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Pacific Online Limited
太平洋網絡有限公司

ANNUAL REPORT 2015

Incorporated in the Cayman Islands with limited liability

Stock Code: 543

CONTENTS

Corporate Information	2
Chairman's Statement	3
Management Discussion and Analysis	5
Directors' and Senior Management's Profiles	8
Corporate Governance Report	12
Directors' Report	23
Independent Auditor's Report	41
Consolidated Income Statement	43
Consolidated Statement of Comprehensive Income	44
Consolidated Balance Sheet	45
Consolidated Statement of Changes in Equity	46
Consolidated Statement of Cash Flows	47
Notes to the Consolidated Financial Statements	48
Financial Summary	114

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
Wing Hang 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.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 2015.

The year 2015 remained a very tough year, as most people have expected. The continuing weak global economy has significantly affected global manufacturing and related industries, which has in turn had major impact on all walks of life in China. As a result of their prudent sales projections, the marketing spending of many of the major players in various markets has been reduced, some substantially. There were fundamental shifts in the habits and behaviours of the users and responding changes in the requirements of the advertising campaigns that have resulted in the significant increase in the costs of marketing and sales. This combination has had a major impact on most internet companies in China. During the year, despite worked hard to cope with the changes, including opening up new revenue sources, making investments in new products and services, in particular mobile based ones, and reducing operating costs, we report a reduction in the net profit for the year. However, our hard work help contain the extent of this reduction, and enables us to maintain our leadership positions in the vertical markets we operate in.

PCauto continued to be the main income earner, chalking another year of 25% increase in revenue. Although 2015 witnessed another year of increased spending, we noted that the manufacturers are feeling the slowing down of the market and are positioning for new product trends. There is also a noticeable change to focus their marketing budget to more directly linked to the sales of their products. As a result of the harsh competition between auto portals, the selling and marketing spending increased significantly in 2015, which squeezed the net margin of most operators. Nevertheless, we maintained tight control over our selling and marketing expenses, thereby protected our profitability during this hostile period. The PCauto team has successfully demonstrated our core competence and maintained our position as one of the leaders in the market.

The consumer electronics market in China has continued to remain weak. The sales of personal computer continued to fall, while the expansion of the smartphone market has slowed significantly. The situation with IT retail sales outlets was catastrophic. A significant portion of the market has gone to the new diversified sales channels based on social networks and electronic trading platforms. Despite the sizeable fall in the revenue of PConline in 2015, we have made timely and positive structural changes to our business strategy. This adjustment enabled us to open up new e-commerce based sources of revenue which to some degree compensated for the contraction in the traditional technology product sales markets.

The fashion and beauty market trends has had its impact on PClady. In 2015, the luxury products and cosmetics markets showed a general downward trend. Some groups stopped their non-core brands and products, while others closed their retail shops in big scales. Faced with a harsh prospect in their markets, the luxurious and cosmetic brands made substantial cuts in their marketing budgets, especially general brand building type advertising. Their focus have shifted to channels oriented towards direct sales of the products such as e-commerce, video product promotions and open commentary forums.

CHAIRMAN'S STATEMENT

Revenue from the other verticals, namely PCbaby and PChouse continued to grow rapidly this year. We continued to focus on the needs and habits of our users and provide the knowledge, needs and convenience that they are looking for from the internet website and mobile apps. We believe that these portals will continue their strong performance in the years to come.

Looking ahead, we envisage the general economy in China to remain sluggish in the near future. The market segments that we operate in will no doubt remain highly competitive. We will continue our effort to focus on the mobile delivery channels and to develop innovative products that provide products and services to meet the needs of the end users. Our respective teams will persevere in the delivery of quality contents and user experience, while increasing the efficiency and cost effectiveness of our operations.

Our development of new products such as after sale services to motorists and auto learners will increase user loyalty and customer satisfaction. These will improve user stickiness and thus our long term sustainable position in the auto portals market. In the technology portal, we have developed focal teams to better serve the e-commerce arenas and embrace the use of new media. PClady will remain focused on providing more choices for fashion followers and suitable modern courses for young people. PCbaby will extend our care for the pregnant women and will continue to early education and other needs of our users' babies. PChouse will continue to provide useful assistance to the home design and decoration needs of our users, while they develop their sense and taste for their most important place on earth — home.

Despite the drop in net profit this year, the Board has decided to recommend to maintain a similar level of dividend pay-out as prior years. This decision is made after taking into consideration the current level of free cash, the needs for liquid fund for business development and the steady nature of cash inflow. The Group believes that with the suitable and timely adjustments made to its business strategy as outlined above, its medium to long term outlook remains positive.

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, 24 March 2016

REVENUE

Revenue increased 11.0% from RMB987.5 million for the year ended 31 December 2014 to RMB1,096.4 million for the year ended 31 December 2015.

Revenue for PCauto, the Group's automobile portal, increased 24.8% from RMB564.2 million for the year ended 31 December 2014 to RMB703.9 million during the year ended 31 December 2015. The increase in revenue for PCauto was primarily due to increased spending from both auto manufacturer and dealership customers. As a percentage of revenue, PCauto accounted for 57.1% during the year ended 31 December 2014 and 64.2% during the year ended 31 December 2015.

Revenue for PConline, the Group's IT and consumer electronics portal, decreased 18.6% from RMB229.9 million during the year ended 31 December 2014 to RMB187.2 million during the year ended 31 December 2015. The decrease was due to decline in demand from consumer electronics manufacturers. As a percentage of revenue, PConline accounted for 23.3% during the year ended 31 December 2014 and 17.1% during the year ended 31 December 2015.

Revenue for PClady, the Group's lady and fashion portal, decreased 6.8% from RMB103.8 million during the year ended 31 December 2014 to RMB96.8 million during the year ended 31 December 2015. The decrease was driven by a slowdown in advertising demand from luxury fashion products. As a percentage of revenue, PClady accounted for 10.5% during the year ended 31 December 2014 and 8.8% during the year ended 31 December 2015.

Revenue from other operations, including PCbaby and PChouse portals, increased by 21.0% from RMB89.6 million during the year ended 31 December 2014 to RMB108.5 million during the year ended 31 December 2015. 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 9.1% during the year ended 31 December 2014 and 9.9% during the year ended 31 December 2015.

COST OF REVENUE

Cost of revenue increased 19.5% from RMB322.9 million during the year ended 31 December 2014 to RMB385.8 million during the year ended 31 December 2015. Gross profit margin was 67.3% during the year ended 31 December 2014 and 64.8% during the year ended 31 December 2015.

The increase in cost of revenue was due to a rise in personnel-related expenses in content production, service commission to advertising agencies, outsourcing production costs and costs of offline marketing activities.

SELLING AND MARKETING COSTS

Selling and marketing costs increased 29.1% from RMB249.4 million during the year ended 31 December 2014 to RMB322.0 million during the year ended 31 December 2015. The increase was mainly due to increases in staff costs and marketing expenses.

