

Pacific Online Limited

太平洋网络有限公司

(incorporated in the Cayman Islands with limited liability)
(Stock Code: 543)



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CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. Lam Wai Yan
(Chairman and Chief Executive Officer)
Mr. Ho Kam Wah
Mr. Wang Da-Shin, Jeff
Ms. Zhang Cong Min
Mr. Tsung Shih Kin, Samuel

Independent Non-executive Directors

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

COMPANY SECRETARY AND QUALIFIED ACCOUNTANT

Mr. Wong Huk Yung, Hudson *(CPA)*

AUTHORISED REPRESENTATIVES

Mr. Wang Da-Shin, Jeff
Mr. Wong Huk Yung, Hudson *(CPA)*

COMPLIANCE ADVISER

Evolution Watterson Securities Limited

AUDIT COMMITTEE

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

REMUNERATION COMMITTEE

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

PRINCIPAL BANKERS

Wing Hang Bank
China Merchants Bank
China Construction Bank
BNP Paribas

AUDITOR

PricewaterhouseCoopers
Certified Public Accountants

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Butterfield Fund Services (Cayman) Limited
Butterfield House
68 Fort Street
P.O. Box 705
Grand Cayman KY1-1107
Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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

REGISTERED OFFICE

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

PRINCIPAL PLACE OF BUSINESS

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

PLACE OF BUSINESS IN HONG KONG

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

GROUP'S PORTAL ADDRESSES

www.pconline.com.cn
www.pcauto.com.cn
www.pcgames.com.cn
www.pclady.com.cn
www.pckids.com.cn

WEBSITE ADDRESS

corp.pconline.com.cn

STOCK CODE

543

CONDENSED CONSOLIDATED INTERIM RESULTS

The board of directors (the “Board”) of Pacific Online Limited (the “Company”) announces the unaudited condensed consolidated results of the Company and its subsidiaries (collectively the “Group”) for the six months ended 30 June 2008 together with the comparative figures for the corresponding period of last year, as follows. These interim results have been reviewed by PricewaterhouseCoopers, the auditors of the Company, in accordance with Hong Kong Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”), and by the Audit Committee of the Company.

CONDENSED CONSOLIDATED INTERIM BALANCE SHEETS

	Note	30 June 2008 RMB'000 Unaudited	31 December 2007 RMB'000 Audited
ASSETS			
Non-current assets			
Property, plant and equipment	5	12,390	11,350
Intangible assets	5	1,687	1,585
Deferred income tax assets	6	3,304	2,668
		17,381	15,603
Current assets			
Trade and other receivables	7	76,085	77,701
Short-term bank deposits with original terms of over three months		10,000	18,000
Cash and cash equivalents		572,999	621,057
		659,084	716,758
Total assets		676,465	732,361
EQUITY			
Capital and reserves attributable to the equity holders of the Company			
Shares capital	8	8,986	8,986
Reserves		568,616	565,227
Retained earnings			
— Proposed final dividends		—	70,965
— Others		28,305	20,003
Total equity		605,907	665,181

CONDENSED CONSOLIDATED INTERIM BALANCE SHEETS (Continued)

	Note	30 June 2008 RMB'000 Unaudited	31 December 2007 RMB'000 Audited
LIABILITIES			
Non-current liabilities			
Deferred income tax liabilities	6	1,933	—
Current liabilities			
Accruals and other payables	9	23,650	29,251
Prepaid advertising subscriptions from customers		33,846	26,946
Current income tax liabilities		11,129	10,983
		68,625	67,180
Total liabilities		70,558	67,180
Total equity and liabilities		676,465	732,361
Net current assets		590,459	649,578
Total assets less current liabilities		607,840	665,181

The notes on pages 8 to 18 are an integral part of this condensed interim financial information.

CONDENSED CONSOLIDATED INTERIM INCOME STATEMENTS

	Note	Six months ended 30 June	
		2008 RMB'000 Unaudited	2007 RMB'000 Audited
Revenue	4	129,754	94,187
Cost of revenue		(37,116)	(26,929)
Gross profit		92,638	67,258
Selling and marketing costs		(23,124)	(11,557)
Administrative expenses		(14,497)	(6,885)
Product development expenses		(6,186)	(1,772)
Operating profit		48,831	47,044
Finance income	10	8,697	963
Finance costs	10	(34,379)	—
Finance (costs)/income — net	10	(25,682)	963
Profit before income tax		23,149	48,007
Income tax expense	11	(14,847)	(8,144)
Profit for the period		8,302	39,863
Attributable to:			
Equity holders of the Company		8,302	39,863
Dividends	12	—	—
Earnings per share for profit attributable to the equity holders of the Company			
— basic (RMB)	13	0.874 cents	5.245 cents
— diluted (RMB)	13	0.869 cents	5.245 cents

The notes on pages 8 to 18 are an integral part of this condensed interim financial information.

CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CHANGES IN EQUITY

	Audited			
	Attributable to the equity holders of the Company			
	Share capital	Reserves	Retained earnings	Total equity
	RMB'000	RMB'000	RMB'000	RMB'000
Balance at 1 January 2007	9	18,535	92,806	111,350
Profit for the period	—	—	39,863	39,863
Balance at 30 June 2007	9	18,535	132,669	151,213
Profit for the period	—	—	51,168	51,168
Dividends paid by a subsidiary to its equity holders	—	—	(92,400)	(92,400)
Disposal of subsidiaries	—	(531)	531	—
Employees' share option benefits	—	754	—	754
Issue of shares	1,797	591,282	—	593,079
Share issuance costs	—	(38,633)	—	(38,633)
Capitalisation of share premium	7,180	(7,180)	—	—
Appropriations to reserves	—	1,000	(1,000)	—
Balance at 31 December 2007	8,986	565,227	90,968	665,181

	Note	Unaudited			
		Attributable to the equity holders of the Company			
		Share capital	Reserves	Retained earnings	Total equity
		RMB'000	RMB'000	RMB'000	RMB'000
Balance at 1 January 2008		8,986	565,227	90,968	665,181
Profit for the period		—	—	8,302	8,302
Dividends relating to 2007, paid in May 2008	12	—	—	(70,965)	(70,965)
Employees' share option benefits		—	3,389	—	3,389
Balance at 30 June 2008		8,986	568,616	28,305	605,907

The notes on pages 8 to 18 are an integral part of this condensed interim financial information.

CONDENSED CONSOLIDATED INTERIM CASH FLOW STATEMENTS

	Six months ended 30 June	
	2008	2007
	RMB'000 Unaudited	RMB'000 Audited
Cash flows from operating activities		
Net cash generated from operations	55,270	27,607
Income tax paid	(13,404)	(12,506)
Net cash generated from operating activities	41,866	15,101
Cash flows from investing activities		
Purchase of property, plant and equipment	(2,798)	(1,360)
Purchase of intangible assets	(185)	(38)
Decrease in short-term bank deposits with original terms of over three months	8,000	7,500
Interest received	8,697	963
Disposal of subsidiaries	—	229
Net cash generated from investing activities	13,714	7,294
Cash flows from financing activities		
Dividends paid	(70,965)	—
Net cash used in financing activities	(70,965)	—
(Decrease)/increase in cash and cash equivalents	(15,385)	22,395
Cash and cash equivalents at beginning of period	621,057	113,437
Exchange losses on cash and bank	(32,673)	—
Cash and cash equivalents at end of period	572,999	135,832

The notes on pages 8 to 18 are an integral part of this condensed interim financial information.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

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

1. GENERAL INFORMATION

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

The Company's shares have been listed on Main Board of The Stock Exchange of Hong Kong Limited ("SEHK") since 18 December 2007. The address of its registered office is Cricket Square, Hutchins Drive, PO Box 2681, Grand Cayman, KY1-1111, Cayman Islands.

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

This unaudited condensed consolidated interim financial information was approved for issue on 26 August 2008.

2. BASIS OF PREPARATION AND PRESENTATION

This unaudited condensed consolidated interim financial information for the six months ended 30 June 2008 has been prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34, "Interim financial reporting".

This unaudited condensed consolidated interim financial information should be read in conjunction with the annual financial statements for the year ended 31 December 2007, which have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs").

The comparative figures of the condensed consolidated interim financial information have been prepared using the principles of merger accounting, as prescribed in Hong Kong Accounting Guideline 5 "Merger Accounting for Common Control Combinations" issued by the HKICPA. The condensed consolidated interim financial information included the financial position, results and cash flows of the companies comprising the Group as if the current group structure had been in existence throughout the accounting period, they would be included in the consolidated interim financial information of the Group from the date of that acquisition.

