Mr. Beczak has been an independent non-executive director of e-Kong Group Limited (stock code: 524, a company listed on the Main Board of The Stock Exchange of Hong Kong Limited) from October 2013 to February 2015. Currently, Mr. Beczak is acting as non-executive director of a number of non-listed companies. Besides, Mr. Beczak is acting as independent non-executive director of the following listed companies:

Name of listed companies
Phoenix Satellite Television Holdings Limited
Singapore Exchange Limited

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

Mr. Chan Chi Mong, Hopkins ("Mr. Chan"), aged 57, is an independent non-executive director and a member of the audit committee and remuneration committee of the Company. He joined the Group in May 2012. Mr. Chan is the founder member of the Institute of Leadership and Management, U.K. Mr. Chan has over twenty years' experiences in finance and management. He served as the vice president and associate director of Dean Witter Reynolds (H.K.) Ltd., and the executive director of Silver Grant International Finance Ltd. He is the president of Chengdu Arkian Scientific Research Ltd. He is the supervisor of Hong Kong Pui Ching Middle School, and Hong Kong Pui Ching Primary School. In social service, he is the board chairman of Baptist Oi Kwan Social Service. Currently, Mr. Chan is acting as independent non-executive director of Talent Property Group Limited (stock code: 760, a company listed on the Main Board of The Stock Exchange of Hong Kong Limited).

SENIOR MANAGEMENT

Mr. Ma Man Ho, Stephen ("Mr. Ma"), aged 44, is the finance director of the Group. Mr. Ma joined the Group in 2012. He has over 10 years of experience working in financial management and corporate development. Prior to joining the Group, Mr. Ma held management roles with several financial services companies in Hong Kong and the United States. He holds a Bachelor of Business Administration degree from the Chinese University of Hong Kong and a Master of Business Administration degree from Northwestern University's Kellogg School of Management.

Mr. Tsung Shih Kin, Samuel ("Mr. Tsung"), aged 64, is the chief technical officer of the Group and a former executive director of the Company. He joined the Group in 2003. Mr. Tsung obtained a bachelor's degree in Electrical Engineering from the University of Texas, Austin, in 1975. He has over 30 years of progressive IT industry experience in Canada, Hong Kong and China. Mr. Tsung is in charge of commercial application of information technology and development of Internet and e-commerce capabilities. Prior to joining the Group, Mr. Tsung held several key senior management positions in the IT service industry. He had worked in Canada for 18 years and served as a manager of application development for the Ministry of Agriculture & Food in Ontario, Canada until 1996.

Ms. Lu Wu Qing ("Ms. Lu"), aged 46, is the senior vice president and chief administrative officer of the Group and joined the Group in 2003. Prior to joining the Group, Ms. Lu worked as a deputy manager of the administrative department of Guangdong Pacific Electronic Technology Mall Co., Ltd. (廣東太平洋電子科技廣場有限公司). She obtained a bachelor's degree in Computer Software from Sun Yat-sen University (中山大學) in 1990.

Mr. Wong Huk Yung, Hudson ("Mr. Wong"), aged 49, is the company secretary and financial controller of the Group and joined the Group in 2005. He is a member of the Hong Kong Institute of Certified Public Accountants. Prior to joining the Group, Mr. Wong was a qualified accountant working for international accounting firms and a Hong Kong listed company. He obtained a bachelor's degree in Economics and Accounting from University of Reading.

Ms. Fan Zeng Chun ("Ms. Fan"), aged 44, is the vice president responsible for finance of the PRC operations in the Group. She joined the Group in 2003. Prior to joining the Group, Ms. Fan worked as a senior accounting manager at Guangdong Pacific Electronic Technology Mall Co., Ltd. (廣東太平洋電子科技廣場有限公司). Ms. Fan is a qualified accountant (enterprise) and certified internal auditor. Ms. Fan graduated from the Zhejiang Zhijin Economic Professional School (浙江治金經濟專科學校) with a Certificate of Industrial Economics (經濟系工業經濟專業專科).

CORPORATE GOVERNANCE REPORT

The Board presents this Corporate Governance Report in the Company's annual report for the year ended 31 December 2014.

CORPORATE GOVERNANCE PRACTICES

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

The Company has applied the principles set out in the Corporate Governance Code (the "CG Code") as contained in Appendix 14 of the Rules (the "Listing Rules") Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

In the opinion of the Board, the Company has complied with the code provisions set out in the CG Code throughout the year ended 31 December 2014, save for the deviation from the code provision A.2.1 which requires that the roles of chairman and chief executive should be separate and should not be performed by the same individual. Key corporate governance principles and practices of the Company as well as details relating to the foregoing deviation are summarized below.

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

THE BOARD

Responsibilities and Delegation

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

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

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

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

Board Composition

The following chart illustrated the structure and membership of the Board and the Board committees as at 31 December 2014:

Board of Directors

Executive Directors

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

Independent Non-executive Directors

Mr. Tsui Yiu Wa, Alec
Mr. Thaddeus Thomas Beczak
Mr. Chan Chi Mong, Hopkins

Executive Committee

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

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

The Board has at all times during the year ended 31 December 2014 met the requirements of the Listing Rules relating to the appointment of at least three independent non-executive directors (representing at least one-third of the Board) with at least one independent non-executive director possessing appropriate professional qualifications and accounting and related financial management expertise.

The Board has maintained the necessary balance of skills and experience appropriate for the business requirements and objectives of the Group and for the exercise of independent judgement.

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

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

Chairman and Chief Executive Officer

Code provision A.2.1 of the CG Code stipulates that the roles of chairman and chief executive should be separate and should not be performed by the same individual.

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 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.

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

Appointment, Re-Election and Removal of Directors

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

According to the Company's Articles of Association (the "Articles of Association"), all directors of the Company are subject to retirement by rotation at least once every three years and are eligible for re-election at annual general meetings of the Company. Any new director appointed by the Board to fill a casual vacancy shall submit himself/herself for re-election by shareholders at the first general meeting and any new director appointed by the Board as an addition to the Board shall submit himself/herself for re-election by shareholders at the next following annual general meeting.

Pursuant to the above provisions in the Articles of Association, Mr. Wang Ta-Hsing, Mr. Thaddeus Thomas Beczak and Mr. Chan Chi Mong, Hopkins shall retire by rotation at the forthcoming 2015 annual general meeting of the Company (the "2015 AGM"). It is noted that all the above three retiring directors will offer themselves for re-election. The Company's circular, sent together with this annual report, contains detailed information of such directors as required by the Listing Rules.

Training and Continuous Professional Development of Directors

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

Directors should participate in appropriate continuous professional development to develop and refresh their knowledge and skills to ensure that their contribution to the Board remains informed and relevant. Internally-facilitated briefings for directors will be arranged and reading materials on relevant topics will be issued to directors where appropriate. All directors are encouraged to attend relevant training courses at the Company's expenses.

During the year ended 31 December 2014, the Company (i) has organized briefings conducted by the Company Secretary for all its directors, namely, Dr. Lam Wai Yan, Mr. Ho Kam Wah, Mr. Wang Ta-Hsing, Ms. Zhang Cong Min, Mr. Tsui Yiu Wa, Alec, Mr. Thaddeus Thomas Beczak and Mr. Chan Chi Mong, Hopkins, on corporate governance and update on the Listing Rules and (ii) has provided reading materials on regulatory update to all the directors for their reference and studying.

Model Code for Securities Transactions

The Company has adopted its own code of conduct governing directors' dealings in the Company's securities (the "Own Code") on terms no less exacting than the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules. Specific enquiry has been made to all the Company's directors and they have confirmed that they have complied with the Own Code and the Model Code throughout the period from 1 January 2014 to the date of this report.

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

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

Attendance Records of Directors and Committee Members

The attendance records of each director at the Board and Board Committee meetings and the general meeting of the Company held during the year ended 31 December 2014 is set out in the table below:

	Attendance/Number of Meetings				
Name of Director	**Board**	**Audit Committee**	**Remuneration Committee**	**Nomination Committee**	**Annual General Meeting**
Dr. Lam Wai Yan	4/4	—	—	1/1	1/1
Mr. Ho Kam Wah	4/4	—	—	—	1/1
Mr. Wang Ta-Hsing	3/4	—	—	—	0/1
Ms. Zhang Cong Min	3/4	—	—	—	1/1
Mr. Tsui Yiu Wa, Alec	3/4	2/2	1/1	1/1	0/1
Mr. Thaddeus Thomas Beczak	4/4	2/2	1/1	1/1	1/1
Mr. Chan Chi Mong, Hopkins	4/4	1/2	1/1	—	1/1

Apart from regular Board meetings, the Chairman of the Board also held a meeting with the independent non-executive directors without the presence of executive directors during the year.

BOARD COMMITTEES AND CORPORATE GOVERNANCE FUNCTIONS

The Board has established four Board committees during the year ended 31 December 2014, namely, the Executive Committee, the Audit Committee, the Remuneration Committee and the Nomination Committee, for overseeing particular aspects of the Company's affairs. All Board committees have been established with defined written terms of reference, which are posted on the Company's website (http://corp.pconline.com.cn) and on the Stock Exchange's website (www.hkexnews.hk) (except for the written terms of reference of the Executive Committee which is available to shareholders upon request). All the Board committees should report to the Board on their decisions or recommendations made.

Executive Committee

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

Audit Committee

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

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

During the year ended 31 December 2014, the Audit Committee has performed the following major tasks:

— Review and discussion of the annual financial statements, results announcement and report for the year ended 31 December 2013, the related accounting principles and practices adopted by the Group and the relevant audit findings; the report from the external auditor on the Company's internal control and risk management; and the recommendation of the re-appointment of the external auditor; and

— Review and discussion of the interim financial statements, results announcement and report for the six months ended 30 June 2014 and the related accounting principles and practices adopted by the Group; and the review of the arrangements for employees of the Company to raise concerns about possible improprieties.

The external auditor was invited to attend the Audit Committee meetings held during the year to discuss with the Audit Committee members on issues arising from the audit and financial reporting matters. The Audit Committee also met the external auditor twice without the presence of the executive directors. Besides, there is no disagreement between the Board and the Audit Committee regarding the re-appointment of external auditor.

Remuneration Committee

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

The principal duties of the Remuneration Committee are to (i) make recommendations to the Board on the Company's remuneration policy and structure for directors and members of senior management and the establishment of a formal and transparent procedure for developing such remuneration policy and structure; (ii) make recommendations on the remuneration packages of directors and senior management (i.e. the model described in the code provision B.1.2(c)(ii) of the CG Code was adopted); and (iii) review and approve performance-based remuneration by reference to corporate goals and objectives.

During the year ended 31 December 2014, the Remuneration Committee has reviewed and made recommendations on the payment of discretionary bonus to the executive directors of the Company and remuneration package of the directors and senior staff of the Company.

Pursuant to code provision B.1.5 of the CG Code, the annual remuneration of the members of senior management by band for the year ended 31 December 2014 is set out below:

	Number of individuals
HKD0 to HKD2,000,000	4
HKD2,000,001 to HKD3,000,000	1
	5

Details of the remuneration of each director of the Company for the year ended 31 December 2014 are set out in note 7(b) to the consolidated financial statements contained in this annual report.

Nomination Committee

The Nomination Committee comprises a total of three members, being one executive director, namely, Dr. Lam Wai Yan (Chairman), and two independent non-executive directors, namely, Mr. Tsui Yiu Wa, Alec and Mr. Thaddeus Thomas Beczak. Accordingly, a majority of the members are independent non-executive directors of the Company.

The principal duties of the Nomination Committee are to (i) review the Board composition, develop and formulate relevant procedures for the nomination and appointment of directors; (ii) make recommendations to the Board on the appointment and succession planning of directors; and (iii) assess the independence of independent non-executive directors of the Company.

In assessing the Board composition, the Nomination Committee would take into account various aspects set out in the Board diversity policy, including but not limited to gender, age, cultural and educational background, professional qualifications, skills, knowledge and industry and regional experience. The Nomination Committee would discuss and agree on measurable objectives for achieving diversity on the Board, where necessary, and recommend them to the Board for adoption.

In identifying and selecting suitable candidates for directorship, the Nomination Committee would consider the candidate's character, qualifications, experience, independence and other relevant criteria necessary to complement the corporate strategy and achieve Board diversity, where appropriate, before making recommendation to the Board. External recruitment professionals might be engaged to carry out selection process when necessary.