ADMINISTRATIVE EXPENSES

Administrative expenses increased by 22.4% from RMB78.9 million during the year ended 31 December 2014 to RMB96.6 million during the year ended 31 December 2015, mainly due to higher impairment charge of receivables and goodwill during the year.

PRODUCT DEVELOPMENT EXPENSES

Product development expenses increased by 30.7% from RMB61.5 million during the year ended 31 December 2014 to RMB80.3 million during the year ended 31 December 2015. 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 RMB225.9 million during the year ended 31 December 2015, representing a 19.7% decrease from RMB281.5 million during the year ended 31 December 2014.

OTHER INCOME

Other income was RMB3.4 million during the year ended 31 December 2015 and RMB1.6 million during the year ended 31 December 2014. The increase was due to increase in government grant and higher investment income from financial assets during the year.

FINANCE INCOME AND COST

Net finance income was RMB6.9 million during the year ended 31 December 2014 and RMB3.6 million during the year ended 31 December 2015. The decrease was mainly due to lower interest income on bank deposits.

INCOME TAX EXPENSE

Income tax expenses decreased 22.7% from RMB62.2 million during the year ended 31 December 2014 to RMB48.1 million during the year ended 31 December 2015.

NET PROFIT

Net profit decreased 18.7% from RMB221.2 million during the year ended 31 December 2014 to RMB179.8 million during the year ended 31 December 2015.

LIQUIDITY AND FINANCIAL RESOURCES

As of 31 December 2015, the Group had short-term deposits and cash totaling RMB413.5 million, compared with RMB394.8 million as of 31 December 2014.

In 2015, net cash generated from operating activities was RMB157.4 million, net cash used in investing activities was RMB8.4 million, net cash used in financing activities was RMB129.4 million, with a net increase in cash and cash equivalents of RMB19.5 million for the year 2015.

In 2014, net cash generated from operating activities was RMB206.2 million, net cash used in investing activities was RMB97.0 million, net cash used in financing activities was RMB152.5 million, with a net decrease in cash and cash equivalents of RMB43.3 million for the year 2014.

The Company had no external debt as of 31 December 2014 and 31 December 2015.

BANK BORROWINGS

As of both 31 December 2015 and 31 December 2014, the Group did not have any bank borrowings and therefore, its gearing ratio, representing the ratio of total bank borrowings to shareholders' equity, was nil for both years.

MATERIAL ACQUISITIONS AND DISPOSALS

During the year ended 31 December 2015, the Group had no material acquisitions or disposals of subsidiaries and associates.

CHARGES ON ASSETS

As at 31 December 2015, 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.

DIRECTORS' AND SENIOR MANAGEMENT'S PROFILES

EXECUTIVE DIRECTORS

Dr. Lam Wai Yan ("Dr. Lam"), aged 64, 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 63, 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 41, 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 48, 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 66, 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 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
DTXS Silk Road Investment Holdings Company Limited

DIRECTORS' AND SENIOR MANAGEMENT'S PROFILES

Mr. Thaddeus Thomas Beczak ("Mr. Beczak"), aged 65, 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 School of Foreign Service at Georgetown University. 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
China Minsheng Financial Holding Corporation Limited
Singapore Exchange Limited

Mr. Beczak was previously the vice chairman of China Renaissance Holdings Limited and chairman of China Renaissance Securities (Hong Kong) Limited until June 2014. Mr. Beczak was a senior advisor to Nomura International (Hong Kong) Limited and non-executive chairman of Nomura Asia Holding N.V. 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 Holdings 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.

From November 1997 until December 2002, Mr. Beczak was chairman of the Listing Committee of Hong Kong Stock Exchange and a member of board of directors of the Hong Kong Stock Exchange from 1998 until 2001. From June 2001 until May 2007, he was a member of the Advisory Committee of the Securities and Futures Commission in Hong Kong. Currently, he is a member of the international advisory committee of the China Securities Regulatory Commission (CSRC).

Prior to joining the Kerry group, Mr. Beczak was a managing director of J.P. Morgan Inc. and president of J.P. Morgan Inc. and president of J.P. Morgan Securities Asia from 1990 until 1997. While at J.P. Morgan, Hong Kong, he was a director of the Bank of the Philippine Islands and a committee member of the Hong Kong Association of Banks.

Mr. Chan Chi Mong, Hopkins ("Mr. Chan"), aged 58, 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 was appointed as Justice of the Peace by the Government of the Hong Kong Special Administrative Region on 1 July 2015. 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. Pang Pui Yin, Thomas ("Mr. Pang"), aged 54, is the chief financial officer of the Group. Mr. Pang joined the Group in 2016. He is responsible for all financial, accounting, investment and corporate finance matters of the Group. He has over 30 years of experience in the areas of capital markets, accounting and finance, investment and corporate management covering a number of industrial sectors such as real estate, oil and gas, financial advisory, investment management and securities market regulation. Prior to joining the Group, Mr. Pang held senior positions including chief executive officer, chief investment officer and chief financial officer of a number of Hong Kong listed companies as well as investment funds. He was admitted as a Chartered Accountant in England and Wales in 1988 while working in the London office of a big 4 accounting firm. He is a member of Hong Kong Institute of Certified Public Accountants with exposure in the United Kingdom, Australia, New Zealand, Hong Kong, Mainland China and Dubai. Mr. Pang holds a Master's degree from the University of Oxford, England and a Master's degree from the International School of Advanced Studies, University of Trieste, Italy.

Mr. Tsung Shih Kin, Samuel ("Mr. Tsung"), aged 65, 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 47, 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.

Ms. Fan Zeng Chun ("Ms. Fan"), aged 45, 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).

Mr. Wong Huk Yung, Hudson ("Mr. Wong"), aged 50, 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.

CORPORATE GOVERNANCE REPORT

The Board presents this Corporate Governance Report in the Company's annual report for the year ended 31 December 2015.

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 2015, 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 2015:

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 2015 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. Ho Kam Wah, Ms. Zhang Cong Min and Mr. Tsui Yiu Wah, Alec shall retire by rotation at the forthcoming 2016 annual general meeting of the Company (the "2016 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 2015, 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 2015 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 2015 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	4/4	—	—	—	1/1
Ms. Zhang Cong Min	4/4	—	—	—	1/1
Mr. Tsui Yiu Wa, Alec	4/4	2/2	1/1	1/1	1/1
Mr. Thaddeus Thomas Beczak	4/4	2/2	1/1	1/1	1/1
Mr. Chan Chi Mong, Hopkins	4/4	2/2	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 2015, 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 2015, 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 2014, 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 2015 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 2015, 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 2015 is set out below:

	Number of individuals
HKD0 to HKD2,000,000	3
HKD2,000,001 to HKD3,000,000	2
	5

Details of the remuneration of each director of the Company for the year ended 31 December 2015 are set out in note 7 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 2015, 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 2015 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 2015, 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 2015.