3. SIGNIFICANT ACCOUNTING POLICIES

Except as described below, the accounting policies adopted are consistent with those of the annual financial statements for the year ended 31 December 2007, as described in those annual financial statements.

The following interpretations are mandatory for the first time for the financial year beginning 1 January 2008 but are not currently relevant for the Group.

- HK(IFRIC) — Int 11, "HKFRS 2 – Group and treasury share transactions", effective for annual periods beginning on or after 1 March 2007;
- HK(IFRIC) — Int 12, "Service concession arrangements", effective from 1 January 2008; and
- HK(IFRIC) — Int 14, "HKAS 19 – the limit on a defined benefit asset, minimum funding requirements and their interaction", effective from 1 January 2008.

The following new standards, amendments to standards and interpretation have been issued but are not effective for the financial year beginning 1 January 2008 and have not been early adopted:

- HKFRS 8, "Operating segments", effective for annual periods beginning on or after 1 January 2009. HKFRS 8 replaces HKAS 14, "Segment reporting", and requires a "management approach" under which segment information is presented on the same basis as that used for internal reporting purposes;

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

- HKAS 23 (amendment), "Borrowing costs", effective for annual periods beginning on or after 1 January 2009;
- HKFRS 2 (amendment) "Share-based payment", effective for annual periods beginning on or after 1 January 2009;
- HKFRS 3 (amendment), "Business combinations" and consequential amendments to HKAS 27, "Consolidated and separate financial statements", HKAS 28, "Investments in associates" and HKAS 31, "Interests in joint ventures", effective prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 July 2009;
- HKAS 1 (amendment), "Presentation of financial statements", effective for annual periods beginning on or after 1 January 2009;
- HKAS 32 (amendment), "Financial instruments: presentation", and consequential amendments to HKAS 1, "Presentation of financial statements", effective for annual periods beginning on or after 1 January 2009; and
- HK(IFRIC) — Int 13, "Customer loyalty programmes", effective for annual periods beginning on or after 1 July 2008.

4. REVENUE AND SEGMENT INFORMATION

The Group is principally engaged in one business segment, the provision of internet advertising services for different commodities. All of the Group's revenue is generated from customers in the PRC. Therefore, no business segment or geographical segment is presented.

5. PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE ASSETS

	Property, plant and equipment	Intangible assets
	RMB'000	RMB'000
Unaudited		
Movements for the six months ended 30 June 2008		
Opening net book amount 1 January 2008	11,350	1,585
Additions	2,798	185
Disposals	(2)	—
Depreciation and amortization	(1,756)	(83)
Closing net amount 30 June 2008	12,390	1,687
Audited		
Movements for the six months ended 30 June 2007		
Opening net book amount 1 January 2007	10,982	1,299
Additions	1,360	38
Disposals	(25)	—
Depreciation and amortization	(1,454)	(539)
Closing net amount 30 June 2007	10,863	798

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

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

6. DEFERRED INCOME TAX

Deferred income tax assets

The movements in deferred income tax assets during the period are as follows:

	As at 30 June 2008 RMB'000 Unaudited	As at 31 December 2007 RMB'000 Audited
Deferred income tax assets:		
— Deferred income tax assets to be recovered after more than 12 months	2,001	548
— Deferred income tax assets to be recovered within 12 months	1,303	2,120
	3,304	2,668

	Deferred income tax assets			Total RMB'000
	Intra-group software sales (a) RMB'000	Provision for impairment of trade receivables RMB'000	Provision for tax losses (b) RMB'000	
At 1 January 2007	2,129	594	—	2,723
(Charged)/credited to the income statement	(227)	(75)	247	(55)
At 31 December 2007	1,902	519	247	2,668
Credited to the income statement	540	45	51	636
At 30 June 2008	2,442	564	298	3,304

- (a) The deferred income tax assets recognised relate to temporary differences arising from certain intra-group software sales transactions. The credits to the consolidated income statement represent originating temporary differences arising from these software sales while the charge to the consolidated income statement represents reversal of the temporary differences as a result of the amortisation of the costs of the respective software.
- (b) Deferred income tax assets are recognized for tax losses carry-forwards to the extent that the realization of the related benefit through the future taxable profits is probable. Accumulated losses amounting to RMB987,000 and RMB203,000 as at June 30, 2008 will expire in 2013 and 2014, respectively.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