During the year ended 31 December 2014, the Nomination Committee has performed the following major tasks:

— Review of the structure, size and composition of the Board to ensure that it has a balance of expertise, skills and experience appropriate to the requirements of the business of the Company;

— Recommendation of the re-appointment of those directors standing for re-election at the 2014 annual general meeting of the Company; and

— Assessment of the independence of the independent non-executive directors of the Company.

Corporate Governance Functions

The Board is responsible for performing the functions set out in the code provision D.3.1 of the CG Code.

During the year ended 31 December 2014, the Board has reviewed the Company's corporate governance policies and practices, training and continuous professional development of directors and senior management, the Company's policies and practices on compliance with legal and regulatory requirements, the Company's compliance of the Model Code and Employees Written Guidelines, and the Company's compliance with the CG Code and disclosure in this Corporate Governance Report.

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

The directors have acknowledged their responsibilities for preparing the financial statements of the Company for the year ended 31 December 2014.

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

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

INTERNAL CONTROLS

The Board is responsible for maintaining an adequate internal control system to safeguard shareholders' investments and the Group's assets and for reviewing the effectiveness of such system on an annual basis. The senior management reviews and evaluates the control process, monitors any risk factors on a regular basis and reports to the Audit Committee on any findings and measures to address the variances and identified risks.

During the year under review, the Board has conducted a review of the effectiveness of the internal control system of the Company.

EXTERNAL AUDITOR AND AUDITORS' REMUNERATION

The statement of the external auditor of the Company about their reporting responsibilities on the Company's consolidated financial statements for the year ended 31 December 2014 is set out in the section headed "Independent Auditor's Report" in this annual report.

The fees paid/payable to the Group's external auditors in respect of audit services and non-audit services for the year ended 31 December 2014 are analyzed below:

Type of services provided by the Group's external auditors	**Fees paid/ payable (RMB)**
Audit services (including interim review):	3,506,000
Non-audit services:	406,000
TOTAL:	3,912,000

COMPANY SECRETARY

During the year ended 31 December 2014, Mr. Wong Huk Yung, Hudson, the Company Secretary, has taken no less than 15 hours of relevant professional trainings to update his skills and knowledge.

COMMUNICATIONS WITH SHAREHOLDERS AND INVESTORS

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

The Company maintains a website at "http://corp.pconline.com.cn", as a communication platform with shareholders and investors, where information on the Company's announcement, financial information and other information are available for public access. Shareholders and investors may send written enquiries or requests to the Company. Contact details are as follows:

Address: Unit 807, Tower Two, Lippo Centre, 89 Queensway, Hong Kong
(For the attention of the Investor Relations Department)

Email: ir@pconline.com.cn

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

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

SHAREHOLDERS' RIGHTS

As one of the measures to safeguard shareholders' interests and rights, separate resolutions are proposed at shareholders' meetings on each substantial issue, including the election of individual directors, for shareholders' consideration and voting. Besides, the Company's shareholders may convene an extraordinary general meeting or put forward proposals at shareholders' meetings pursuant to the Company's Articles of Association as follows:

(i) Any one or more shareholders holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company shall at all times have the right, by written requisition to the Board or the Company Secretary of the Company, to require an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition.

(ii) If a shareholder wishes to propose a person other than a retiring director for election as a director of the Company at a general meeting, the shareholder (other than the person to be proposed) duly qualified to attend and vote at the general meeting shall send a written notice, duly signed by the shareholder, of his/her intention to propose such person for election and also a notice signed by the person to be proposed of his/her willingness to be elected. These notices should be lodged at the Company's head office in Hong Kong or the Company's registration office (i.e. Tricor Investor Services Limited) at least 7 days prior to the date of the general meeting. If the notices are submitted after the dispatch of the notice of the general meeting appointed for such election, the period for lodgement of such notices shall commence on the day after the dispatch of the notice of such general meeting and end no later than 7 days prior to the date of such general meeting.

For the avoidance of doubt, shareholders must deposit and send the original duly signed written requisition, notice or statement (as the case may be) to the Company's head office in Hong Kong and provide their full name, contact details and identification in order to give effect thereto. Shareholders' information may be disclosed as required by law.

During the year under review, the Company has not made any changes to its Articles of Association. An up to date version of the Company's Articles of Association is also available on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (http://corp.pconline.com.cn).

All resolutions put forward at shareholders' meetings will be voted by poll pursuant to the Listing Rules and the poll voting results will be posted on the websites of the Stock Exchange and the Company immediately after the relevant general meetings.

The Board is pleased to present the annual report and the audited consolidated financial statements of the Company and the Group for the year ended 31 December 2014.

GROUP REORGANISATION

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

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

PRINCIPAL ACTIVITIES

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

RESULTS AND DIVIDENDS

The results of the Group for the year ended 31 December 2014 are set out in the consolidated income statement on page 43.

The Board has recommended the payment of a final dividend of RMB13.93 cents per ordinary share in cash for the year ended 31 December 2014 (the "Proposed Final Dividend") (2013: RMB16.25 cents), subject to the shareholders' approval at the 2015 AGM to be held on Friday, 22 May 2015. The Proposed Final Dividend will be paid in cash on 12 June 2015 to shareholders whose names appear on the register of members of the Company at the close of business on 3 June 2015.

CLOSURE OF REGISTER OF MEMBERS

For determining the entitlement to attend and vote at the 2015 AGM, the register of members of the Company will be closed from Wednesday, 20 May 2015 to Friday, 22 May 2015, both days inclusive, during which period no transfer of shares of the Company will be registered. In order to be eligible to attend and vote at the 2015 AGM, unregistered holders of shares of the Company should ensure that all share transfer documents accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, for registration not later than 4:30 p.m. on Tuesday, 19 May 2015.

For determining the entitlement to the Proposed Final Dividend, the register of members of the Company will also be closed from Monday, 1 June 2015 to Wednesday, 3 June 2015, both days inclusive, during which period no transfer of shares of the Company will be registered. In order to be eligible to receive the Proposed Final Dividend, unregistered holders of shares of the Company should ensure that all share transfer documents accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited, at the above address, for registration not later than 4:30 p.m. on Friday, 29 May 2015.

FINANCIAL SUMMARY

A summary of the published results and assets, liabilities and assets less liabilities of the Group for the last five financial years, as extracted from the audited financial statements, is set out on page 108 of the annual report. This summary does not form part of the audited financial statements.

PROPERTY AND EQUIPMENT

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

SHARE CAPITAL

Details of movements in the share capital of the Company during the year are set out in note 22 to the consolidated financial statements.

SHARE OPTION SCHEMES

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

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

	Details	**Pre-IPO Share Option Plan**	**Post-IPO Share Option Plan**
1.	Purpose	To recognize the contribution to the Group by the executive directors, certain senior management staff and employees of the Group and to retain those persons whose contributions are important to the long-term growth and profitability of the Group.	To advance the interests of the Company and its shareholders by enabling the Company to grant share options to attract, retain and reward the eligible persons, to provide to the eligible persons a performance incentive for continued and improved services with the Company and its subsidiaries, and to enhance such persons' contribution to increase the profits by encouraging capital accumulation and share ownership.
2.	Participants	Any executive directors, senior management staff and employees of the Group.	Any directors (whether executive or non-executive and whether independent or not), any employee (whether full-time or part-time), any consultant or adviser of or to the Company or the Group (whether on an employment, contractual or honorary basis and whether paid or unpaid), who, in the absolute opinion of the Board, have contributed to the Company or the Group.
3.	Total number of ordinary shares available for issue	No further option could be granted under the Pre-IPO Share Option Plan.	98,130,880 shares, being approximately 8.8% of the issued share capital as at the date of this annual report.
4.	Maximum entitlement of each participant	Determined by the Board.	Where any grant or further grant of options to a participant would result in the total number of shares issued and to be issued upon exercise of all the options already granted and to be granted to such person (including exercised, cancelled and outstanding options) in the 12-month period up to and including the date of such grant or further grant representing in aggregate over 1% of the total number of shares in issue, such grant or further grant must be separately approved by the shareholders in a general meeting. Where any grant or further grant of options to a substantial shareholder or an independent non-executive director of the Company, or any of their respective associates, would result in the total number of shares issued and to be issued upon exercise of all options already granted and to be granted (including exercised, cancelled and outstanding options) to such person in the 12-month period up to and including the date of such grant: (a) representing in aggregate over 0.1% of the relevant class of shares in issue; and (b) having an aggregate value, based on the closing price of the shares at the date of each grant, in excess of HK$5,000,000, such grant or further grant of options must be approved by the shareholders in a general meeting.

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

During the year ended 31 December 2014, movements of the two share option plans of the Company are as follows:

(a) Pre-IPO Share Option Plan

				Number of share options			
Category	**Date of grant**	**Exercise period[1]**	**Exercise price per share**	**As at 1 January 2014**	**Exercised during the year**	**Lapsed during the year**	**As at 31 December 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	(73,940)	—	2,640,392
	23 November 2007	B	II	4,140,116	(191,568)	—	3,948,548
	23 November 2007	C	III	4,962,659	(446,490)	—	4,516,169
				11,817,107	(711,998)	—	11,105,109
Total				28,409,283	(711,998)	—	27,697,285

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

Notes:

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

(2) No share options have been granted/cancelled under the Pre-IPO Share Option Plan during the year ended 31 December 2014.

(b) Post-IPO Share Option Plan

Category	Date of grant	Exercise period(1)	Exercise price per share	Number of share options: As at 1 January 2014	Exercised during the year	Lapsed during the year	As at 31 December 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 year ended 31 December 2014.

Further details of the two share option plans of the Company are set out in note 23 to the consolidated financial statements.

SHARE AWARD SCHEME

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

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

During the year, a total of 1,672,730 shares were granted. Further details in relation to the Share Award Scheme are set out in note 23 to the consolidated financial statements.

PRE-EMPTIVE RIGHTS

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

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

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the year ended 31 December 2014.

RESERVES

Details of movements in the reserves of the Company and the Group during the year are set out in note 23 to the consolidated financial statements and in the consolidated statement of changes in equity, respectively.

DISTRIBUTABLE RESERVES OF THE COMPANY

As at 31 December 2014, the Company had distributable reserves amounting to RMB1,049.8 million (2013: RMB938.3 million).

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

MAJOR CUSTOMERS AND SUPPLIERS

In the year under review, sales to the Group's five largest customers accounted for 25% of the total sales for the year and sales to the largest customer included therein amounted to 6%. Excluded the acquisition of property, purchases from the Group's five largest suppliers accounted for 42% of the total purchases for the year and purchase from the largest supplier included therein amounted to 16%.

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

EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2014, the Group had 1,762 employees (2013: 1,495), increased by 267 over 2013. The increase in staff level presented the expansion of the Group's operations in 2014. The Group determines its staff's remuneration based on factors such as qualifications and years of experience.

DIRECTORS' REPORT

DIRECTORS

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

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

In accordance with Article 87 of the Company's Articles of Association, Mr. Wang Ta-Hsing, Mr. Thaddeus Thomas Beczak and Mr. Chan Chi Mong, Hopkins shall retire from office by rotation at the 2015 AGM. The above retiring directors, being eligible, will offer themselves for re-election at the 2015 AGM.

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

DIRECTORS' SERVICE CONTRACTS

None of the directors being proposed for re-election at the 2015 AGM has a service agreement with the Company, which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

DIRECTORS' INTERESTS IN CONTRACTS

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

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

As at 31 December 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 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†
Dr. Lam Wai Yan	Long	Beneficial owner	308,064,561	—	27.71%
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.

† The percentage represents the number of ordinary shares interested divided by the number of the Company's issued shares as at 31 December 2014.

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

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

† The percentage represents the number of shares interested divided by the number of GZ Yingxin's issued shares as at 31 December 2014.

(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†
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 Schemes" and note 23 to the consolidated financial statements.

† The percentage represents the number of underlying shares interested divided by the number of the Company's issued shares as at 31 December 2014.

Save as disclosed above and in the above section headed "Share Option Schemes", as at 31 December 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.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed in the share option scheme disclosures in note 23 to the consolidated financial statements, at no time during the year were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any director or their respective spouse or minor children, or were any such rights exercised by them; or was the Company, its holding company, or any of its subsidiaries or fellow subsidiaries a party to any arrangement to enable the directors to acquire such rights in any other body corporate.