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 his reporting responsibilities on the Company's consolidated financial statements for the year ended 31 December 2015 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 2015 are analyzed below:

Type of services provided by the Group's external auditors	**Fees paid/ payable (RMB)**
Audit services (including interim review):	3,609,000
Non-audit services*:	572,000
TOTAL:	4,181,000

* The non-audit services conducted by the external auditors include providing professional services on internal control, tax filings and other relevant services.

COMPANY SECRETARY

During the year ended 31 December 2015, 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 2015.

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 16 to the consolidated financial statements. There were no significant changes in the nature of the Group's principal activities during the year.

BUSINESS REVIEW

A review of the Group's business during the year, which includes a discussion of the principal risks and uncertainties facing by the Group, an analysis of the Group's performance using financial key performance indicators, particulars of important events affecting the Group during the year, an indication of likely future developments in the Group's business and discussion on the relationships with its stakeholders, can be found in the Chairman's Statement, Management Discussion and Analysis and Corporate Governance Report contained in this annual report. The review forms part contained in this directors' report.

RESULTS AND DIVIDENDS

The results of the Group for the year ended 31 December 2015 are set out in the consolidated income statement on page 43.

The Board has recommended the payment of a final cash dividend of RMB13.93 cents per ordinary share for the year ended 31 December 2015 (the "Proposed Final Dividend") (2014: RMB13.93 cents), subject to the shareholders' approval at the 2016 AGM to be held on Friday, 20 May 2016. The Proposed Final Dividend will be paid in cash on 10 June 2016 to shareholders whose names appear on the register of members of the Company at the close of business on 31 May 2016.

CLOSURE OF REGISTER OF MEMBERS

For determining the entitlement to attend and vote at the 2016 AGM, the register of members of the Company will be closed from Wednesday, 18 May 2016 to Friday, 20 May 2016, 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 2016 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, 17 May 2016.

For determining the entitlement to the Proposed Final Dividend, the register of members of the Company will also be closed from Friday, 27 May 2016 to Tuesday, 31 May 2016, 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 Thursday, 26 May 2016.

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 114 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 14 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 23 to the consolidated financial statements.

EQUITY-LINKED AGREEMENTS

Details of the equity-linked agreements entered into by the Company are disclosed under the paragraph headed "Share Option Schemes" in this directors' report and in note 24 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 8.7% 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.

<table>
<tr><th></th><th>Details</th><th>Pre-IPO Share Option Plan</th><th>Post-IPO Share Option Plan</th></tr>
<tr><td>5.</td><td>Period within which the securities must be taken up under an option</td><td>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.</td><td>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.</td></tr>
<tr><td>6.</td><td>Minimum period for which an option must be held before it can be exercised</td><td>The minimum period for which an option granted must be held before it can be exercised is as follow:
<table>
<tr><th>Minimum Period</th><th>Number of options exercisable</th></tr>
<tr><td>24 months from the date of grant</td><td>1st phase options, being one-third of the total number of options granted</td></tr>
<tr><td>36 months from the date of grant</td><td>2nd phase options, being a further one-third of the total number of options granted</td></tr>
<tr><td>48 months from the date of grant</td><td>3rd phase options, being a further one-third of the total number of options granted</td></tr>
</table></td><td>There is no minimum period for which an option granted must be held before it can be exercised except otherwise imposed by the directors.</td></tr>
<tr><td>7.</td><td>Acceptance of offer</td><td>Options granted must be taken up within 14 days from the date of offer, upon payment of HK$1 per grant.</td><td>Options granted must be taken up within 28 days from the date of offer, upon payment of HK$1 per grant.</td></tr>
<tr><td>8.</td><td>Basis of determining the exercise price</td><td>Determined by the Board.</td><td>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.</td></tr>
<tr><td>9.</td><td>Remaining life of the scheme</td><td>Expired on 28 November 2007.</td><td>It will remain in force for a period of 10 years, commencing on 23 November 2007.</td></tr>
</table>

During the year ended 31 December 2015, movements of the Pre-IPO Share Option Plan of the Company are as follows:

				Number of share options			
Category	**Date of grant**	**Exercise period[(1)]**	**Exercise price per share**	**As at 1 January 2015**	**Exercised during the year**	**Lapsed during the year**	**As at 31 December 2015**
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	2,640,392	(16,090)	(26,090)	2,598,212
	23 November 2007	B	II	3,948,548	(1,214,263)	(31,106)	2,703,179
	23 November 2007	C	III	4,516,169	(1,832,323)	(30,112)	2,653,734
				11,105,109	(3,062,676)	(87,308)	7,955,125
Total				27,697,285	(19,654,852)	(87,308)	7,955,125

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 2015.

As at 31 December 2015, the Company has no outstanding share options under the Post-IPO Share Option Plan. No share options have been granted/exercised/cancelled/lapsed under the Post-IPO Share Option Plan during the year ended 31 December 2015.

Further details of the two share option plans of the Company are set out in note 24 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, no shares were granted. Further details in relation to the Share Award Scheme are set out in note 24 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 2015.

RESERVES

Details of movements in the reserves of the Company and the Group during the year are set out in note 30 and note 24 to the consolidated financial statements, respectively.

DISTRIBUTABLE RESERVES OF THE COMPANY

As at 31 December 2015, the Company had distributable reserves amounting to RMB1,113.1 million (2014: RMB1,049.8 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 27% of the total sales for the year and sales to the largest customer included therein amounted to 7%. Excluded the acquisition of property, purchases from the Group's five largest suppliers accounted for 32% of the total purchases for the year and purchase from the largest supplier included therein amounted to 10%.

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 2015, the Group had 1,798 employees (2014: 1,762). The Group determines its staff's remuneration based on factors such as qualifications and years of experience.

COMPLIANCE WITH THE RELEVANT LAWS AND REGULATIONS

As far as the Board is aware, the Company has complied in material respects with the relevant laws and regulations that have a significant impact on the business and operation of the Company.

ENVIRONMENTAL POLICIES

The Group is committed to building an environmentally-friendly corporation that pays close attention to conserving natural resources. The Group strives to minimize the environmental impact by saving electricity and encouraging recycle of office supplies and other materials.

MANAGEMENT CONTRACTS

No contract concerning the management and administration of the whole or any substantial part of the business of the Group were entered into or existed during the year.

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. Ho Kam Wah, Ms. Zhang Cong Min and Mr. Tsui Yiu Wa, Alec shall retire from office by rotation at the 2016 AGM. The above retiring directors, being eligible, will offer themselves for re-election at the 2016 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 2016 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.

INDEMNITY OF DIRECTORS

A permitted indemnity provision (as defined in the Hong Kong Companies Ordinance) for the benefit of the directors of the Company is currently in force and was in force throughout the year.

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

As at 31 December 2015, 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	—	27.23%
Mr. Ho Kam Wah	Long	Interests held by a controlled corporation	99,348,480	(1)	8.78%
	Long	Beneficial owner	2,055,900	—	0.18%
	Long	Interests of spouse	1,432,200	(2)	0.13%
			102,836,580	—	9.09%
Ms. Zhang Cong Min	Long	Beneficial owner	30,933,814	—	2.73%
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 2015.