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

6. DEFERRED INCOME TAX (Continued)

Deferred income tax liabilities

The movements in deferred income tax liabilities during the period are as follows:

	As at 30 June 2008 RMB'000 Unaudited	As at 31 December 2007 RMB'000 Audited
Deferred income tax liabilities:		
— Deferred income tax liabilities to be recovered after more than 12 months	1,933	—
	1,933	—

	Deferred income tax liabilities — withholding tax (c) RMB'000 Unaudited
At 31 December 2007	—
Charged to the income statement	1,933
At 30 June 2008	1,933

- (c) Pursuant to the PRC Enterprise Income Tax Law (the "New EIT Law") approved by the National People's Congress on 16 March 2007, a 10% withholding tax was levied on dividends declared to foreign enterprise investors from the PRC effective from 1 January 2008. A lower withholding tax rate of 5% was applied to Hong Kong foreign enterprise investors as there is a tax treaty arrangement between Mainland China and Hong Kong. The deferred income tax liabilities were calculated based on 5% of the distributable profit of a PRC subsidiary, which is wholly-owned by a Hong Kong subsidiary, for the six months ended 30 June 2008.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

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

7. TRADE AND OTHER RECEIVABLES

	As at 30 June 2008 RMB'000 Unaudited	As at 31 December 2007 RMB'000 Audited
Trade receivables (a)	75,674	51,739
Less: provision for impairment of receivables	(2,255)	(2,077)
	73,419	49,662
Amount due from BNP Paribas Capital (Asia Pacific) Limited ("BNP Paribas Capital") (b)	—	25,166
Amounts due from related parties	242	242
Other receivables	2,424	2,631
	76,085	77,701

(a) Trade receivables

Credit terms granted to customers by the Group are generally within six months. At 30 June 2008 and 31 December 2007, the ageing analysis of the trade receivables was as follows:

	As at 30 June 2008 RMB'000 Unaudited	As at 31 December 2007 RMB'000 Audited
Current to 6 months	67,249	44,375
6 months to 1 year	5,879	3,563
1 year to 2 years	954	2,363
Over 2 years	1,592	1,438
	75,674	51,739

(b) Amount due from BNP Paribas Capital

The amount as at 31 December 2007 represents a portion of the listing proceeds due from BNP Paribas Capital, which is the sponsor of the initial public offering of shares of the Company on the Main Board of SEHK (the "IPO"). The amount had been fully received by the Group during the six months ended 30 June 2008.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

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

8. SHARE CAPITAL

	Authorised share capital		
	Number of shares '000	HK\$'000	RMB'000
Upon incorporation of the Company on 27 August 2007 and at 1 January and 30 June 2008 (a)	100,000,000	1,000,000	969,200

	Issued and fully paid up		
	Number of shares '000	HK\$'000	RMB'000
Issuance upon incorporation (a)	12	—	—
Issuance pursuant to a group reorganisation (b)	938	9	9
Issue of shares in the IPO (c)	190,000	1,900	1,797
Capitalisation of share premium (d)	759,050	7,591	7,180
As at 1 January and 30 June 2008	950,000	9,500	8,986

The following changes in the Company's authorised and issued share capital took place during the period from 27 August 2007 (date of incorporation) to 30 June 2008:

- (a) Upon incorporation of the Company on 27 August 2007, its authorised share capital was HK\$1,000,000,000 (approximately RMB969,200,000), divided into 100,000,000,000 shares of HK\$0.01 each. On 27 August 2007, the Company issued one ordinary share at par to its subscriber. On 28 August 2007, an aggregate of 11,874 shares were allotted and issued to the then equity holders of Takehigh Industry Limited ("Takehigh"), a company which conducted the principal operations of the Group before the reorganisation of the Group (the "Group Reorganisation").
- (b) On 12 November 2007, the Company, all the then equity holders of Takehigh and Takehigh entered into a share swap agreement under which, all the then equity holders of Takehigh transferred their 100% equity interest in Takehigh to the Company in consideration for the exchange of an aggregate 938,125 ordinary shares of the Company. As a result of the Group Reorganisation, Takehigh became a wholly-owned subsidiary of the Company.
- (c) On 18 December 2007, the Company issued 190,000,000 ordinary shares in the IPO at an issue price of HK\$3.30 per share (the "New Issue").
- (d) Immediately after the completion of the New Issue, share premium of HK\$7,591,000 (approximately RMB7,180,000) was capitalised and applied in paying up in full at par 759,050,000 shares issued to the shareholders whose names were on the register of members of the Company on 23 November 2007.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

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

9. ACCRUALS AND OTHER PAYABLES

	As at 30 June 2008 RMB'000 Unaudited	As at 31 December 2007 RMB'000 Audited
Salary payables	6,993	9,223
Accrued expenses (a)	10,463	13,740
Other payables (b)	5,746	6,288
Amounts due to directors (c)	448	—
	23,650	29,251

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

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

(c) The amounts represent bonus payable to directors which are unsecured, interest free and are repayable on demand.