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN THE SHARES OF THE COMPANY

As at 31 December 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:

Name of substantial shareholder	**Long/ Short position**	**Capacity**	**Number of ordinary shares in the Company**	**Note**	**Percentage of the Company's issued share capital†**
Ms. Ma Muk Lan	Long	Interests of spouse	308,064,561	(1)	27.71%
Gallop Assets Management Limited	Long	Beneficial owner	296,172,030	(2)	26.64%
J.P. Morgan Trust Company (Bahamas) Limited as trustee of The Gallop Trust	Long	Trustee	296,172,030	(2)	26.64%
Mr. Wang Ko Chiang	Long	Founder of a discretionary trust	296,172,030	(2)	26.64%
	Long	Interests held by controlled corporations	540,000	(3)	0.05%
			296,712,030	—	26.69%
Mrs. Wang Tang Shi Ming	Long	Interests of spouse	296,612,030	(4)	26.68%
	Long	Interests held by a controlled corporation	100,000	(3)	0.01%
			296,712,030	—	26.69%
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.

† The percentage represents the number of ordinary shares interested divided by the number of the Company’s issued shares as at 31 December 2014.

Save as disclosed above, as at 31 December 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.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

As at 31 December 2014, to the best knowledge of the directors, none of the directors and their respective associates was considered to have any interests in businesses which compete or are likely to compete, either directly or indirectly, with the businesses of the Group, other than those businesses where the directors were appointed as directors to represent the interests of the Company and/or the Group.

CORPORATE GOVERNANCE

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

SUFFICIENCY OF PUBLIC FLOAT

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

CONNECTED TRANSACTIONS

A summary of the related party transactions entered into the Group during year ended 31 December 2014 is contained in note 27 to the consolidated financial statements.

During the year ended 31 December 2014, save for the continuing connected transactions as disclosed below, we have not entered into any connected transaction or continuing connected transaction which should be disclosed pursuant to the requirements of Rule 14A of the Listing Rules.

1. Tenancy Agreements

On 27 December 2012, the Group entered into the renewed tenancy agreements (the "Tenancy Agreements") with Kexim Company Limited ("Kexim") and South China Resources Development Consultants Limited ("SCRD Consultants") for a term of 3 years commencing from 1 January 2013 to 31 December 2015. Under the terms of the Tenancy Agreements, Kexim and SCRD Consultants leased to the Group certain premises and properties for general office uses.

Each of Kexim and SCRD Consultants is controlled by Mr. Wang Ko Chiang, a substantial shareholder of the Company, and is therefore a core connected person of the Company under the Listing Rules.

During the year ended 31 December 2014, the total amount of fees paid by the Group under the Tenancy Agreements was RMB973,000 and the annual cap amount was RMB3,000,000.

2. Advertising Agreements

On 27 December 2012, the Group entered into the renewed advertising agreement with Kexim and a new advertising agreement with SCRD Consultants (together, the "Advertising Agreements") for a term of 3 years commencing from 1 January 2013 to 31 December 2015. Under the terms of the Advertising Agreements, Kexim and SCRD Consultants respectively authorised the Company to lease the advertising boards on the external walls of the relevant property(ies) which were owned by Kexim or SCRD Consultants and/or their respectively subsidiaries as well as to receive and collect all revenue in connection with the leasing of such advertising boards, and the Company is responsible for obtaining all necessary government approvals for placing such outdoor advertisements and for paying the associated costs thereof.

Each of Kexim and SCRD Consultants is controlled by Mr. Wang Ko Chiang, a substantial shareholder of the Company, and is therefore a core connected person of the Company under the Listing Rules.

During the year ended 31 December 2014, the total amount of fees paid by the Group under the Advertising Agreements was RMB1,972,000 and the annual cap amount was RMB6,500,000.

3. Property Management Service Agreement

On 27 December 2012, the Company entered into the property management service agreement ("Property Management Service Agreement") with Beijing Pacific Times Property Management Co., Ltd. (北京太平洋時代物業管理有限公司) ("BPT Property Management") for a term of 3 years commencing from 1 January 2013 to 31 December 2015. Under the terms of the Property Management Service Agreement, BPT Property Management agreed to provide and the Group agreed to receive property management services in relation to the premises owned or rented by the Group.

BPT Property Management is controlled by Mr. Wang Ko Chiang, a substantial shareholder of the Company, and is therefore a core connected person of the Company under the Listing Rules.

During the year ended 31 December 2014, the total amount of fees paid by the Group under the Property Management Service Agreement was RMB181,000 and the annual cap was RMB1,200,000.

4. **Structure Contract Transactions**

The Group had continuing connected transactions in the form of structure contracts (the "Structure Contracts Transactions").

The Group conducts its online advertising business through GZ Yingxin, Guangdong Pacific Internet Information Service Co., Ltd. ("GDP Internet") and the subsidiaries of GDP Internet under the structure contracts entered into with the Company's wholly-owned subsidiary, Guangzhou Pacific Computer Information Consulting Co., Ltd.. Ms. Zhang Cong Min, an executive director of the Company, holds a 40% equity interest in GZ Yingxin. As such, GZ Yingxin is an associate of Ms. Zhang under the Listing Rules and therefore a core connected person of the Company. The structure contracts are fundamental to the Group's legal structure and business operations. The Directors believe that the nature of the Group structure whereby the financial results of GZ Yingxin, GDP Internet and the subsidiaries of GDP Internet are consolidated with the Group's financial statements as if they were subsidiaries of the Company and the economic benefits of their business flow to the Company. The transactions (technical support, information consulting and technical services) under structure contracts carried out during the year ended 31 December 2014 were approximately RMB854,389,000 and the amounts have been eliminated in the consolidated financial statements of the Company and its subsidiaries.

The independent non-executive directors of the Company have reviewed the continuing connected transactions for the year ended 31 December 2014 and confirmed as follows:

(I) The continuing connected transaction related to Tenancy Agreements, Advertising Agreements and Property Management Service Agreement had been:

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

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

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

(II) The Structure Contracts Transactions had been entered into in accordance with the relevant provisions of the structure contracts; the terms of the structure contracts remain unchanged and consistent with those disclosed in the Prospectus; and no dividends have been made by GZ Yingxin to the GZ Yingxin's shareholders; and any new structural contractual arrangements entered into, renewed and/or "cloned" during the year ended 31 December 2014 are fair and reasonable so far as the Company is concerned and in the interests of the Company and its shareholders as a whole.

The auditor of the Company was engaged to report on the Group's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The auditor of the Company has issued his unqualified letter containing his findings and conclusions in respect of the aforesaid continuing connected transactions in accordance with Listing Rule 14A.56. A copy of the auditor's letter has been provided by the Company to the Stock Exchange.

AUDITOR

A resolution will be proposed at the 2015 AGM to re-appoint Messrs. PricewaterhouseCoopers as auditor of the Company.

On behalf of the Board
Lam Wai Yan
Chairman

27 March 2015

羅兵咸永道

To the shareholders of Pacific Online Limited
(Incorporated in the Cayman Islands with limited liability)

We have audited the consolidated financial statements of Pacific Online Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages 43 to 107, which comprise the consolidated and company balance sheets as at 31 December 2014, and the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

AUDITOR'S RESPONSIBILITY

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

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

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INDEPENDENT AUDITOR'S REPORT

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

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

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2014, and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 27 March 2015

CONSOLIDATED INCOME STATEMENT

	Note	Year ended 31 December 2014 RMB'000	 2013 RMB'000
Revenue	5	**987,526**	847,923
Cost of revenue	6	**(322,899)**	(249,861)
Gross profit		**664,627**	598,062
Selling and marketing costs	6	**(249,435)**	(167,896)
Administrative expenses	6	**(78,883)**	(77,395)
Product development expenses	6	**(61,450)**	(45,930)
Other income	8	**1,629**	7,150
Operating profit		**276,488**	313,991
Finance income	9	**8,965**	9,017
Finance cost	9	**(2,035)**	—
Finance income — net	9	**6,930**	9,017
Profit before income tax		**283,418**	323,008
Income tax expense	10	**(62,191)**	(69,374)
Profit for the year		**221,227**	253,634
Attributable to:			
Equity holders of the Company		**221,227**	253,634
Earnings per share for profit attributable to equity holders of the Company during the year			
— Basic (RMB)	11	**20.00 cents**	23.34 cents
— Diluted (RMB)	11	**19.63 cents**	22.83 cents

The notes on pages 49 to 107 are an integral part of these consolidated financial statements.

Dividend per share			
— Final dividend proposed (RMB)	12	**13.93 cents**	16.25 cents

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Year ended 31 December	
	2014	2013
	RMB'000	RMB'000
Profit for the year	**221,227**	253,634
Items that may be reclassified to profit or loss		
Change in value of investment in equity fund	**(2,243)**	—
Other comprehensive income for the year, net of tax	**(2,243)**	—
Total comprehensive income for the year	**218,984**	253,634
Attributable to:		
Equity holders of the Company	**218,984**	253,634

The notes on pages 49 to 107 are an integral part of these consolidated financial statements.

	Note	As at 31 December 2014 RMB'000	2013 RMB'000
ASSETS			
Non-current assets			
Lease prepayment		16,992	17,316
Property and equipment	13	264,736	202,243
Intangible assets	14	9,689	12,292
Deferred income tax assets	17	15,493	9,739
Prepayments	18	—	43,484
Investment in equity fund	19	28,954	—
Held-to-maturity financial assets	20	49,553	—
		385,417	285,074
Current assets			
Trade and other receivables and prepayments	18	505,140	380,553
Short-term bank deposits with original terms of over three months	21	2,539	12,500
Cash and cash equivalents	21	392,295	438,036
		899,974	831,089
Total assets		1,285,391	1,116,163
EQUITY AND LIABILITIES			
Capital and reserves			
Ordinary shares	22	10,312	10,161
Reserves	23	948,278	876,972
Total equity		958,590	887,133
Current liabilities			
Accruals and other payables	24	251,501	169,826
Prepaid advertising subscriptions from customers and deferred revenue		10,945	17,431
Current income tax liabilities		64,355	41,773
Total current liabilities		326,801	229,030
Total equity and liabilities		1,285,391	1,116,163
Net current assets		573,173	602,059
Total assets less current liabilities		958,590	887,133

Lam Wai Yan
Director

Wang Ta-Hsing
Director

The notes on pages 49 to 107 are an integral part of these consolidated financial statements.

BALANCE SHEET

	Note	As at 31 December 2014 RMB'000	2013 RMB'000
ASSETS			
Non-current assets			
Intangible assets		**8,793**	8,793
Interests in subsidiaries	15	**283,486**	278,469
Dividend due from subsidiaries		**264,000**	—
Held-to-maturity financial assets	20	**49,553**	—
		605,832	287,262
Current assets			
Prepayments	18	**185**	36
Amounts due from subsidiaries	15	**26,703**	32,698
Dividend due from subsidiaries		**387,000**	602,240
Cash and cash equivalents	21	**50,249**	36,569
		464,137	671,543
Total assets		**1,069,969**	958,805
EQUITY AND LIABILITIES			
Capital and reserves			
Ordinary shares	22	**10,312**	10,161
Reserves	23	**1,049,763**	938,342
Total equity		**1,060,075**	948,503
Current liabilities			
Accruals and other payables	24	**1,289**	1,697
Amounts due to subsidiaries	15	**8,605**	8,605
Total current liabilities		**9,894**	10,302
Total equity and liabilities		**1,069,969**	958,805
Net current assets		**454,243**	661,241
Total assets less current liabilities		**1,060,075**	948,503

Lam Wai Yan
Director

Wang Ta-Hsing
Director

The notes on pages 49 to 107 are an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Note	Attributable to equity holders of the Company		
		Ordinary shares	**Reserves**	**Total equity**
		RMB'000	RMB'000	RMB'000
Balance at 1 January 2013		10,100	772,447	782,547
Comprehensive income				
Profit		—	253,634	253,634
Other comprehensive income		—	—	—
Total comprehensive income		—	253,634	253,634
Transactions with shareholders				
— cash dividends relating to 2012, paid in 2013	12	—	(165,858)	(165,858)
Share Award Scheme	23(b)			
— value of employee services		—	3,412	3,412
Employees share option schemes	23(a)			
— exercise of share options		61	12,863	12,924
— value of employee services		—	474	474
Balance at 31 December 2013		10,161	876,972	887,133
Comprehensive income				
Profit		—	221,227	221,227
Other comprehensive income		—	(2,243)	(2,243)
Total comprehensive income		—	218,984	218,984
Transactions with shareholders				
— cash dividends relating to 2013, paid in 2014	12	—	(180,303)	(180,303)
Share Award Scheme	23(b)			
— purchase of shares		—	(1,232)	(1,232)
— value of employee services		—	5,017	5,017
Employees share option schemes	23(a)			
— exercise of share options		151	28,840	28,991
Balance at 31 December 2014		10,312	948,278	958,590

The notes on pages 49 to 107 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

		Year ended 31 December	
		2014	2013
	Note	**RMB'000**	RMB'000
Cash flows from operating activities			
Cash generated from operations	25	**251,600**	269,743
Income tax paid		**(45,363)**	(62,556)
Net cash generated from operating activities		**206,237**	207,187
Cash flows from investing activities			
Purchase of property and equipment		**(35,521)**	(51,447)
Disposals of property and equipment		**592**	34
Purchase of intangible assets		**(1,054)**	(1,307)
Investment in equity fund		**(31,197)**	—
Purchase of held-to-maturity financial assets		**(49,220)**	—
Placement of short-term bank deposits with original terms of over three months		**(117,925)**	(170,487)
Receipt from maturity of short-term bank deposits with original terms of over three months		**127,886**	160,570
Interest received		**9,437**	7,890
Net cash used in investing activities		**(97,002)**	(54,747)
Cash flows from financing activities			
Purchase of shares held for Share Award Scheme		**(1,232)**	—
Cash dividends paid		**(180,303)**	(165,858)
Proceeds from issuance of ordinary shares		**28,991**	12,924
Net cash used in financing activities		**(152,544)**	(152,934)
Net decrease in cash and cash equivalents		**(43,309)**	(494)
Cash and cash equivalents at beginning of year		**438,036**	437,316
Exchange (losses)/gains on cash and cash equivalents		**(2,432)**	1,214
Cash and cash equivalents at end of the year	21	**392,295**	438,036

The notes on pages 49 to 107 are an integral part of these consolidated financial statements.