(2) Interests in shares of associated corporations

Name of associated corporations	Name of director	Long/Short position	Capacity	Amount of registered capital (RMB)	Percentage of interest of associated corporations
Guangzhou Yingxin Computer Technology Exchange Co., Ltd. ("GZ Yingxin")	Ms. Zhang Cong Min	Long	Beneficial owner	2,280,000	40%
Guangzhou Yingyue Computer Technology Co., Ltd. ("GZ Yingyue")	Ms. Zhang Cong Min	Long	Beneficial owner	1,920,000	60%

Save as disclosed above, as at 31 December 2015, 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 above paragraph headed "Share Option Schemes" in this directors' report and in note 24 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 2015, 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)	27.23%
Gallop Assets Management Limited	Long	Beneficial owner	296,172,030	(2)	26.18%
J.P. Morgan Trust Company (Bahamas) Limited as trustee of The Gallop Trust	Long	Trustee	296,172,030	(2)	26.18%
Mr. Wang Ko Chiang	Long	Founder of a discretionary trust	296,172,030	(2)	26.18%
	Long	Interests held by controlled corporations	540,000	(3)	0.05%
			296,712,030	—	26.23%
Mrs. Wang Tang Shi Ming	Long	Interests of spouse	296,612,030	(4)	26.22%
	Long	Interests held by a controlled corporation	100,000	(3)	0.01%
			296,712,030	—	26.23%
Treasure Field Holdings Limited	Long	Beneficial owner	99,348,480	(5)	8.78%
Ms. Yeung Yuk Chun	Long	Interests of spouse	101,404,380	(6)	8.96%
	Long	Beneficial owner	1,432,200	—	0.13%
			102,836,580	—	9.09%

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 corporations".

(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 2015.

Save as disclosed above, as at 31 December 2015, 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 corporations", 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 2015, 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 2015 is contained in note 29 to the consolidated financial statements.

During the year ended 31 December 2015, 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 2015, the total amount of fees paid by the Group under the Tenancy Agreements was RMB465,000 and the annual cap amount was RMB4,000,000.

Upon expiry of the Tenancy Agreements, on 30 December 2015, the Group and Kexim entered into a renewal agreement to renew the terms of the Tenancy Agreements for a fixed term of 3 years commencing from 1 January 2016 to 31 December 2018. Under the terms of the renewal agreement, Kexim leased to the Group certain premises for general office uses. Further details relating to the said renewal agreement are disclosed in the Company's announcement dated 30 December 2015.

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 2015, the total amount of fees paid by the Group under the Advertising Agreements was RMB1,941,000 and the annual cap amount was RMB7,500,000.

Upon expiry of the Advertising Agreements, on 30 December 2015, the Group and Kexim entered into a renewal agreement to renew the terms of the Advertising Agreements for a fixed term of 3 years commencing from 1 January 2016 to 31 December 2018. Under the terms of the renewal agreement, Kexim authorised the Company to lease the advertising boards on the external walls of the relevant property(ies) which were owned by Kexim and/or its respectively subsidiaries as well as to receive and collect all revenue in connection with the leasing of such advertising boards, and the Company was responsible for obtaining all necessary government approvals for placing such outdoor advertisements and to pay for the associated costs thereof. Further details relating to the said renewal agreement are disclosed in the Company's announcement dated 30 December 2015.

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 2015, the total amount of fees paid by the Group under the Property Management Service Agreement was RMB158,000 and the annual cap was RMB1,800,000.

Upon expiry of the Property Management Service Agreement, on 30 December 2015, the Group and BPT Property Management entered into a renewal agreement to renew the terms of the Property Management Service Agreement for a fixed term of 3 years commencing from 1 January 2016 to 31 December 2018. Under the terms of the renewal 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. Further details relating to the said renewal agreement are disclosed in the Company's announcement dated 30 December 2015.

4. Structure Contract Transactions

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

Existing Structure Contracts

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. ("GZP Computer") (the "Existing Structure Contracts"). GZ Yingxin, a company incorporated in the PRC with limited liability that holds 100% of the equity interest of GDP Internet, is owned as to 40% by Ms. Zhang Cong Min, 30% by Ms. Lu Wu Qing and 30% by Ms. Fan Zeng Chun (collectively known as "GZ Yingxin Shareholders"). As a result of the Existing Structure Contracts, the Group is able to recognize and receive the economic benefit of the business and operations of GZ Yingxin, GDP Internet and the subsidiaries of GDP Internet. The Existing Structure Contracts are also designed to provide the Company with effective control over and (to the extent permitted by PRC law) the right to acquire the equity interests of GZ Yingxin Shareholders in GZ Yingxin and the equity interests of GZ Yingxin in, or assets of, GDP Internet and the subsidiaries of GDP Internet. Further details relating to the Existing Structure Contracts are disclosed in the section headed "Structure Contracts" in the Prospectus.

PClady Structure Contracts

The Company envisaged that one of its existing portals, PClady (www.PClady.com.cn) which is specialized in women lifestyle-related topics, would be able to attract different and specific group of investors. Under the structure contracts entered into with the Company's wholly-owned subsidiary, Guangzhou Fengwang Information Technology Co., Ltd. ("GZFW Technology") on 30 June 2015, the Group conducts its online business relating to PClady portal through GZ Yingyue, Guangzhou Shangjin Internet Co., Ltd. ("GZS Internet") and Guangzhou Shangjin Advertising Co., Ltd. ("GZS Advertising") (the "PClady Structure Contracts"). GZ Yingyue, a company incorporated in the PRC with limited liability that holds 100% of the equity interest of GZS Internet and GZS Advertising (a wholly-owned subsidiary of GZS Internet), is owned as to 60% by Ms. Zhang Cong Min and 40% by Ms. Lu Wu Qing, (collectively known as "GZ Yingyue Shareholders"). As a result of the PClady Structure Contracts, the Group is able to recognize and receive the economic benefit of the business and operations of GZ Yingyue, GZS Internet and GZS Advertising. The PClady Structure Contracts are also designed to provide the Company with effective control over and (to the extent permitted by PRC law) the right to acquire the equity interests of GZ Yingyue Shareholders in GZ Yingyue and the equity interests of GZ Yingyue in, or assets of, GZS Internet and GZS Advertising. Further details relating to the PClady Structure Contracts are disclosed in the Company's announcement dated 2 July 2015 (the "Announcement").

During the year ended 31 December 2015, the revenue subject to the Existing Structure Contracts and PClady Structure Contracts was RMB1,093 million. As at 31 December 2015, the total assets subject to the Existing Structure Contracts and PClady Structure Contracts was RMB726 million.

Risk factors in relation to the Existing Structure Contracts and PClady Structure Contracts

The risks associated with the Existing Structure Contracts and PClady Structure Contracts were set out in the Prospectus and the Announcement and are highlighted as follows:

- If the PRC government finds that the Existing Structure Contracts and PClady Structure Contracts with the structure for operating the Group's businesses in China do not comply with the applicable PRC laws and regulations, or if these regulations or their interpretations change in the future, the Group could be subject to severe consequences, including the nullification of the contractual arrangements and the relinquishment of the Group's interest in the domestic entities.