10. FINANCE INCOME AND COSTS

	Six months ended 30 June	
	2008 RMB'000 Unaudited	2007 RMB'000 Audited
Finance costs		
— Net foreign exchange losses (a)	(34,379)	—
Finance income		
— Interest income on bank deposits	8,697	963
Finance (costs)/income — net	(25,682)	963

(a) The net foreign exchange losses were mainly the unrealised translation losses arising from translation of HK\$/USD denominated cash and cash equivalents balances as at 30 June 2008 at the closing rate of HK\$/USD to Renminbi prevailing at that date.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

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

11. INCOME TAX EXPENSE

	Six months ended 30 June	
	2008 RMB'000 Unaudited	2007 RMB'000 Audited
Current income tax		
— PRC Enterprise Income Tax ("EIT")	13,550	8,540
Deferred taxation	1,297	(396)
	14,847	8,144

The Company and its subsidiaries incorporated in Hong Kong are not subject to Hong Kong or Cayman Islands profits tax as they have no assessable income arising in or derived from Hong Kong or Cayman Islands during the six months ended 30 June 2008 (2007: Nil).

Based on the New EIT Law, the applicable EIT rate of subsidiaries established in the PRC was changed from 33% to 25% from 1 January 2008.

12. DIVIDENDS

The directors do not recommend the payment of interim dividend for the six months ended 30 June 2008 (30 June 2007: Nil).

Final dividend relates to the year ended 31 December 2007 amounting to RMB70,965,000 was paid in May 2008.

13. EARNINGS PER SHARE

(a) Basic

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the period:

	Six months ended 30 June	
	2008 Unaudited	2007 Audited
Profit attributable to equity holders of the Company (RMB'000)	8,302	39,863
Weighted average number of ordinary shares in issue (thousand shares)	950,000	760,000
Basic earnings per share (RMB)	0.874 cents	5.245 cents

As disclosed in Note 2, this unaudited condensed consolidated interim financial information has been prepared under the merger accounting method. Accordingly, the total of 760,000,000 ordinary shares issued as described in Note 8(a), (b) and (d) were deemed to have been in issue since 1 January 2007 in determining the weighted average number of ordinary shares in issue for the six months ended 30 June 2007.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

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

13. EARNINGS PER SHARE (Continued)

(b) Diluted

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The Company has one category of dilutive potential ordinary shares which are the share options granted. Calculation is made 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 the 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.

	Six months ended 30 June 2008 Unaudited
Profit attributable to equity holders of the Company (RMB'000)	8,302
Weighted average number of ordinary shares in issue (thousand shares)	950,000
Adjustments for — share options (thousand shares)	5,291
Weighted average number of ordinary shares for diluted earnings per share (thousand shares)	955,291
Diluted earnings per share (RMB)	0.869 cents

As the Company granted share options to directors and selected employees under a Pre-IPO Share Option Plan on 23 November 2007, no diluted potential shares were applicable for the six months ended 30 June 2007. The diluted earnings per share for the six months ended 30 June 2007 presented is the same as the basic earnings per share.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

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

14. COMMITMENTS

(a) The Group did not have any material capital commitments at the respective balance sheet date.

(b) Operating lease commitments

	As at 30 June 2008	As at 31 December 2007
	Unaudited	Audited
Office buildings	3,193	4,343

The Group's future aggregate minimum lease payments under non-cancellable operating leases are as follows:

	As at 30 June 2008	As at 31 December 2007
	Unaudited	Audited
Not later than 1 year	2,227	2,398
Later than 1 year and not later than 5 years	966	1,945
	3,193	4,343

15. SIGNIFICANT RELATED PARTY TRANSACTIONS

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

(a) Name and relationship with related parties

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

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

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

15. SIGNIFICANT RELATED PARTY TRANSACTIONS (Continued)

(b) Related party transactions

	Six months ended 30 June	
	2008	2007
	Unaudited	Audited
Rental expenses for office and advertising billboards paid/payable:		
Kexim	105	—
GPET Mall	1,429	1,411
SHPD Consulting	378	385
SHPD Technology	36	—
BUPE Technology	113	113
	2,061	1,909

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

16. EVENTS AFTER THE BALANCE SHEET DATE

From 8 July to 25 July 2008, the Company repurchased 23,674,000 of its own ordinary shares at considerations of approximately HK\$35,668,000.