1. GENERAL INFORMATION

(a) General information

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

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

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

These consolidated financial statements are presented in Renminbi ("RMB"), unless otherwise stated.

These consolidated financial statements have been approved for issue by the board of directors (the "Board") of the Company on 27 March 2015.

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

The PRC laws and regulations limit foreign ownership of companies providing value-added telecommunications services, which include online advertising through the internet. In order for the Group to provide such services in the PRC, the following arrangements have been made:

— *Establishment of Guangzhou Yingxin Computer Technology Exchange Co., Ltd. (廣州英鑫計算機科技交流有限公司, "GZ Yingxin")*

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

1. GENERAL INFORMATION (CONTINUED)

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

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

Through various equity transfer arrangements commenced after the establishment of GZ Yingxin, all the equity interests of two operating companies in the PRC, Guangzhou Pacific Advertising Co., Ltd. (廣州市太平洋廣告有限公司, "GZP Advertising") and Guangdong Pacific Internet Information Service Co.,Ltd. (廣東太平洋互聯網信息服務有限公司, "GDP Internet") were transferred to GZ Yingxin in or before August 2007.

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

— *Structure Contracts arrangements made between Takehigh Group and GZ Yingxin Group*

In addition to GZ Yingxin, Structure Contracts have also been executed among Guangzhou Pacific Computer Information Consulting Co., Ltd. (廣州太平洋電腦信息咨詢有限公司, "GZP Computer"), a subsidiary of the Takehigh Group, the subsidiaries of GZ Yingxin, and the 3 Registered Owners. Through these contractual arrangements, Takehigh exercise effective financial and operational control over GZ Yinxin and its subsidiaries (collectively the "GZ Yingxin Group"). Takehigh and GZP Computer are also entitled to substantially all the operating profits and residual benefits generated by GZ Yingxin Group under these arrangements. In particular, the 3 Registered Owners are required under the contractual arrangements made with the Takehigh Group to transfer their interests in GZ Yingxin to the Takehigh Group or its designee, upon the Takehigh Group's request at the lowest amount of consideration permitted by PRC law and upon the time when the relevant PRC law and regulations allow such to do so.

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

As a result of the contractual arrangements, Takehigh has rights to variable returns from its involvement with GZ Yingxin Group and has ability to affect those returns through its power over GZ Yingxin Group and is considered to control GZ Yingxin Group.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

2.1 Basis of presentation

The consolidated financial statements of the Group have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS"). They have been prepared under the historical cost convention, as modified by the revaluation of investment in equity fund, which is carried at fair value.

The consolidated financial statements are prepared in accordance with the applicable requirements of the predecessor Companies Ordinance (Cap. 32) for this financial year and the comparative period.

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

Changes in accounting policies and disclosures

(a) *Amendments to standards and interpretations adopted by the Group*

The following amendments to existing standards and interpretation have been adopted by the Group for the first time for the financial year beginning on 1 January 2014:

- Amendment to HKAS 32, 'Financial instruments: Presentation' on offsetting financial assets and financial liabilities. This amendment clarifies that the right of set-off must not be contingent on a future event. It must also be legally enforceable for all counterparties in the normal course of business, as well as in the event of default, insolvency or bankruptcy. The amendment also considers settlement mechanisms.

- Amendments to HKAS 36, 'Impairment of assets' on the recoverable amount disclosures for non-financial assets. This amendment removed certain disclosures of the recoverable amount of CGUs which had been included in HKAS 36 by the issue of HKFRS 13. It also enhanced the disclosures of information about the recoverable amount of impaired assets if that amount is based on fair value less costs of disposal.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of presentation (Continued)

Changes in accounting policies and disclosures (Continued)

(a) Amendments to standards and interpretations adopted by the Group (Continued)

- Amendment to HKAS 39, 'Financial instruments: Recognition and measurement' on the novation of derivatives and the continuation of hedge accounting. This amendment considers legislative changes to 'over-the-counter' derivatives and the establishment of central counterparties. Under HKAS 39 novation of derivatives to central counterparties would result in discontinuance of hedge accounting. The amendment provides relief from discontinuing hedge accounting when novation of a hedging instrument meets specified criteria.

- Amendments to HKFRS 10, 12 and HKAS 27, 'Consolidation for investment entities': These amendments mean that many funds and similar entities will be exempt from consolidating most of their subsidiaries. Instead, they will measure them at fair value through profit or loss. The amendments give an exception to entities that meet an 'investment entity' definition and which display particular characteristics. Changes have also been made in HKFRS 12 to introduce disclosures that an investment entity needs to make.

- HKFRIC 21, 'Levies' sets out the accounting for an obligation to pay a levy if that liability is within the scope of HKAS 37 'Provisions'. The interpretation addresses what the obligating event is that gives rise to the payment a levy and when a liability should be recognised.

The adoption of the above amendments to existing standards and interpretations did not have any material impact on the consolidated financial statements of the Group except for disclosure and has not led to any changes in the accounting policies.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of presentation (Continued)

Changes in accounting policies and disclosures (Continued)

(b) *New standards and amendments to existing standards not yet adopted*

A number of new standards and amendments to standards are not effective for financial year beginning 1 January 2014, and have not been early adopted by the Group in preparing these consolidated financial statements.

- Amendment to HKAS 27, 'Equity method in separate financial statements': The amendment allows entities to use equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements. The standard is effective for accounting periods beginning on or after 1 January 2016.

- HKFRS 15, 'Revenue from contracts with customers' deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. The core principle of HKFRS 15 is that an entity recognises revenue to depict the transfer of control of the promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The standard can be either (i) applied retrospectively with certain practical expedients available or (ii) through cumulative adjustment in the opening balance of retained earnings at date of application with additional disclosures which include reporting numbers under the old standard in year of transition. The Group is currently assessing the impact of this standard but it is not practicable to quantify the effect as at the date of the financial statements. The standard is effective for annual periods beginning on or after 1 January 2017 and earlier application is permitted. The Group is assessing the impact of HKAS 15.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of presentation (Continued)

Changes in accounting policies and disclosures (Continued)

(b) *New standards and amendments to existing standards not yet adopted (Continued)*

- HKFRS 9, 'Financial instruments', addresses the classification, measurement and recognition of financial assets and financial liabilities. The complete version of HKFRS 9 was issued in July 2014. It replaces the guidance in HKAS 39 that relates to the classification and measurement of financial instruments. HKFRS 9 retains but simplifies the mixed measurement model and establishes three primary measurement categories for financial assets: amortised cost, fair value through OCI and fair value through P&L. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. Investments in equity instruments are required to be measured at fair value through profit or loss with the irrevocable option at inception to present changes in fair value in OCI not recycling. There is now a new expected credit losses model that replaces the incurred loss impairment model used in HKAS 39. For financial liabilities there were no changes to classification and measurement except for the recognition of changes in own credit risk in other comprehensive income, for liabilities designated at fair value through profit or loss. HKFRS 9 relaxes the requirements for hedge effectiveness by replacing the bright line hedge effectiveness tests. It requires an economic relationship between the hedged item and hedging instrument and for the 'hedged ratio' to be the same as the one management actually use for risk management purposes. Contemporaneous documentation is still required but is different to that currently prepared under HKAS 39. The standard is effective for accounting periods beginning on or after 1 January 2018. Early adoption is permitted.

- 2012, 2013 and 2014 annual improvements projects to HKFRS and HKAS. The amendments clarify some accounting treatments/disclosure requirements under new/revised HKFRSs and HKAS and eliminate inconsistency. These improvements are not effective for financial year beginning 1 January 2014. Management does not expect these amendments to have a significant impact on the Group's consolidated financial statements.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of presentation (Continued)

Changes in accounting policies and disclosures (Continued)

(b) *New standards and amendments to existing standards not yet adopted (Continued)*

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. There are no other HKFRSs or HK(IFRIC) interpretations that are not yet effective that would be expected to have a material impact on the Group.

(c) *New Hong Kong Companies Ordinance (Cap. 622)*

In addition, the requirements of Part 9 "Accounts and Audit" of the new Hong Kong Companies Ordinance (Cap. 622) come into operation as from the Company's first financial year commencing on or after 3 March 2014 in accordance with section 358 of that Ordinance. The Group is in the process of making an assessment of expected impact of the changes in the Companies Ordinance on the consolidated financial statements in the period of initial application of Part 9 of the new Hong Kong Companies Ordinance (Cap. 622). So far it has concluded that the impact is unlikely to be significant and only the presentation and the disclosure of information in the consolidated financial statements will be affected.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Consolidation

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

Subsidiaries

A subsidiary is an entity (including a structured entity) over which the Group has control. The Group controls an entity when the group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are consolidated from the date on which control is transferred to the group. They are deconsolidated from the date that control ceases.

The Group uses the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred and the equity interests issued by the group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis. Non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation are measured at either fair value or the present ownership interests' proportionate share in the recognised amounts of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at their acquisition date fair value, unless another measurement basis is required by HKFRS.

The directors of the Company have concluded that it is appropriate to include GZ Yingxin Group in its consolidated financial statements, notwithstanding lack of the legal ownership, because in substance as a result of the contractual arrangements described in Note 1(b) above, Takehigh has rights to variable returns from its involvement with GZ Yingxin Group and has the ability to affect those returns through its power over GZ Yingxin Group and is considered to control GZ Yingxin Group. Consequently, the Company regards the GZ Yingxin Group as consolidated structured entities under HKFRSs.

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Profits and losses resulting from inter-company transaction that are recognised in assets are also eliminated.

Accounting policies of subsidiaries have been changed where necessary in the consolidated financial statements to ensure consistency with the policies adopted by the Group.

In the Company's balance sheet, the interests in subsidiaries are accounted for at cost less impairment (Note 2.8). The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.3 Segment reporting

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

2.4 Foreign currency translation

(a) Functional and presentation currency

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

(b) Transactions and balances

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

Translation differences on non-monetary financial assets, such as investment in equity fund classified as available for sale, are included in other comprehensive income.

(c) Group companies

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.4 Foreign currency translation (Continued)

(c) Group companies (Continued)

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

2.5 Lease prepayment

Lease prepayment is up-front payment to acquire long-term interest in land. Lease prepayment is carried at cost less accumulated amortisation and impairment losses. Amortisation is provided to write off the cost of lease prepayment on a straight-line basis over the remaining periods of the lease which are from 35 years to 45 years.

2.6 Property and equipment

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

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

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

Buildings	39 years
Building improvement	10 years
Leasehold improvements	the shorter of their useful lives and the lease terms
Computers and servers	3–5 years
Motor vehicles	5 years
Furniture, fittings and equipment	5 years

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

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 2.8).