- The Company relies on the Existing Structure Contracts and PClady Structure Contracts to control and obtain the economic benefits from GDP Internet and GZS Internet, the operating entities in the PRC, which may not be as effective in providing operational control as direct ownership.

- The GZ Yingxin Shareholders and GZ Yingyue Shareholders may have conflicts of interest with the Group, which may materially and adversely affect the Group's business.

In light of the above risks associated with the Existing Structure Contracts and PClady Structure Contracts, the Group has adopted relevant procedures and internal control measures to ensure the effective operation of the Group and the implementation of the Existing Structure Contracts and PClady Structure Contracts, including (i) discuss and make all necessary modification to the Existing Structure Contracts and PClady Structure Contracts in order to maintain the economic interests; (ii) regular report by relevant divisions of the Group to the senior management of the Company in relation to the compliance of the Existing Structure Contracts and PClady Structure Contracts; (iii) regular report by the senior management of the Group to the Board any non-compliance issues; (iv) retain legal adviser and/or other professional to assist the Group to deal with specific issues arising from the Existing Structure Contracts and PClady Structure Contracts, if required; and (v) annual review by the independent non-executive directors of the Company the compliance of the Existing Structure Contracts and PClady Structure Contracts.

As at the date of this annual report, there has been no material change in the Existing Structure Contracts and PClady Structure Contracts and/or the circumstances under which they were adopted.

The independent non-executive directors of the Company have reviewed the continuing connected transactions for the year ended 31 December 2015 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 Contract 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 Announcement; and no dividends have been made by GZ Yingxin to GZ Yingxin Shareholders and by GZ Yingyue to GZ Yingyue Shareholders; and any new structural contractual arrangements entered into, renewed and/or "cloned" during the year ended 31 December 2015 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.

CHANGES IN INFORMATION OF DIRECTORS

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

— Mr. Tsui Yiu Wa, Alec, an independent non-executive director of the Company, was appointed as an independent non-executive director of DTXS Silk Road Investment Holdings Company Limited (a company listed on the main board of the Stock Exchange, stock code: 620) on 8 December 2015.

— Mr. Thaddeus Thomas Beczak, an independent non-executive director of the Company, was appointed as an independent non-executive director of China Minsheng Financial Holding Corporation Limited (a company listed on the main board of the Stock Exchange, stock code: 245) on 20 February 2016.

— Mr. Chan Chi Mong, Hopkins, an independent non-executive director of the Company, was appointed as Justice of the Peace by the Government of the Hong Kong Special Administrative Region on 1 July 2015.

AUDITOR

A resolution will be proposed at the 2016 AGM to re-appoint Messrs. PricewaterhouseCoopers as auditor of the Company.

On behalf of the Board
Lam Wai Yan
Chairman

24 March 2016

INDEPENDENT AUDITOR'S REPORT

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 set out on pages 43 to 113, which comprise the consolidated balance sheet as at 31 December 2015, 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 the 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.

PricewaterhouseCoopers, 22/F, Prince's Building, Central, Hong Kong
T: +852 2289 8888, F: +852 2810 9888, www.pwchk.com

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 financial position of the Company and its subsidiaries as at 31 December 2015, and of their financial performance and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 24 March 2016

CONSOLIDATED INCOME STATEMENT

	Note	Year ended 31 December 2015 RMB'000	2014 RMB'000
Revenue	5	**1,096,356**	987,526
Cost of revenue	6	**(385,780)**	(322,899)
Gross profit		**710,576**	664,627
Selling and marketing costs	6	**(322,045)**	(249,435)
Administrative expenses	6	**(96,582)**	(78,883)
Product development expenses	6	**(80,338)**	(61,450)
Other income	8	**3,394**	1,629
Other gain — net	9	**9,308**	—
Operating profit		**224,313**	276,488
Finance income	10	**4,505**	8,965
Finance cost	10	**(890)**	(2,035)
Finance income — net	10	**3,615**	6,930
Profit before income tax		**227,928**	283,418
Income tax expense	11	**(48,097)**	(62,191)
Profit for the year		**179,831**	221,227
Attributable to:			
Equity holders of the Company		**179,831**	221,227
Earnings per share for profit attributable to equity holders of the Company during the year			
— Basic (RMB)	12	**16.04 cents**	20.00 cents
— Diluted (RMB)	12	**15.92 cents**	19.63 cents

The notes on pages 48 to 113 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Year ended 31 December	
	2015	2014
	RMB'000	RMB'000
Profit for the year	**179,831**	221,227
Items that may be reclassified to profit or loss		
Change in value of investment in equity fund	**4,075**	(2,243)
Other comprehensive income for the year, net of tax	**4,075**	(2,243)
Total comprehensive income for the year	**183,906**	218,984
Attributable to:		
Equity holders of the Company	**183,906**	218,984

The notes on pages 48 to 113 are an integral part of these consolidated financial statements.

CONSOLIDATED BALANCE SHEET

	Note	As at 31 December 2015 RMB'000	2014 RMB'000
ASSETS			
Non-current assets			
Lease prepayment		**16,668**	16,992
Property and equipment	14	**260,112**	264,736
Intangible assets	15	**11,535**	9,689
Deferred income tax assets	18	**24,989**	15,493
Investment in equity fund	20	**33,029**	28,954
Held-to-maturity financial assets	21	**28,207**	49,553
		374,540	385,417
Current assets			
Inventories		**948**	—
Trade and other receivables and prepayments	19	**578,694**	505,140
Held-to-maturity financial assets	21	**21,264**	—
Short-term bank deposits with original terms of over three months	22	**2,610**	2,539
Cash and cash equivalents	22	**410,849**	392,295
		1,014,365	899,974
Total assets		**1,388,905**	1,285,391
EQUITY AND LIABILITIES			
Capital and reserves			
Ordinary shares	23	**10,468**	10,312
Reserves	24	**1,004,222**	948,278
Total equity		**1,014,690**	958,590
Non-current liabilities			
Deferred income tax liabilities	18	**515**	—
Current liabilities			
Accruals and other payables	25	**281,765**	251,501
Prepaid advertising subscriptions from customers and deferred revenue		**25,115**	10,945
Current income tax liabilities		**66,820**	64,355
		373,700	326,801
Total liabilities		**374,215**	326,801
Total equity and liabilities		**1,388,905**	1,285,391

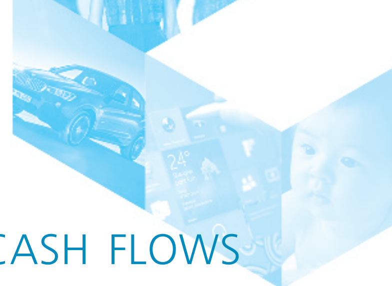
Lam Wai Yan	Wang Ta-Hsing
Director	Director

The notes on pages 48 to 113 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