OTHER INFORMATION

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

Neither the Company, nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the six months ended 30 June 2008.

AUDIT COMMITTEE

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

CORPORATE GOVERNANCE

The Company is committed to maintaining a high standard of corporate governance with a view to enhancing the management of the Company as well as preserving the interests of the shareholders as a whole. The Board is of the view that the Company has met the code provisions set out in the Code on Corporate Governance Practices contained in Appendix 14 to the Rules Governing the Listing of Securities on the SEHK, except that there is no separation of the role of Chairman and Chief Executive Officer as stipulated in the code provision A.2.1. Mr. Lam Wai Yan currently assumes the role of both the Chairman and the Chief Executive Officer of the Company. As Mr. Lam is a co-founder of the Group and has extensive experiences in the internet industry, the Board believes that it is in the best interest of the Group to have Mr. Lam taking up both roles for continuous effective management and business development of the Group.

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.

OTHER INFORMATION

Movements of the Share Options Schemes of the Company are as follows:

(a) Pre-IPO Share Option Plan

Category	Date of grant	Exercise period*	Exercise price HK\$	Number of share options				
				As at 1 January 2008	Granted during the period	Exercised/ cancelled during the period	Lapsed during the period	As at 30 June 2008
Director								
Ms. Zhong Cong Min	23 November 2007	23 November 2009 to 22 November 2017	1.52	5,292,000	—	—	—	5,292,000
	23 November 2007	23 November 2010 to 22 November 2017	1.97	5,292,000	—	—	—	5,292,000
	23 November 2007	23 November 2011 to 22 November 2017	2.27	5,292,000	—	—	—	5,292,000
				15,876,000	—	—	—	15,876,000
Mr. Tsung Shih Kin, Samuel	23 November 2007	23 November 2009 to 22 November 2017	1.52	1,004,333	—	—	—	1,004,333
	23 November 2007	23 November 2010 to 22 November 2017	1.97	1,004,333	—	—	—	1,004,333
	23 November 2007	23 November 2011 to 22 November 2017	2.27	1,004,334	—	—	—	1,004,334
				3,013,000	—	—	—	3,013,000
				18,889,000	—	—	—	18,889,000
Employees	23 November 2007	23 November 2009 to 22 November 2017	1.52	10,346,641	—	—	(889,000)	9,457,641
	23 November 2007	23 November 2010 to 22 November 2017	1.97	10,346,641	—	—	(889,000)	9,457,641
	23 November 2007	23 November 2011 to 22 November 2017	2.27	10,346,718	—	—	(888,000)	9,458,718
				31,040,000	—	—	(2,666,000)	28,374,000
Total				49,929,000	—	—	(2,666,000)	47,263,000

* The vesting period of the share options is from the date of grant until the commencement of the exercise period.

(b) Post-IPO Share Option Plan

Since the adoption of the Post-IPO Share Option Plan and up to 30 June 2008, no options had been granted.

OTHER INFORMATION

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

As at 30 June 2008, the interests of the directors of the Company in the shares and underlying shares of the Company (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) as recorded in the register required to be kept by the Company under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") were as follows:

(1) Interests in shares of the Company

Name of director	Long/Short position	Capacity	Number of shares	Note	Percentage of the Company's issued share capital
Mr. Lam Wai Yan	Long	Interests held by a controlled corporation	256,576,000	(1)	27.01%
	Long	Interests held jointly with another person	5,373,000	—	0.56%
			261,949,000	—	27.57%
Mr. Ho Kam Wah	Long	Interests held by a controlled corporation	86,016,000	(2)	9.05%

Notes:

- (1) These shares were beneficially owned by Pac Tech Investment Co. Ltd., a controlled corporation of Mr. Lam Wai Yan.
- (2) These shares were beneficially owned by Treasure Field Holdings Limited, the entire issued share capital of which was owned as to 80% by Mr. Ho Kam Wah and 20% by his spouse, Ms. Yeung Yuk Chun.