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.7 Intangible assets

(a) Computer software and technology

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

(b) Club membership

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

2.8 Impairment of non-financial assets and investments in subsidiaries

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

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

2.9 Financial assets

(a) Classification

The Group classifies its financial assets in the following categories: loans and receivables, available for sale, and held-to-maturity financial assets. This classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.9 Financial assets (Continued)

(a) Classification (Continued)

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

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 19) in 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. If the Group were to sell other than an insignificant amount of held-to-maturity financial assets, the whole category would be tainted and reclassified as available for sale. Held-to-maturity financial assets are included in non-current assets, except for those with maturities less than 12 months from the end of the reporting period, which are classified as current assets.

(b) Recognition and measurement

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

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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.10 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the company or the counterparty.

2.11 Impairment of financial assets

(a) Assets carried at amortised cost

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

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

The Group first assesses whether objective evidence of impairment exists.

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.11 Impairment of financial assets (Continued)

(b) Assets classified as available for sale

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired.

For equity investments, a significant or prolonged decline in the fair value of the security below its cost is also evidence that the assets are impaired. If any such evidence exists the cumulative loss - measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss - is removed from equity and recognised in profit or loss. Impairment losses recognised in the consolidated income statement on equity instruments are not reversed through the consolidated income statement.

2.12 Trade and other receivables

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

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

2.13 Cash and cash equivalents

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

2.14 Share capital

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.15 Accruals and other payables

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

2.16 Prepaid advertising subscriptions from customers and deferred revenue

Prepaid advertising subscriptions from customers represent subscription fees paid by customers in advance for online advertising services but services have not yet rendered by the Group at the balance sheet date.

Deferred revenue represents the portion of subscription fees already paid by customers for online advertising services and in respect of which the Group has started rendering the related service but is yet to complete. Deferred revenue will be recognized as revenue when all of the revenue recognition criteria are met.

2.17 Current and deferred income tax

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

(a) Current income tax

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.17 Current and deferred income tax (Continued)

(b) Deferred income tax

Inside basis differences

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

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

Outside basis differences

Deferred income tax liabilities are provided on taxable temporary differences arising from interests in subsidiaries, except for deferred income tax liability where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets are recognised on deductible temporary differences arising from interests in subsidiaries only to the extent that it is probable the temporary difference will reverse in the future and there is sufficient taxable profit available against which the temporary difference can be utilised.

(c) Offsetting

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.18 Employee benefits

(a) *Pension obligations*

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

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

Contributions to these defined contributions plans are expensed as incurred.

(b) *Housing benefits*

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

2.19 Share-based payment

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.19 Share-based payment (Continued)

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

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

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

2.20 Revenue recognition

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

The Group recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and when specific criteria have been met for each of the Group's activities as described below. The Group bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

(a) Online advertising revenues

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

Revenues from online advertisements are derived from written contracts with customers that include the related fee, payment terms and provide persuasive evidence of the arrangement. The majority of the online advertising contracts are for the provision of online advertisement for a fixed period of time with no guaranteed minimum impression level. Revenues from these contracts are recognised based on the time period the advertisement is displayed. The Group also organize promotional events to help customers promote their products. Revenues from organizing promotional events are recognised when the services have been rendered. Advertising contracts may consist of both display advertising service and promotional events services. The consideration from these transactions is allocated to each separately deliverable based on the relative fair value of each deliverable. The Group determines the fair value of each deliverable based on the selling price of the deliverable if sold separately by the Group. The consideration allocated to each deliverable is recognised as revenue when the revenue recognition criteria for that component have been met.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.20 Revenue recognition (Continued)

(a) Online advertising revenues (Continued)

In all contracts, there are no future obligations after the completion of the contract and no rights of refund related to the impression levels.

(b) Dividend income

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

2.21 Interest income

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

2.22 Product development expenses

Expenditure on product development research is expensed as incurred.

Expenditure on development or from the development phase of an individual project is recognised as an internally generated intangible if, and only if, the Group can demonstrate all of the following:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- its intention to complete the intangible asset and use or sell it;
- its ability to use or sell the intangible asset;
- how the intangible asset will generate probable future economic benefits;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- its ability to measure reliably the expenditure attributable to the intangible asset during its development.

Other development expenditures that do not meet these criteria are recognised as expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.23 Operating leases

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

2.24 Dividend distribution

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

2.25 Government grants

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

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

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

3. FINANCIAL RISK MANAGEMENT

(a) Financial risk factors

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

(i) Foreign exchange risk

The Group mainly operates in the PRC and most of the Group's transactions, assets and liabilities are denominated in RMB. Therefore, to maintain the flexibility in the Company and HK subsidiaries' payment of daily operation, the Group holds certain monetary assets denominated in USD or HKD subject to certain thresholds stated in its treasury mandate. This exposes the Group to foreign exchange risk.

3. FINANCIAL RISK MANAGEMENT (CONTINUED)

(a) Financial risk factors (Continued)

(i) Foreign exchange risk (Continued)

There is no other written policy to manage the foreign exchange risk in relation to USD and HKD as management considers that such risk could not be effectively reduced in a low-cost way. Accordingly, the Group did not purchase any forward contract to hedge the foreign exchange risk during 2014.

At 31 December 2014, the exchange rate of RMB to HKD and USD were 0.7889 and 6.1190 respectively. If RMB had strengthened/weakened by 0.5% against the HKD/USD with all other variables held constant, post tax profit for the year would have been RMB36,000 (2013: RMB52,000) lower/higher, mainly as a result of net foreign exchange losses/gains in HKD/USD denominated cash at bank and other receivables. Similarly, the impact on equity would have been RMB145,000 lower/higher due to an increased impact in USD denominated investment in equity fund classified as available for sale financial assets as at 31 December 2014 (2013: nil).

(ii) Price risk

The group is exposed to price risk because of investments held by the Group and classified on the consolidated balance sheet as investment in equity fund. The Group is not exposed to commodity price risk. To manage its price risk arising from the investments, the Group diversifies its portfolio. The investments made by the Group are either for the purpose of improving investment yield and maintaining high liquidity level simultaneously, or for strategic purpose. Each investment is managed by senior management on a case by case basis.

Investment in equity fund is held for strategic rather than trading purposes. The Group does not actively trade these investments.

The sensitivity analysis is determined based on the exposure to equity price risks of underlying investments related to investment in equity fund at the end of the reporting period. If equity prices of the respective underlying investments held by the Group had been 5% higher/lower as at 31 December 2014, the other comprehensive income would have been approximately RMB1,448,000 (2013: nil) higher/lower.

3. FINANCIAL RISK MANAGEMENT (CONTINUED)

(a) Financial risk factors (Continued)

(iii) Interest rate risk

Interest rate risk relates to the risk that fair value or cash flows of a financial instrument will fluctuate because of changes in market interest rates. Held-to-maturity financial assets amortised using the effective interest rate expose the Group to fair value interest rate risk. Any change in the interest rate promulgated by banks from time to time is not considered to have significant impact to the Group.

Other financial assets and liabilities do not have material interest rate risk.

(iv) Credit risk

The Group is exposed to credit risk in relation to its cash and cash equivalents, deposits with banks, trade and other receivables, as well as held-to-maturity financial assets.

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

For trade receivables, as mentioned in Note 2.20(a), a material portion of online advertising services revenues was derived from advertising agents. If they experience financial difficulties in setting the outstanding amount due to the Group, the Group's online advertising services might be adversely affected in terms of recoverability of receivables.

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

(v) Liquidity risk

The Group aims to finance its operations with its own capital and earnings. It did not have any borrowings or credit facilities committed/utilised during the year ended 31 December 2014. Management considers that the Group does not have significant liquidity risk.

(b) Capital risk management

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

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

3. FINANCIAL RISK MANAGEMENT (CONTINUED)

(c) Fair value estimation

The table below analysis the Group's financial instruments carried at fair value as at 31 December 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
Assets				
Available for sale financial assets				
— Investment in equity fund	—	—	28,954	28,954

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. The quoted market price used for financial assets held by the Group is the current bid price. 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.

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.

3. FINANCIAL RISK MANAGEMENT (CONTINUED)

(c) Fair value estimation (Continued)

- 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.

The changes in level 3 instruments for the year ended 31 December 2014 are presented in Note 19.

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 year ended 31 December 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.

(d) Fair value of financial assets and liabilities measured at amortised cost

The fair value of held-to-maturity investments are as follows:

	As at 31 December 2014 RMB'000	As at 31 December 2013 RMB'000
Non-current	**48,645**	—

For the year ended 31 December 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.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

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

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

(a) Estimated impairment of receivables

The Group records impairment of receivables based on an assessment made by management on the recoverability of trade and other receivables. Provisions are applied where events or changes in circumstances indicate that the balances may not be collectible. Impairment assessment requires the use of judgment and estimates. Where the expectation is different from the original estimate, such difference will impact both the carrying value of trade and other receivables and the impairment charge in the period in which such estimate has been changed.

(b) Recognition of income taxes

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

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

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS (CONTINUED)

(c) Held-to-maturity financial assets

The Group follows the HKAS 39 guidance on classifying non-derivative financial assets with fixed or determinable payments and fixed maturity as held-to-maturity financial assets. This classification requires significant judgement. In making this judgement, the Group evaluates its intention and ability to hold such investments to maturity.

If the Group fails to keep these investments to maturity other than for specific circumstances explained in HKAS 39, it will be required to reclassify the whole class as available for sale financial assets. The investments would, therefore, be measured at fair value not amortised cost.

(d) Fair value of investment in equity fund

Investment in equity fund is carried at their fair value. The fair value of the investment in equity fund was determined by reference to valuations conducted on the underlying investments by the independent third party partner using valuation techniques which involve certain assumptions. Favourable or unfavourable changes to these assumptions may result in changes in the fair value of the Group's investment in equity fund and corresponding adjustments to the changes in fair value reported in other comprehensive income and the carrying amount of investment in equity fund included in the consolidated financial statements.

When there has been a significant or prolonged decline in the fair value of an investment below their cost, impairment assessment would be performed by the directors of the Company. The determination of what is significant or prolonged requires judgement. In making this judgement, the directors evaluate, among other factors, historical share price movements and the duration and extent to which the fair value of an investment is less than its cost.

5. SEGMENT INFORMATION

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

5. SEGMENT INFORMATION (CONTINUED)

The chief operating decision-makers assess the performance of the operating segments based on the revenues generated. The three major reportable operating segments derive their revenues primarily from the three major portals, namely 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 or total assets for each reportable segment.

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

There were no inter-segment sales for the year ended 31 December 2014 (2013: same). The revenue from external parties reported to the chief operating decision-makers is measured in a manner consistent with that in the consolidated income statement.

	PCauto	**PConline**	**PClady**	**Others**	**Group**
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
For the year ended 31 December 2014					
Revenue	564,194	229,939	103,776	89,617	987,526
For the year ended 31 December 2013					
Revenue	448,748	251,833	83,600	63,742	847,923

Though the Company is domiciled in the Cayman Islands, for the year ended 31 December 2014, all revenues of the Group were derived from external customers and they were all generated from the PRC (2013: same).

As at 31 December 2014, other than financial instruments, club membership included in the intangible assets, majority of other non-current assets of the Group were located in the PRC. (2013: same).

For the year ended 31 December 2014, there was no revenue derived from a single external customer accounting for ten percent or more of the Group's revenues (2013: same).

6. EXPENSES BY NATURE

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

	Year ended 31 December	
	2014	2013
	RMB'000	RMB'000
Employee benefit expenses (Note 7)	**251,641**	195,418
Sales commission to advertising agencies	**123,561**	105,298
Advertising expenses	**145,642**	102,694
Other taxes and surcharge	**39,937**	31,526
Travelling and entertainment expenses	**25,142**	20,361
Depreciation and amortisation expenses		
— Depreciation of property and equipment (Note 13)	**15,763**	14,545
— Amortisation of intangible assets (Note 14)	**3,565**	3,692
— Amortisation of lease prepayment	**324**	324
Outsourcing production cost	**44,439**	15,722
Technology service fees	**21,200**	12,192
Bandwidth and server custody fees	**17,712**	10,466
Impairment charge of receivables	**3,516**	8,824
Rental expenses	**6,984**	6,930
Auditors' remuneration	**3,912**	3,774
Professional fees	**1,062**	1,480
Other expenses	**8,267**	7,836
Total cost of revenue, selling and marketing costs, administrative expenses and product development expenses	**712,667**	541,082

Product development expenses are mainly included in employee benefit expenses and depreciation and amortisation expenses. No product development expenses had been capitalised for the year ended 31 December 2014 (2013: nil).