		Attributable to equity holders of the Company		
	Note	Ordinary shares RMB'000	Reserves RMB'000	Total equity RMB'000
Balance at 1 January 2014		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	13	—	(180,303)	(180,303)
Share Award Scheme I	24(b)			
— purchase of shares		—	(1,232)	(1,232)
— value of employee services		—	5,017	5,017
Employees share option schemes	24(a)			
— proceeds from shares issued		151	28,840	28,991
Balance at 31 December 2014		10,312	948,278	958,590
Comprehensive income				
Profit		**—**	**179,831**	**179,831**
Other comprehensive income		**—**	**4,075**	**4,075**
Total comprehensive income		**—**	**183,906**	**183,906**
Transactions with shareholders				
— cash dividends relating to 2014, paid in 2015	13	**—**	**(155,017)**	**(155,017)**
Share Award Scheme I	24(b)			
— purchase of shares		**—**	**(1,224)**	**(1,224)**
— value of employee services		**—**	**1,619**	**1,619**
Employees share option schemes	24(a)			
— proceeds from shares issued		**156**	**26,660**	**26,816**
Balance at 31 December 2015		**10,468**	**1,004,222**	**1,014,690**

The notes on pages 48 to 113 are an integral part of these consolidated financial statements.



CONSOLIDATED STATEMENT OF CASH FLOWS

	Note	Year ended 31 December 2015 RMB'000	2014 RMB'000
Cash flows from operating activities			
Cash generated from operations	26	**212,586**	251,600
Income tax paid		**(55,188)**	(45,363)
Net cash generated from operating activities		**157,398**	206,237
Cash flows from investing activities			
Purchase of property and equipment		**(12,888)**	(35,521)
Disposals of property and equipment		**81**	592
Purchase of intangible assets		**(600)**	(1,054)
Proceeds from business disposal		**5,500**	—
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		**(5,187)**	(117,925)
Receipt from maturity of short-term bank deposits with original terms of over three months		**5,116**	127,886
Acquisition of a subsidiary, net of cash acquired	28	**(6,781)**	—
Interest received		**6,321**	9,437
Net cash used in investing activities		**(8,438)**	(97,002)
Cash flows from financing activities			
Purchase of shares held for Share Award Scheme I		**(1,224)**	(1,232)
Cash dividends paid		**(155,017)**	(180,303)
Proceeds from issuance of ordinary shares		**26,816**	28,991
Net cash used in financing activities		**(129,425)**	(152,544)
Net increase/(decrease) in cash and cash equivalents		**19,535**	(43,309)
Cash and cash equivalents at beginning of year		**392,295**	438,036
Exchange losses on cash and cash equivalents		**(981)**	(2,432)
Cash and cash equivalents at end of the year	22	**410,849**	392,295

The notes on pages 48 to 113 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 24 March 2016.

(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諮詢有限公司, "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 Yingxin 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.

1. GENERAL INFORMATION (CONTINUED)

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

— *Similar Structure Contracts arrangements made subsequent to GZ Yingxin Group*

Similar Structure Contracts were also executed for other PRC operating companies established by the Group similar to GZ Yingxin Group subsequently. All these PRC operating companies are treated as controlled structured entities of the Company and their financial statements have been consolidated by the Company.

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 all applicable 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.

In addition, the requirements of Part 9 "Accounts and Audit" of the new Hong Kong Companies Ordinance (Cap. 622) come into operation during the financial year, as a result, there are changes to presentation and disclosures of certain information in these consolidated financial statements.

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 amendment to existing standard and interpretation has been adopted by the Group for the first time for the financial year beginning on 1 January 2015:

- Annual improvements 2012, HKFRS 8, 'Operating segments': The standard is amended to require disclosure of the judgements made by management in aggregating operating segments and a reconciliation of segment assets to the entity's assets when segment assets are reported.

The adoption of the above amendment to existing standard and interpretation did not have any material impact on the consolidated financial statements of the Group 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 and interpretations not yet adopted*

The following new standards and amendments to standards and interpretations are not effective for financial year beginning 1 January 2015, and have not been early adopted by the Group in preparing these consolidated financial statements.

		Effective for annual periods beginning on or after
HKFRS 14	Regulatory deferral accounts	1 January 2016
Amendment to HKFRS 11	Accounting for acquisitions of interests in joint operations	1 January 2016
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment entities: applying the consolidation exception	1 January 2016
Amendments to HKAS 1	Disclosure initiative	1 January 2016
Amendments to HKAS 16 and HKAS 38	Clarification of acceptable methods of depreciation and amortisation	1 January 2016
Amendments to HKAS 16 and HKAS 41	Agriculture: bearer plants	1 January 2016
Amendment to HKAS 27	Equity method in separate financial statements	1 January 2016
Annual improvements 2014	Changes from the 2012–2014 cycle of the annual improvements project	1 January 2016
HKFRS 9	Financial instruments	1 January 2018
HKFRS15	Revenue from contracts with customers	1 January 2018
Amendments to HKFRS 10 and HKAS 28	Sale or contribution of assets between an investor and its associate or joint venture	To be determined

Further information about below new standards and amendments to the existing standards that are expected to be applicable to the Group is as below:

- 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.

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 and interpretations not yet adopted (Continued)

- 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 2018 and earlier application is permitted.

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 and interpretations 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 other comprehensive income and fair value through profit or loss. 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 other comprehensive income 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.

- 2014 annual improvements projects to HKFRS and HKAS. The amendments clarify some accounting treatments/disclosure requirements under new/revised HKFRS and HKAS and eliminate inconsistency. These improvements are not effective for financial year beginning 1 January 2015. Management does not expect these amendments to have a significant impact on the Group's consolidated financial statements.

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 standards or interpretations that are not yet effective that would be expected to have a material impact on the Group.

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 and the other PRC operating companies under Structure Contracts as stated in Note 1(b) in its consolidated financial statements, notwithstanding lack of the legal ownership, because as described in Note 1(b), the Company has rights to variable returns from its involvement with these companies and has the ability to affect those returns through its power over these companies and is considered to control these companies. Consequently, the Company regards these companies as consolidated structured entities under HKFRSs.

Intra-group transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of transferred asset.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Consolidation (Continued)

Subsidiaries (Continued)

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.

2.3 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.4 Foreign currency translation (Continued)

(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.

On consolidation, exchange differences arising from the translation of the net investment in foreign operations are taken to shareholders' equity. On the disposal of a foreign operation, all of the currency translation differences accumulated in equity in respect of that operation attributable to the equity holders of the Company are reclassified to profit or loss. In the case of a partial disposal that does not result in the Group losing control over a subsidiary that includes a foreign operation, the proportionate share of accumulated currency translation differences are re-attributed to non-controlling interests and are not recognised in profit or loss.

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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.6 Property and equipment (Continued)

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	39–47 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.

2.7 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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.7 Intangible assets (Continued)

(c) Goodwill

Goodwill arising on the acquisition of subsidiaries represents the excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identified net assets acquired.