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

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

OTHER INFORMATION

(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 the share options granted	Percentage of the underlying shares over the Company's issued share capital
Ms. Zhang Cong Min	Long	Beneficial owner	15,876,000	1.67%
Mr. Tsung Shih Kin, Samuel	Long	Beneficial owner	3,013,000	0.32%

Note: Details of the above share options as required by the Listing Rules have been disclosed in above section headed "Share Option Schemes".

Save as disclosed above, as at 30 June 2008, 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; nor had there been any grant or exercise of rights during the period ended 30 June 2008.

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN THE SHARES OF THE COMPANY

As at 30 June 2008, 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
Pac Tech Investment Co. Ltd.	Long	Beneficial owner	256,576,000	(1)	27.01%
Ms. Ma Muk Lan	Long	Interests of spouse	256,576,000	(2)	27.01%
	Long	Interests held jointly with another person	5,373,000	—	0.56%
			261,949,000	(—)	27.57%
Gallop Assets Management Limited	Long	Beneficial owner	225,024,000	(3)	23.69%
Mr. Wang Ko Chiang	Long	Interests held by a controlled corporation	225,024,000	(3)	23.69%
	Long	Beneficial owner	7,163,000	—	0.75%
			232,187,000	(—)	24.44%
Mrs. Wang Tang Shi Ming	Long	Interests of spouse	232,187,000	(4)	24.44%
Treasure Field Holdings Limited	Long	Beneficial owner	86,016,000	(5)	9.05%
Ms. Yeung Yuk Chun	Long	Interests of spouse	86,016,000	(6)	9.05%

OTHER INFORMATION

Notes:

- (1) The interests of Pac Tech Investment Co. Ltd. was also disclosed as the interests of Mr. Lam Wai Yan in the above section headed "Directors' interests in the shares and underlying shares of the Company and its associated corporation".
- (2) Ms. Ma Muk Lan was deemed to be interested in 256,576,000 shares of the Company through the interests of her spouse, Mr. Lam Wai Yan.
- (3) These shares were beneficially owned by Gallop Assets Management Limited, a controlled corporation of Mr. Wang Ko Chiang.
- (4) Mrs. Wang Tang Shi Ming was deemed to be interested in 232,187,000 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 86,016,000 shares of the Company through the interests of her spouse, Mr. Ho Kam Wah.

Save as disclosed above, as at 30 June 2008, no person, other than the directors 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 under Section 336 of the SFO.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

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

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

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

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

MANAGEMENT DISCUSSION AND ANALYSIS

REVENUE

Revenue increased by 38% from RMB94.2 million for the six months ended 30 June 2007 to RMB129.8 million for the six months ended 30 June 2008. Revenue for PConline, the Group's information technology ("IT") and consumer electronics portal, increased by 23% from RMB62.7 million for the six months ended 30 June 2007 to RMB77.0 million for the six months ended 30 June 2008. Revenue for PCauto, the Group's automobile portal, increased by 63% from RMB28.1 million for the six months ended 30 June 2007 to RMB45.8 million for the six months ended 30 June 2008. Revenue for the Group's other operations, such as its games, lady, kids portal and others, increased by 106%. PConline and PCauto accounted for the majority of the Group's total revenue, at 95%. According to the latest China Internet Network Information Center report, the number of internet users in China reached 253 million at the end of June 2008, an increase of 56.2% year on year, and China now has the largest internet population in the world. The rapid growth of China's internet population has elevated the internet's status as a competitive medium for marketing and has thus led to increased allocation of advertising spending to the internet. Our leading position in both IT and auto allows us to capture this increased spending in internet advertising.

The summer Olympics in Beijing has garnered international interest, which has led to an increase in overall advertising spending to capitalize on this unique opportunity. However, as our portals are consumer oriented and focus on specific industries such as IT, auto, games, lady, and parenting, we do not cover areas such as general news and sports that would be most relevant to Olympics reporting. As a result, while we enjoyed solid growth in the first half of the year and benefited from the overall favourable environment for online advertising, we were not able to fully capture the additional advertising spending earmarked for Olympic related activities. In addition, the massive earthquake in Sichuan also modestly affected our results.