7. EMPLOYEE BENEFIT EXPENSES

	2014 RMB'000	2013 RMB'000
Wages, salaries and bonuses	**204,154**	157,539
Share-based compensation expenses (Note 23)	**5,017**	3,886
Social security contributions	**13,109**	10,947
Contributions to pension schemes (a)	**19,228**	15,533
Contributions to housing fund	**10,133**	7,513
	251,641	195,418

(a) Pensions scheme — defined contribution plans

The PRC employees of the Group participate in defined contribution retirement schemes based on laws and regulations in the PRC. Each employee covered by these schemes is entitled to, after their retirement from the Group, a monthly pension as determined by these schemes. The local government authorities of the PRC are responsible for the pension liabilities to these retired employees. The Group made monthly contributions to the retirement schemes at rates ranging from 12% to 22% of the basic salaries of employees during the year ended 31 December 2014 (2013: same).

All the Hong Kong employees of the Group participate in a mandatory provident scheme (the "MPF Scheme"). Under the MPF Scheme, each company of the Group in Hong Kong (the employer) and its employees make monthly contributions to the scheme at 5% of the employees' earnings as defined under the Mandatory Provident Fund legislation. The contributions from each of the employers and employees are subject to a cap of HKD1,500 per month and thereafter contributions are voluntary.

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

7. EMPLOYEE BENEFIT EXPENSES (CONTINUED)

(b) Directors' and senior management's emoluments

The remuneration of each Director for the year ended 31 December 2014 is set out below:

Name of Director	Fees	Salaries	Discretionary bonuses	Share-based compensation	Contributions to retirement scheme	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Dr. Lam Wai Yan (i)	—	523	1,585	—	13	2,121
Mr. Wang Ta-Hsing	—	333	—	—	13	346
Mr. Ho Kam Wah	—	4	—	—	—	4
Ms. Zhang Cong Min	—	1,420	857	69	192	2,538
Mr. Tsui Yiu Wa	333	—	—	—	—	333
Mr. Thaddeus Thomas Beczak	333	—	—	—	—	333
Mr. Chan Chi Mong, Hopkins	333	—	—	—	—	333

The remuneration of each Director for the year ended 31 December 2013 is set out below:

Name of Director	Fees	Salaries	Discretionary bonuses	Share-based compensation	Contributions to retirement scheme	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Dr. Lam Wai Yan (i)	—	519	1,966	28	12	2,525
Mr. Wang Ta-Hsing	—	402	—	26	12	440
Mr. Ho Kam Wah	—	4	—	—	—	4
Ms. Zhang Cong Min	—	1,068	686	596	75	2,425
Mr. Tsui Yiu Wa	330	—	—	2	—	332
Mr. Thaddeus Thomas Beczak	330	—	—	2	—	332
Mr. Chan Chi Mong, Hopkins	330	—	—	—	—	330

(i) Dr. Lam Wai Yan is the chief executive officer of the Group.

7. EMPLOYEE BENEFIT EXPENSES (CONTINUED)

(c) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year include two (2013: two) directors whose emolument is reflected in the analysis presented above. The emoluments payable to the remaining three (2013: three) individuals during the year are as follows:

	2014	2013
	RMB'000	RMB'000
Basic salaries, housing allowances, other allowances and benefits in kind	**4,271**	4,249
Share-based compensation expenses	**564**	456
Contributions to pension schemes	**90**	82
	4,925	4,787

The emoluments of the remaining three individuals (2013: three) fell within the following bands:

	Number of individuals	
	2014	2013
Emolument bands		
HKD1,000,001 to HKD2,000,000	**2**	1
HKD2,000,001 to HKD3,000,000	**1**	2

During the year ended 31 December 2014, none (2013: none) of the directors waived or agreed to waive any emoluments and no emoluments were paid by the Group to any of the directors or the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office.

8. OTHER INCOME

	Year ended 31 December	
	2014	2013
	RMB'000	RMB'000
Government grants	**818**	7,150
Investment income on held-to-maturity financial assets	**811**	—
	1,629	7,150

9. FINANCE INCOME — NET

	Year ended 31 December	
	2014	2013
	RMB'000	RMB'000
Finance income		
— Interest income	**8,965**	7,890
— Net foreign exchange gains	**—**	1,127
	8,965	9,017
Finance cost		
— Net foreign exchange losses	**(2,035)**	—
Finance income — net	**6,930**	9,017

10. INCOME TAX EXPENSE

	Year ended 31 December	
	2014	2013
	RMB'000	RMB'000
PRC current tax	**67,945**	72,039
Deferred taxation	**(5,754)**	(2,665)
Income tax expense	**62,191**	69,374

The Company, which is a Cayman Islands corporation, is not subject to any profits tax. The subsidiaries of the Group incorporated in Hong Kong were not subject to Hong Kong profits tax as they had no assessable income arising in or derived from Hong Kong during the year ended 31 December 2014 (2013: same).

10. INCOME TAX EXPENSE (CONTINUED)

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

Pursuant to the PRC Corporate Income Tax Law ("CIT Law"), the CIT rate for domestic enterprises and foreign invested enterprises is 25%. In addition, the CIT Law provides for, among others, a preferential tax rate of 15% for enterprises qualified as High and New Technology Enterprises ("HNTE"). GZP Computer and GDP Internet, the principal operating subsidiaries of the Company, were formally designated as HNTE in 2014 for the three years ending 31 December 2016 under the CIT Law. Consequently, GZP Computer and GDP Internet used 15% in the computation of deferred taxes as of 31 December 2014 (2013: 15%) and the current income tax charge for the year then ended. All the other PRC entities of the Group are subject to CIT at a rate of 25% in accordance with CIT Law.

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

	Year ended 31 December	
	2014	2013
	RMB'000	RMB'000
Profit before tax	**283,418**	323,008
Tax calculated at the statutory tax rate of 25% (2013: 25%)	**70,855**	80,752
Tax effects of		
— Tax concessions available to certain PRC subsidiaries (a)	**(31,508)**	(34,650)
— Income not subject to tax	**(1,538)**	(1,575)
— Expenses not deductible for tax purposes (b)	**10,232**	10,050
Withholding tax on the earnings anticipated to be remitted by a PRC subsidiary	**14,150**	14,797
Tax charge	**62,191**	69,374

(a) The preferential tax treatments relating to HNTE were enjoyed by GZP Computer and GDP Internet for the year ended 31 December 2014 (2013: same).

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

11. EARNINGS PER SHARE

(a) Basic

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the year (excluding the ordinary shares purchased by the Group and held for the Share Award Scheme (Note 23(b))).

	Year ended 31 December	
	2014	2013
Profit attributable to equity holders of the Company (RMB'000)	**221,227**	253,634
Weighted average number of ordinary shares for basic earnings per share (thousand shares)	**1,106,033**	1,086,638
Basic earnings per share (RMB)	**20.00 cents**	23.34 cents

(b) Diluted

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding by the assumption of the conversion of all potential dilutive ordinary shares arising from share options and awarded shares granted by the Company (collectively forming the denominator for computing diluted earnings per share). A calculation is done to determine the number of shares that could have been acquired at fair value (determined as the average annual market share price of the Company's shares) based on the monetary value of the subscription rights attached to outstanding share options. The number of shares calculated as above is compared with the number of shares that would have been issued assuming the exercise of the share options and awarded shares. No adjustment is made to earnings (numerator).

	Year ended 31 December	
	2014	2013
Profit attributable to equity holders of the Company (RMB'000)	**221,227**	253,634
Weighted average number of ordinary shares for diluted earnings per share (thousand shares)	**1,127,006**	1,110,829
— Weighted average number of ordinary shares for basic earnings per share (thousand shares)	**1,106,033**	1,086,638
— Adjustment for share options and awarded shares (thousand shares)	**20,973**	24,191
Diluted earnings per share (RMB)	**19.63 cents**	22.83 cents

12. DIVIDENDS

The dividend paid in 2014 included the payment of the 2013 final cash dividend of RMB16.25 cents (2013: RMB15.26 cents) per ordinary share out of the retained earnings, totalling RMB180,303,000 (2013: RMB165,858,000), excluding the dividend related to the ordinary shares held under the Share Award Scheme of RMB276,000 (2013: RMB464,000) (Note 23(b)).

The directors recommended the payment of a final dividend of RMB13.93 cents per ordinary share in cash for the year ended 31 December 2014, totalling RMB154,859,000 based on the ordinary shares in issue as of 31 December 2014. Such final dividend is to be approved by the shareholders at the annual general meeting of the Company to be held on 22 May 2015. These consolidated financial statements do not reflect this dividend payable.

13. PROPERTY AND EQUIPMENT

	Buildings	Building improvement	Leasehold improvement	Computers and servers	Motor vehicles	Furniture, fittings and equipment	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2013							
Cost	155,034	37,625	7,518	32,266	5,242	10,137	247,822
Accumulated depreciation	(6,740)	(4,330)	(251)	(21,002)	(1,550)	(4,907)	(38,780)
Net book amount	148,294	33,295	7,267	11,264	3,692	5,230	209,042
Year ended 31 December 2013							
Opening net book amount	148,294	33,295	7,267	11,264	3,692	5,230	209,042
Additions	—	—	486	4,317	968	2,192	7,963
Disposals	(20)	—	—	(141)	—	(56)	(217)
Depreciation (Note 6)	(3,757)	(3,774)	(804)	(3,023)	(964)	(2,223)	(14,545)
Closing net book amount	144,517	29,521	6,949	12,417	3,696	5,143	202,243
At 31 December 2013							
Cost	155,013	37,625	8,004	35,403	6,210	11,113	253,368
Accumulated depreciation	(10,496)	(8,104)	(1,055)	(22,986)	(2,514)	(5,970)	(51,125)
Net book amount	144,517	29,521	6,949	12,417	3,696	5,143	202,243
Year ended 31 December 2014							
Opening net book amount	144,517	29,521	6,949	12,417	3,696	5,143	202,243
Additions	65,880	5,414	21	5,539	449	1,702	79,005
Disposals	—	—	—	(176)	(164)	(409)	(749)
Depreciation (Note 6)	(4,042)	(4,077)	(804)	(3,773)	(1,139)	(1,928)	(15,763)
Closing net book amount	206,355	30,858	6,166	14,007	2,842	4,508	264,736
At 31 December 2014							
Cost	220,893	43,039	8,025	39,489	6,342	11,484	329,272
Accumulated depreciation	(14,538)	(12,181)	(1,859)	(25,482)	(3,500)	(6,976)	(64,536)
Net book amount	206,355	30,858	6,166	14,007	2,842	4,508	264,736

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

	2014	2013
	RMB'000	RMB'000
Cost of revenue	**3,588**	3,251
Selling and marketing costs	**226**	165
Administrative expenses	**10,885**	10,199
Product development expenses	**1,064**	930
	15,763	14,545

Lease rentals amounted to RMB1,575,000 for the year ended 31 December 2014 (2013: RMB1,694,000) relating to the lease of office buildings were included in the consolidated income statement.