For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the cash-generating units ("CGUs"), or groups of CGUs, that is expected to benefit from the synergies of the combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes. Goodwill is monitored at the operating segment level.

Goodwill impairment reviews are undertaken annually or more frequently if events or changes in circumstances indicate a potential impairment. The carrying value of the CGU containing the goodwill is compared to the recoverable amount, which is the higher of value in use and the fair value less costs of disposal. Any impairment is recognised immediately as an expense and is not subsequently reversed.

(d) Brand and technology

Brand and technology acquired in a business combination are recognised at fair value at the acquisition date. Brand and technology have a finite useful life and are carried at cost less accumulated amortisation. Amortisation is calculated using the straight-line method to allocate the cost of brand and technology over their estimated useful lives of 5 to 10 years.

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 ("CGUs"). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.8 Impairment of non-financial assets and investments in subsidiaries (Continued)

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.

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 2.13), 'short-term bank deposits with original terms of over three months' and 'cash and cash equivalents' (Note 2.14) 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 20) 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.9 Financial assets (Continued)

(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.

2.10 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.11 Impairment of financial assets (Continued)

(a) Assets carried at amortised cost (Continued)

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.

(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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.12 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the weighted average method. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable distribution costs.

2.13 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.

2.14 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.

2.15 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.

2.16 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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.17 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.

2.18 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.

(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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.18 Current and deferred income tax (Continued)

(b) Deferred income tax (Continued)

Inside basis differences (Continued)

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.

2.19 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.19 Employee benefits (Continued)

(a) Pension obligations (Continued)

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.

2.20 Share-based payment

The Group operates a number of share-based compensation plans (including share option schemes and share award schemes), 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.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.20 Share-based payment (Continued)

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.

2.21 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)

2.21 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.

2.22 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.

2.23 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.23 Product development expenses (Continued)

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.

2.24 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.

2.25 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.

2.26 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, price 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.

3. FINANCIAL RISK MANAGEMENT (CONTINUED)

(a) Financial risk factors (Continued)

(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.

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 2015.

At 31 December 2015, the exchange rate of RMB to HKD and USD were 0.8378 and 6.4936 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 RMB128,000 (2014: RMB36,000) 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 RMB165,000 (2014: 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 2015.

(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 2015, the other comprehensive income would have been approximately RMB1,651,000 (2014: RMB1,448,000) 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.

For deposits held in banks which are interest bearing, as at 31 December 2015, if the market interest rates had been 50 basis points higher/lower with all other variables held constant, post-tax profit for the year would have been RMB1,550,000 (2014: RMB1,481,000) higher/lower, mainly as a result of higher/lower interest income on bank deposits.

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, further to Note 2.21(a), a material portion of online advertising services revenues was derived from advertising agents. If they experience financial difficulties in settling the outstanding amount due to the Group, the Group's online advertising services might be adversely affected in terms of recoverability of receivables. To manage this risk, the Group assesses the credit quality of the advertising agents, taking into account their financial position, past experience and other factors. In the 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 substantial credit risk inherent in the Group's outstanding balance of trade receivables.

3. FINANCIAL RISK MANAGEMENT (CONTINUED)

(a) Financial risk factors (Continued)

(iv) Credit risk (Continued)

Other receivables are mainly advance to employees, the directors are of the opinion that no significant credit risk exists. Held-to-maturity financial assets are investments in listed securities. The Group assesses the risk by reference to external credit ratings and considers that there is no significant credit risk.

(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 2015. 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.

(c) Fair value estimation

The table below analysis the Group's financial instruments carried at fair value as at 31 December 2015 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).

3. FINANCIAL RISK MANAGEMENT (CONTINUED)

(c) Fair value estimation (Continued)

	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	—	—	33,029	33,029

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.
- 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 2015 are presented in Note 20.

3. FINANCIAL RISK MANAGEMENT (CONTINUED)

(c) Fair value estimation (Continued)

The director determine 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 2015, 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 2015 RMB'000	As at 31 December 2014 RMB'000
Current	**19,503**	—
Non-current	**27,611**	48,645
	47,114	48,645

For the year ended 31 December 2015, 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.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS (CONTINUED)

(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.

(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.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS (CONTINUED)

(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.

(e) Estimated impairment of goodwill

The Group tests annually whether goodwill has suffered any impairment, in accordance with the accounting policy stated in Note 2.8. The recoverable amounts of cash-generating unit has been determined based on value-in-use calculation. These calculations require the use of estimates (Note 15).

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.

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.

5. SEGMENT INFORMATION (CONTINUED)

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 2015 (2014: 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 RMB'000	PConline RMB'000	PClady RMB'000	Others RMB'000	Total RMB'000
For the year ended 31 December 2015					
Revenue	**703,917**	**187,203**	**96,755**	**108,481**	**1,096,356**
For the year ended 31 December 2014					
Revenue	564,194	229,939	103,776	89,617	987,526

Though the Company is domiciled in the Cayman Islands, for the year ended 31 December 2015, all revenues of the Group were derived from external customers and they were all generated from the PRC (2014: same).

As at 31 December 2015, 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 (2014: same).

For the year ended 31 December 2015, there was no revenue derived from a single external customer accounting for ten percent or more of the Group's revenues (2014: 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:

	2015 RMB'000	2014 RMB'000
Employee benefit expenses (Note 7)	**290,903**	251,641
Service commission to advertising agencies	**142,557**	123,561
Advertising expenses	**203,890**	145,642
Other taxes and surcharge	**40,172**	39,937
Travelling and entertainment expenses	**27,914**	25,142
Depreciation and amortisation expenses		
— Depreciation of property and equipment (Note 14)	**17,042**	15,763
— Amortisation of intangible assets (Note 15)	**1,054**	3,565
— Amortisation of lease prepayment	**324**	324
Outsourcing production cost	**78,083**	44,439
Technology service fees	**21,350**	21,200
Bandwidth and server custody fees	**19,179**	17,712
Impairment charge of receivables	**10,547**	3,516
Impairment charge of goodwill (Note 15)	**4,622**	—
Rental expenses	**7,972**	6,984
Auditors' remuneration		
— Audit services	**3,609**	3,506
— Non-audit services	**572**	406
Professional fees	**2,820**	1,062
Cost of goods sold	**3,853**	—
Other expenses	**8,282**	8,267
Total cost of revenue, selling and marketing costs, administrative expenses and product development expenses	**884,745**	712,667

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 2015 (2014: same).