COST OF REVENUE

Cost of Revenue increased 38% from RMB26.9 million for the six months ended 30 June 2007 to RMB37.1 million for the six months ended 30 June 2008. The gross profit margin was 71% for the first half of 2008 and was stable compared to that of first half of 2007. While we were able to extract some operating leverage from stable content cost, this was offset by the higher sales commission to the advertising agencies. In addition, telecommunication expenses increased as we added bandwidth capacity and servers to accommodate the increasing viewer traffic as the portals gained popularity.

SELLING AND MARKETING COSTS

Selling and Marketing Costs increased by 99% from RMB11.6 million for the six months ended 30 June 2007 to RMB23.1 million for the six months ended 30 June 2008. The increase can be primarily attributed to increase in staff cost for the sales department to accommodate a larger client base as well as increased marketing expenses to strengthen brand awareness of the five portals.

MANAGEMENT DISCUSSION AND ANALYSIS

ADMINISTRATIVE EXPENSES

Administrative Expenses increased by 110% from RMB6.9 million for the six months ended 30 June 2007 to RMB14.5 million for the six months ended 30 June 2008. The increase was partly due to expenses related to our Pre-IPO Share Option Scheme that we enacted in November of 2007. This expense item was not present during the first half of last year. Similarly, various additional expenses associated with being listed, such as compliance costs and professional fees, also added to administrative expenses that were not present during the same period last year.

PRODUCT DEVELOPMENT EXPENSES

Product Development Expenses increased by 244% from RMB1.8 million for the six months ended 30 June 2007 to RMB6.2 million for the six months ended 30 June 2008. The increase can be primarily attributed to increased staff cost as we set up a new research and development center in Beijing and as well as additional expenses associated with development of various Web2.0 products expected to roll out in the second half of the year.

FINANCE COSTS

Finance Costs were primarily due to foreign currency exchange loss resulted from holding HK\$/USD denominated IPO proceeds. As the Group operates primarily within China, RMB is the Company's functional currency. As RMB is not a freely exchangeable currency, the Company cannot directly convert a significant amount of proceeds into RMB. As a result, the Company experienced unrealized foreign currency exchange loss when RMB appreciated against the HK\$/USD. As of end of June 2008, RMB has appreciated about 6% from the beginning of the year. We are actively looking for acquisition opportunities to utilize our IPO proceeds. In addition, we are pursuing opportunities to purchase a headquarter facility to accommodate our growing staff.

INCOME TAX EXPENSE

Income Tax Expense increased due to increased operating profit. In addition, with the New EIT Law effective from 1 January 2008, applicable EIT rate of 25% was applied to subsidiaries established in China. High/New Technology Enterprises ("HNTE"), subject to approval by the Technology Bureau, can enjoy a reduced statutory EIT rate of 15%. As we operate in a technology field, we believe our operation qualifies us as a HNTE and will obtain the necessary approval.

NET PROFIT

Net Profit decreased from RMB39.9 million for the six months ended 30 June 2007 to RMB8.3 million for the six months ended 30 June 2008. The decrease was primarily due to unrealized foreign currency exchange loss which is a non-cash expense.

LIQUIDITY AND FINANCIAL RESOURCES

As at 30 June 2008, the Group had financial resources in the form of short term bank deposits and cash amounting to RMB583 million (as at 31 December 2007: RMB639 million). The decrease was due to foreign currency exchange loss and dividend paid out during the period. A large portion of our financial assets are held in US dollars and we had no interest-bearing borrowings as at 30 June 2008.

MANAGEMENT DISCUSSION AND ANALYSIS

USE OF PROCEEDS

The Company will continue to apply the use of proceeds which was stated in the prospectus dated 5 December 2007.

BUSINESS OUTLOOK

Looking into the second half of the year, we are more cautious with the overall macroeconomic condition slowing down in China. However, with the rapid growth of the internet population and online advertising spending taking market share vis-à-vis traditional media, we are confident of the long term growth prospect of online advertising. Traditionally, second half of the year outperforms the first half as advertisers budget according Chinese consumer behavior. The Chinese consumer market still presents growth potential for many multi-national and domestic brands. We will continue to work with our customers to strive for promising growth of market share and will continue to strengthen our risk control and cost efficiency. With the positive momentum, we are confident that our business will continue to grow in the foreseeable future.

On behalf of the Board
Lam Wai Yan
Chairman

Hong Kong, 26 August 2008