14. INTANGIBLE ASSETS

	Computer software and technology RMB'000	Club membership RMB'000	Total RMB'000
At 1 January 2013			
Cost	14,966	8,793	23,759
Accumulated amortisation	(9,082)	—	(9,082)
Net book amount	5,884	8,793	14,677
Year ended 31 December 2013			
Opening net book amount	5,884	8,793	14,677
Additions	1,307	—	1,307
Amortisation charge (Note 6)	(3,692)	—	(3,692)
Closing net book amount	3,499	8,793	12,292
At 31 December 2013			
Cost	16,273	8,793	25,066
Accumulated amortisation	(12,774)	—	(12,774)
Net book amount	3,499	8,793	12,292
Year ended 31 December 2014			
Opening net book amount	3,499	8,793	12,292
Additions	1,054	—	1,054
Disposal	(92)	—	(92)
Amortisation charge (Note 6)	(3,565)	—	(3,565)
Closing net book amount	896	8,793	9,689
At 31 December 2014			
Cost	14,800	8,793	23,593
Accumulated amortisation	(13,904)	—	(13,904)
Net book amount	896	8,793	9,689

14. INTANGIBLE ASSETS (CONTINUED)

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

	2014 RMB'000	2013 RMB'000
Cost of revenue	123	71
Selling and marketing costs	89	76
Administrative expenses	2,923	3,247
Product development expenses	430	298
	3,565	3,692

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

	2014 RMB'000	2013 RMB'000
Non-current portion		
Investments in equity interests — at cost, unlisted	88,286	88,286
Investments arising from share-based compensation (a)	45,200	40,183
Amounts due from a subsidiary (b)	150,000	150,000
Total	283,486	278,469
Current portion		
Amounts due from subsidiaries (c)	26,703	32,698
Amounts due to subsidiaries (c)	(8,605)	(8,605)
Total	18,098	24,093

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

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

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

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

The following is a list of the principal subsidiaries (including controlled structured entities) of the Company at 31 December 2014:

Name	Place and date of incorporation and kind of legal entity	Principal activities and place of operation	Particulars of issued share capital or registered capital	Interest held
Pacific E-Commerce Limited	Hong Kong, 10 October 2003, limited liability company	Investment holding in Hong Kong	HKD2	*100%
New Forest Limited	Hong Kong, 5 February 2011, limited liability company	Investment holding in Hong Kong	HKD1	*100%
Takehigh	Hong Kong, 27 May 1993, limited liability company	Investment holding in Hong Kong	HKD11,875	100%
Winsom Technology Limited (偉信科技有限公司)	Hong Kong, 13 June 2011, limited liability company	Investment holding in Hong Kong	HKD10,000	100%
GZP Computer	The PRC, 7 November 1997, foreign investment enterprise	Information technology and software development and provision of computer information consultancy services in the PRC	RMB80,000,000	100%
GZP Advertising (d)	The PRC, 24 March 1998, limited liability company	Provision of advertising services in the PRC	RMB500,000	100%
GDP Internet (d)	The PRC, 27 November 2002, limited liability company	Provision of online advertising services in the PRC	RMB10,000,000	100%
GZ Yingxin (d)	The PRC, 25 November 2003, limited liability company	Provision of computer technology services in the PRC	RMB5,700,000	100%
Shanghai Pan-Pacific Information Technology Co., Ltd. (上海環宇太平洋信息科技有限公司)	The PRC, 29 December 2006, foreign investment enterprise	Not yet commenced formal operations	USD140,000	100%
Guangzhou Fengwang Technology Co., Ltd (廣州鋒網信息科技有限公司)	The PRC, 14 May 2012, limited liability company	Information technology and software development and provision of computer information consultancy services in the PRC	RMB3,500,000	100%
Guangzhou Pacific Online Technology Co., Ltd (廣州太平洋網絡科技有限公司)	The PRC, 8 August 2012, foreign investment enterprise	Not yet commenced formal operations	RMB500,000	100%
Shanghai Yingzhen Online Technology Co., Ltd (上海英臻網絡科技有限公司)	The PRC, 7 November 2012, foreign investment enterprise	Not yet commenced formal operations	RMB500,000	100%
Beijing Taihe Xinyang Online Technology Co., Ltd (北京太合新洋網絡科技有限公司)	The PRC, 14 December 2012, foreign investment enterprise	Not yet commenced formal operations	RMB500,000	100%
Guangzhou Yingrui Technology Co., Ltd (廣州英睿科技有限公司)	The PRC, 21 January 2014, Taiwan, Hong Kong and Macau corporation owned enterprise	Technology research, test and development	RMB1,000,000	100%
Guangzhou Chuangcheng Online Technology Co., Ltd (廣州創程網絡科技有限公司)	The PRC, 10 June 2014, foreign investment enterprise	Not yet commenced formal operations	RMB500,000	100%

* Shares held directly by the Company.

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

(d) As described in Note 1(b), GZ Yingxin, GDP Internet and GZP Advertising are non-legally owned subsidiaries of the Company. They are owned by three PRC citizens. The Group obtains control of GZ Yingxin, GDP Internet and GZP Advertising by way of certain contractual arrangements and has rights to variable returns from its involvement with GZ Yingxin Group and has the ability to affect those returns through its power over GZ Yingxin Group.

(e) In connection with the implementation of the Share Award Scheme of the Group mentioned in Note 23(b), the Company has set up a structured entity, and its particulars are as follows:

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

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

16. FINANCIAL INSTRUMENTS BY CATEGORY

(a) Group

31 December 2014	Loans and Receivables RMB'000	Available for sale RMB'000	Held-to-maturity financial assets RMB'000	Total RMB'000
Current assets				
Trade and other receivables excluding prepayments (Note 18)	500,024	—	—	500,024
Short-term bank deposits with original terms of over three months (Note 21)	2,539	—	—	2,539
Cash and cash equivalents (Note 21)	392,295	—	—	392,295
Non-current assets				
Investment in equity fund (Note 19)	—	28,954	—	28,954
Held-to-maturity financial assets (Note 20)	—	—	49,553	49,553
Total	894,858	28,954	49,553	973,365

16. FINANCIAL INSTRUMENTS BY CATEGORY (CONTINUED)

(a) Group (continued)

31 December 2013	Loans and Receivables RMB'000	Available for sale RMB'000	Held-to-maturity financial assets RMB'000	Total RMB'000
Current assets				
Trade and other receivables excluding prepayments (Note 18)	372,309	—	—	372,309
Short-term bank deposits with original terms of over three months (Note 21)	12,500	—	—	12,500
Cash and cash equivalents (Note 21)	438,036	—	—	438,036
Total	822,845	—	—	822,845

	Other financial liabilities at amortised cost	
	2014 RMB'000	2013 RMB'000
Current liabilities		
Accruals and other payables excluding other tax payable and salaries payable (Note 24)	**179,146**	113,934

(b) Company

31 December 2014	**Loans and Receivables RMB'000**	**Held-to-maturity financial assets RMB'000**	**Total RMB'000**
Current assets			
Dividend due from subsidiaries	**387,000**	**—**	**387,000**
Amounts due from subsidiaries (Note 15)	**26,703**	**—**	**26,703**
Cash and cash equivalents (Note 21)	**50,249**	**—**	**50,249**
Non-current assets			
Dividend due from subsidiaries	**264,000**	**—**	**264,000**
Held-to-maturity financial assets	**—**	**49,553**	**49,553**
Total	**727,952**	**49,553**	**777,505**

16. FINANCIAL INSTRUMENTS BY CATEGORY (CONTINUED)

(b) Company (continued)

31 December 2013	Loans and Receivables RMB'000	Held-to-maturity financial assets RMB'000	Total RMB'000
Current assets			
Dividend due from subsidiaries	602,240	—	602,240
Amounts due from subsidiaries (Note 15)	32,698	—	32,698
Cash and cash equivalents (Note 21)	36,569	—	36,569
Total	671,507	—	671,507

	Other financial liabilities at amortised cost	
	2014 RMB'000	2013 RMB'000
Current liabilities		
Amounts due to subsidiaries (Note 15)	**8,605**	8,605
Accruals and other payables (Note 24)	**1,289**	1,697
Total	**9,894**	10,302

17. DEFERRED INCOME TAX ASSETS

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

	2014 RMB'000	2013 RMB'000
Deferred income tax assets:		
— to be recovered after more than 12 months	**4,957**	4,732
— to be recovered within 12 months	**10,536**	5,007
	15,493	9,739

17. DEFERRED INCOME TAX ASSETS (CONTINUED)

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

	Provision for impairment of trade receivables RMB'000	Accrued salary expense RMB'000	Accrued advertising and other expense RMB'000	Total RMB'000
At 1 January 2013	3,251	3,823	—	7,074
Credited to the consolidated income statement	1,481	1,184	—	2,665
At 31 December 2013	4,732	5,007	—	9,739
Credited to the consolidated income statement	225	2,008	3,521	5,754
At 31 December 2014	4,957	7,015	3,521	15,493

18. TRADE AND OTHER RECEIVABLES AND PREPAYMENTS

	Group		Company	
	2014 RMB'000	2013 RMB'000	**2014 RMB'000**	2013 RMB'000
Trade receivables, net of impairment provision (a)	**489,216**	358,533	**—**	—
Other receivables (b)	**10,808**	13,776	**—**	—
Prepayments	**5,116**	51,728	**185**	36
	505,140	424,037	**185**	36
Less non-current portion: Prepayments	**—**	(43,484)	**—**	—
Current Portion	**505,140**	380,553	**185**	36
Trade and other receivables excluding prepayments denominated in				
— RMB	**500,024**	372,246	**—**	—
— HKD	**—**	63	**—**	—
	500,024	372,309	**—**	—

18. TRADE AND OTHER RECEIVABLES AND PREPAYMENTS (CONTINUED)

(a) Trade receivables, net of impairment provision

Credit terms granted to customers by the Group are generally within a period of six months to a year. At 31 December 2014, the ageing analysis of the trade receivables (net of impairment provision of RMB23,069,000 (2013: RMB20,849,000)) was as follows:

	Group	
	2014	2013
	RMB'000	RMB'000
Current to 6 months	**420,747**	308,513
6 months to 1 year	**62,684**	42,429
1 year to 2 years	**5,767**	7,591
Above 2 years	**18**	—
	489,216	358,533

As of 31 December 2014, trade receivables of RMB35,321,000 (2013: RMB40,756,000) were past due but not impaired. These related to a number of independent customers for whom there was no recent history of default. The ageing analysis of these trade receivables was as follows:

	Group	
	2014	2013
	RMB'000	RMB'000
Current to 6 months	**13,392**	15,650
6 months to 1 year	**16,144**	17,515
1 year to 2 years	**5,767**	7,591
Above 2 years	**18**	—
	35,321	40,756

(b) Other receivables

	Group	
	2014	2013
	RMB'000	RMB'000
Advance to employees	**5,030**	8,805
Others	**5,778**	4,971
	10,808	13,776

19. INVESTMENT IN EQUITY FUND

	Year ended 31 December 2014 RMB'000
At 1 January 2014	—
Additions (a)	31,197
Changes in fair value	(2,243)
At 31 December 2014	28,954

(a) In June 2014, a subsidiary of the Group invested as a limited partner in an unlisted equity fund ("the Fund") established and managed by an independent third party partner. The investment is denominated in USD with an initial cost of USD5,000,000. The Group does not have control or significant influence in the Fund. The directors classified the investment as available for sale financial assets.

The fair values of investment in equity fund are based on the fair value of underlying investments held by the Fund, which are mainly influenced by the market price of the listed stocks and cash flows discounted using a rate based on the market interest rate and the risk premium specific to the unlisted equity investments.

20. HELD-TO-MATURITY FINANCIAL ASSETS

All the held-to-maturity financial assets are listed bonds, which are dominated in RMB.

	As at 31 December 2014 RMB'000
Listed in Hong Kong	16,283
Listed outside Hong Kong	33,270
	49,553

20. HELD-TO-MATURITY FINANCIAL ASSETS (CONTINUED)

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

	Year ended 31 December 2014 RMB'000
At 1 January 2014	—
Additions-cost	49,220
Amortised interest (Note 8)	811
Interest received	(478)
At 31 December 2014	49,553

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

	As at 31 December 2014 RMB'000
Listed bonds:	
Between 1 and 2 years	21,288
Between 2 and 3 years	28,265
	49,553

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.

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

	Group		Company	
	2014	2013	**2014**	2013
	RMB'000	RMB'000	**RMB'000**	RMB'000
Cash at bank and on hand	**235,291**	235,735	**9,257**	35,374
Short-term bank deposits	**159,543**	214,801	**40,992**	1,195
	394,834	450,536	**50,249**	36,569
Less:				
Short-term bank deposits with original terms of over three months	**(2,539)**	(12,500)	**—**	—
Cash and cash equivalents	**392,295**	438,036	**50,249**	36,569

An analysis of the cash and cash equivalents and short-term bank deposits with original terms of over three months as at 31 December 2014 denominated in different currencies is as follows:

	Group		Company	
	2014	2013	**2014**	2013
	RMB'000	RMB'000	**RMB'000**	RMB'000
— RMB	**385,306**	437,478	**42,241**	25,034
— HKD	**9,273**	12,790	**7,781**	11,295
— USD	**255**	268	**227**	240
	394,834	450,536	**50,249**	36,569

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

The weighted average effective interest rate on short-term bank deposits with original terms of over three months of the Group was 3.28% for the year ended 31 December 2014 (2013: 2.96%). The weighted average effective interest rate of the remaining short-term bank deposits of the Group was 2.77% for the year ended 31 December 2014 (2013: 2.76%).

As at 31 December 2014, except for the cash on hand, all of the cash and cash equivalents of the Group were placed in listed state-owned/commercial banks in mainland China or Hong Kong (2013, same). Management did not expect any losses from non-performance by these counterparties.

22. ORDINARY SHARES

	Authorised ordinary shares		
	Number of shares '000	HKD'000	RMB'000
At 31 December 2013 and 2014	100,000,000	1,000,000	969,200

	Issued and fully paid up		
	Number of Shares '000	HKD'000	RMB'000
At 1 January 2013	1,084,966	10,850	10,100
Employees share option schemes — issued shares (a)	7,588	76	61
At 31 December 2013	1,092,554	10,926	10,161
Employees share option schemes — issued shares (a)	19,133	191	151
At 31 December 2014	1,111,687	11,117	10,312

As at 31 December 2014, the total number of issued ordinary shares of the Company was 1,111,687,000 shares (2013: 1,092,554,000 shares) which included 1,232,000 shares (2013: 1,920,000 shares) held under the Share Award Scheme (Note 23(b)).

(a) Share options exercised during the year ended 31 December 2014 resulted in 19,133,000 shares being issued (2013: 7,588,000 shares), with exercise proceeds of RMB28,991,000 (2013: RMB12,924,000). The nominal value of these shares of RMB151,000 (2013: RMB61,000) and the premium of RMB28,840,000 (2013: RMB12,863,000) had been credited to ordinary shares and share premium accounts, respectively. The related weighted average price at the time of exercise was HKD4.53 (2013: HKD3.34) per share.

All the ordinary shares issued during the year ended 31 December 2014 rank pari passu with the then existing ordinary shares in all respects.

23. RESERVES

Group

	Share premium	Merger reserve	Capital redemption reserve	Share-based compensation reserve	Shares held for Share Award Scheme	Statutory reserve funds(c)	Investment in equity fund	Retained earnings	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2013	293,604	4	306	36,298	(9,819)	43,250	—	408,804	772,447
Share Award Scheme (b)									
— value of employee services	—	—	—	3,412	—	—	—	—	3,412
— vesting of Award Shares	(4,261)	—	—	—	4,261	—	—	—	—
Employees share option schemes (a)									
— exercise of share options	12,863	—	—	—	—	—	—	—	12,863
— value of employee services	—	—	—	474	—	—	—	—	474
Profit	—	—	—	—	—	—	—	253,634	253,634
Cash dividends relating to 2012, paid in 2013	—	—	—	—	—	—	—	(165,858)	(165,858)
At 31 December 2013	302,206	4	306	40,184	(5,558)	43,250	—	496,580	876,972
Share Award Scheme (b)									
— purchase of shares	—	—	—	—	(1,232)	—	—	—	(1,232)
— value of employee services	—	—	—	5,017	—	—	—	—	5,017
— vesting of Award Shares	(2,703)	—	—	—	2,703	—	—	—	—
Employees share option schemes (a)									
— exercise of share options	28,840	—	—	—	—	—	—	—	28,840
Revaluation of Investment in equity fund	—	—	—	—	—	—	(2,243)	—	(2,243)
Profit	—	—	—	—	—	—	—	221,227	221,227
Cash dividends relating to 2013, paid in 2014	—	—	—	—	—	—	—	(180,303)	(180,303)
At 31 December 2014	328,343	4	306	45,201	(4,087)	43,250	(2,243)	537,504	948,278

23. RESERVES (CONTINUED)

Company

	Share premium	Capital redemption reserve	Share-based compensation reserve	Contributed surplus	Shares held for Share Award Scheme	Retained earnings	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2013	278,604	306	36,298	88,277	(9,819)	414,613	808,279
Share Award Scheme (b)							
— value of employee services	—	—	3,412	—	—	—	3,412
— vesting of Award Shares	(4,261)	—	—	—	4,261	—	—
Employees share option schemes (a)							
— exercise of share options	—	—	474	—	—	—	474
— value of employee services	12,863	—	—	—	—	—	12,863
Profit	—	—	—	—	—	279,172	279,172
Cash dividends relating to 2012, paid in 2013	—	—	—	—	—	(165,858)	(165,858)
At 31 December 2013	287,206	306	40,184	88,277	(5,558)	527,927	938,342
Share Award Scheme (b)							
— purchase of shares	—	—	—	—	(1,232)	—	(1,232)
— value of employee services	—	—	5,017	—	—	—	5,017
— vesting of Award Shares	(2,703)	—	—	—	2,703	—	—
Employees share option schemes (a)							
— exercise of share options	28,840	—	—	—	—	—	28,840
Profit	—	—	—	—	—	259,099	259,099
Cash dividends relating to 2013, paid in 2014	—	—	—	—	—	(180,303)	(180,303)
At 31 December 2014	313,343	306	45,201	88,277	(4,087)	606,723	1,049,763

The profit attributable to equity holders of the Company is dealt within the financial statements of the Company to the extent of RMB259,099,000 (2013: RMB279,172,000).

23. RESERVES (CONTINUED)

(a) Share options reserves

Options were granted to directors and selected employees according to their contribution to the Group. The Group has no legal or constructive obligation to repurchase or settle the options in cash.

(i) Pre-IPO Share Option Plan

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

(ii) Post-IPO Share Option Plan

On 23 November 2007, the Company also adopted a Post-IPO Share Option Plan pursuant to which a total of 95,000,000 unissued shares of the Company were reserved and made available for grant of share options. In 2011, the Company refreshed the limit of the Post-IPO Share Option Plan to 98,130,880 ordinary shares. These shares, reserved for future grant of share options, represented 8.8% of the issued share capital of the Company as of 31 December 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.

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.

23. RESERVES (CONTINUED)

(a) Share options reserves (Continued)

(iii) Movements in share options

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

	Pre-IPO Share Option Plan Average exercise price (HKD)	Pre-IPO Share Option Plan Number of options (thousands)	Post-IPO Share Option Plan Average exercise price (HKD)	Post-IPO Share Option Plan Number of options (thousands)	Total number of options (thousands)
At 1 January 2013	1.72	30,523	2.03	25,466	55,989
Granted	—	—	—	—	—
Exercised	1.90	(2,114)	2.22	(5,474)	(7,588)
Forfeited	—	—	1.93	(1,531)	(1,531)
At 31 December 2013	1.71	28,409	1.92	18,461	46,870
Currently exercisable as at 31 December 2013	1.71	28,409	1.92	18,461	46,870
At 1 January 2014	1.71	28,409	1.92	18,461	46,870
Granted	—	—	—	—	—
Exercised	1.83	(712)	1.92	(18,421)	(19,133)
Forfeited	—	—	2.68	(40)	(40)
At 31 December 2014	1.71	27,697	—	—	27,697
Currently exercisable as at 31 December 2014	1.71	27,697	—	—	27,697

23. RESERVES (CONTINUED)

(a) Share options reserves (Continued)

(iv) Outstanding share options

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

Expiry date	**2014** Exercise price in HKD per share	**2014** Number of options (thousands)	2013 Exercise price in HKD per share	2013 Number of options (thousands)
Pre-IPO Share Option Plan				
— 22 November 2017	**1.32**	**7,007**	1.32	7,081
— 22 November 2017	**1.71**	**10,045**	1.71	10,237
— 22 November 2017	**1.96**	**10,645**	1.96	11,091
Post-IPO Share Option Plan				
— 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
At 31 December		**27,697**		46,870

(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 year ended 31 December 2014 (2013: RMB474,000) (Note 7).

23. RESERVES (CONTINUED)

(b) Share Award Scheme

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

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

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

Movements in the number of shares held for the Share Award Scheme for the year ended 31 December 2014 are as follows:

	Awarded Shares (thousands)	Shares to be awarded (thousands)	Shares to be purchased (thousands)	Total shares held by the Trustee (thousands)
At 1 January 2013	1,637	1,908	—	3,545
Granted to employees	1,311	(1,311)	—	—
Forfeited	(130)	130	—	—
Vested	(1,625)	—	—	(1,625)
At 31 December 2013	1,193	727	—	1,920
At 1 January 2014	1,193	727	—	1,920
Purchased	—	358	—	358
Granted to employees	1,672	(1,280)	(392)	—
Forfeited	(195)	195	—	—
Vested	(1,046)	—	—	(1,046)
At 31 December 2014	1,624	—	(392)	1,232

For the Awarded Shares granted under the Share Award Scheme, the fair value 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.

23. RESERVES (CONTINUED)

(b) Share Award Scheme (Continued)

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

The fair value of the Awarded Shares granted during the year ended 31 December 2014 and their vesting period are as follows:

Dates of grant	Total value of shares at grant dates (HKD'000)	No. of share granted (thousands)	Market price at grant dates (HKD)	Vesting period
30 January 2014	4,997	961	5.20	1 year
31 July 2014	3,064	711	4.31	1 year

The total expense recognised for employee services received in respect of the Share Award Scheme for the year ended 31 December 2014 was RMB5,017,000 (2013: RMB3,412,000) (Note 7).

During the year ended 31 December 2014, the Share Award Scheme Trust received cash dividend amounting to RMB276,000 (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.

23. RESERVES (CONTINUED)

(c) Statutory reserve funds

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

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

24. ACCRUALS AND OTHER PAYABLES

	Group		Company	
	2014	2013	**2014**	2013
	RMB'000	RMB'000	**RMB'000**	RMB'000
Salaries payable	**44,518**	34,015	**—**	—
Accrued expenses (a)	**158,926**	90,916	**1,289**	1,697
Other tax payable	**27,837**	21,877	**—**	—
Other payables (b)	**20,220**	23,018	**—**	—
	251,501	169,826	**1,289**	1,697

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

(b) Other payables of the Group mainly represented deposits due to third parties.

25. CASH GENERATED FROM OPERATIONS

	2014 RMB'000	2013 RMB'000
Profit before income tax	283,418	323,008
Adjustments for:		
— Finance income	(6,930)	(9,017)
— Investment income on held-to-maturity financial assets	(811)	—
— Impairment charge of receivables	3,516	8,824
— Depreciation (Note 13)	15,763	14,545
— Losses on disposal of property and equipment	249	183
— Amortisation of lease prepayment	324	324
— Amortisation of intangible assets (Note 14)	3,565	3,692
— Share-based compensation expense (Note 23)	5,017	3,886
	304,111	345,445
Changes in working capital:		
— Trade and other receivables and prepayments	(127,700)	(129,030)
— Accruals and other payables	81,675	54,158
— Prepaid advertising subscriptions from customers and deferred revenue	(6,486)	(830)
Cash generated from operations	251,600	269,743

26. COMMITMENTS

Capital commitments

The Group expenditure contracted for and not yet incurred at the end of the period is as follow:

	2014 RMB'000	2013 RMB'000
Purchase of property	—	17,369

Operating lease commitments

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

	2014 RMB'000	2013 RMB'000
Not later than 1 year	2,368	2,599
Later than 1 year and not later than 5 years	71	784
	2,439	3,383

27. RELATED PARTY TRANSACTIONS

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

(a) Name and relationship with related parties

Name	Relationship
Mr. Wang Ko Chiang	Substantial shareholder
Kexim Company Limited ("Kexim")	Controlled by Mr. Wang Ko Chiang
Beijing Pacific Times Property Management Co., Ltd	Controlled by Mr. Wang Ko Chiang
South China Resources Development Consultants Limited ("SCRD Consultants")	Controlled by Mr. Wang Ko Chiang

27. RELATED PARTY TRANSACTIONS (CONTINUED)

(b) Related party transactions

The Group undertook the following related party transactions during the year ended 31 December 2014:

	2014 RMB'000	2013 RMB'000
Rental expenses for office and advertising bill boards:		
Kexim	2,140	1,828
SCRD Consultants	805	1,395
Property Management for office paid/payable:		
Beijing Pacific Times Property Management Co., Ltd	181	339
	3,126	3,562

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

(c) Key management compensation

The remuneration of directors who are also identified as members of key management during the year ended 31 December 2014 is set out in Note 7.

FINANCIAL SUMMARY

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

	Year ended 31 December				
RESULTS	**2014**	2013	2012	2011	2010
Revenue	**987,526**	847,923	715,636	640,095	508,608
Profit before income tax	**283,418**	323,008	296,429	287,386	238,986
Income tax expense	**(62,191)**	(69,374)	(59,958)	(58,457)	(38,310)
Profit for the year	**221,227**	253,634	236,471	228,929	200,676
Attributable to:					
Equity holders of the Company	**221,227**	253,634	236,471	228,929	200,676
Dividends	**154,859**	177,540	165,530	160,250	140,473
ASSETS, LIABILITIES AND ASSETS LESS LIABILITIES					
Total assets	**1,285,391**	1,116,163	948,766	871,215	779,648
Total liabilities	**326,801**	229,030	166,219	163,336	173,301
Total assets less liabilities	**958,590**	887,133	782,547	707,879	606,347