7. EMPLOYEE BENEFIT EXPENSES

	2015 RMB'000	2014 RMB'000
Wages, salaries and bonuses	239,309	204,154
Share-based compensation expenses (Note 24)	1,619	5,017
Social security contributions	15,799	13,109
Contributions to pension schemes (a)	21,812	19,228
Contributions to housing fund	12,364	10,133
	290,903	251,641

(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 2015 (2014: 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) Benefits and interests of Directors

Directors' and the chief executive's emoluments

The remuneration of each Director for the year ended 31 December 2015 is set out below:

Name of Director	Fees RMB'000	Salaries RMB'000	Discretionary bonuses RMB'000	Housing allowance RMB'000	Share-based compensation RMB'000	Employer's contributions to a retirement benefit scheme RMB'000	Total RMB'000
Dr. Lam Wai Yan (i)	—	545	1,402	689	—	14	2,650
Mr. Wang Ta-Hsing	—	337	—	—	—	14	351
Mr. Ho Kam Wah	—	4	—	—	—	—	4
Ms. Zhang Cong Min	—	1,558	1,497	364	93	61	3,574
Mr. Tsui Yiu Wa, Alec	337	—	—	—	—	—	337
Mr. Thaddeus Thomas Beczak	337	—	—	—	—	—	337
Mr. Chan Chi Mong, Hopkins	337	—	—	—	—	—	337

7. EMPLOYEE BENEFIT EXPENSES (CONTINUED)

(b) Benefits and interests of Directors (Continued)

Directors' and the chief executive's emoluments (Continued)

The comparative information of directors' emoluments for the year ended 31 December 2014 previously disclosed in accordance with the predecessor Companies Ordinance has been prepared in order to comply with the new scope and requirements by the Hong Kong Companies Ordinance (Cap. 622).

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

Name of Director	Fees	Salaries	Discretionary bonuses	Housing allowance	Share-based compensation	Employer's contributions to a retirement benefit scheme	Total
	RMB'000	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	127	69	65	2,538
Mr. Tsui Yiu Wa, Alec	333	—	—	—	—	—	333
Mr. Thaddeus Thomas Beczak	333	—	—	—	—	—	333
Mr. Chan Chi Mong, Hopkins	333	—	—	—	—	—	333

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

During the year ended 31 December 2015, none (2014: same) 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.

The following disclosures are made pursuant to section 383(1)(b) to (f) of the Companies Ordinance (Cap. 622) and Parts 2 to 4 of the Companies (Disclosure of Information about Benefits of Directors) Regulation Cap. 622G:

During the year, no retirement benefits, payments or benefits in respect of termination of directors' services were paid or made, directly or indirectly, to the directors; nor are any payable (2014: same). No consideration was provided to or receivable by third parties for making available directors' services (2014: same). There are no loans, quasi-loans or other dealings in favour of the directors, their controlled bodies corporate and connected entities (2014: same).

7. EMPLOYEE BENEFIT EXPENSES (CONTINUED)

(b) Benefits and interests of Directors (Continued)

No director of the Company and their connected entities had a material interest, directly or indirectly, in any significant transactions, arrangements and contracts in relation to the Company's business to which the Company was or is a party that subsisted at the end of the year or at any time during the year (2014: same).

(c) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year include two (2014: two) directors whose emolument is reflected in the analysis presented above. The emoluments payable to the remaining three (2014: three) individuals during the year are as follows:

	2015 RMB'000	2014 RMB'000
Basic salaries, housing allowances, other allowances and benefits in kind	5,116	4,271
Share-based compensation expenses	111	564
Contributions to pension schemes	98	90
	5,325	4,925

The emoluments of the remaining three (2014: three) individuals fell within the following bands:

	Number of individuals	
	2015	2014
Emolument bands		
HKD1,000,001 to HKD2,000,000	—	2
HKD2,000,001 to HKD3,000,000	3	1

8. OTHER INCOME

	2015 RMB'000	2014 RMB'000
Government grants	1,660	818
Investment income on held-to-maturity financial assets	1,734	811
	3,394	1,629

9. OTHER GAIN — NET

	2015 RMB'000	2014 RMB'000
Net gain on disposal of business	9,308	—

In November 2015, the Group entered into an agreement with a third party on the disposal of business related to a portal of the Group for a cash consideration of RMB10,800,000. The disposal has been completed as at 31 December 2015. Net gain after related costs and expenses was RMB9,308,000.

10. FINANCE INCOME — NET

	2015 RMB'000	2014 RMB'000
Finance income		
— Interest income	4,505	8,965
Finance cost		
— Net foreign exchange losses	(890)	(2,035)
Finance income — net	3,615	6,930

11. INCOME TAX EXPENSE

	2015 RMB'000	2014 RMB'000
PRC current tax	57,936	67,945
Deferred taxation	(9,839)	(5,754)
	48,097	62,191

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 2015 (2014: same).

11. 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 and the applicable income tax rate is 15% for the three years from 2014 to 2016. Assuming that there is no change to the relevant laws and regulations, the directors consider that these two subsidiaries will continue to be granted the preferential tax treatment through an application of renewal, and accordingly, tax rate of 15% has been applied when considering the deferred income tax. 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:

	2015 **RMB'000**	2014 RMB'000
Profit before tax	**227,928**	283,418
Tax calculated at the statutory tax rate of 25% (2014: 25%)	**56,982**	70,855
Tax effects of		
— Tax concessions available to certain PRC subsidiaries (a)	**(24,029)**	(31,508)
— Income not subject to tax	**(1,877)**	(1,538)
— Expenses not deductible for tax purposes (b)	**5,971**	10,232
Withholding tax on the earnings anticipated to be remitted by a PRC subsidiary	**11,050**	14,150
Tax charge	**48,097**	62,191

11. INCOME TAX EXPENSE (CONTINUED)

(a) The preferential tax treatments relating to HNTE were enjoyed by GZP Computer and GDP Internet for the year ended 31 December 2015 (2014: 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.

12. 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 I (Note 24(b))).

	2015	2014
Profit attributable to equity holders of the Company (RMB'000)	**179,831**	221,227
Weighted average number of ordinary shares for basic earnings per share (thousand shares)	**1,121,428**	1,106,033
Basic earnings per share (RMB)	**16.04 cents**	20.00 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).

12. EARNINGS PER SHARE (CONTINUED)

(b) Diluted (Continued)

	2015	2014
Profit attributable to equity holders of the Company (RMB'000)	**179,831**	221,227
Weighted average number of ordinary shares for diluted earnings per share (thousand shares)	**1,129,715**	1,127,006
— Weighted average number of ordinary shares for basic earnings per share (thousand shares)	**1,121,428**	1,106,033
— Adjustment for share options and awarded shares (thousand shares)	**8,287**	20,973
Diluted earnings per share (RMB)	**15.92 cents**	19.63 cents

13. DIVIDENDS

The dividend paid in 2015 included the payment of the 2014 final cash dividend of RMB13.93 cents (2014: RMB16.25 cents) per ordinary share out of the retained earnings, totalling RMB155,017,000 (2014: RMB180,303,000), excluding the dividend related to the ordinary shares held under the Share Award Scheme I of RMB44,000 (2014: RMB276,000) (Note 24(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 2015, totalling RMB157,596,000 based on the ordinary shares in issue as of 31 December 2015. Such final dividend is to be approved by the shareholders at the annual general meeting of the Company to be held on 20 May 2016. These consolidated financial statements do not reflect this dividend payable.

14. PROPERTY AND EQUIPMENT

	Buildings RMB'000	Building improvement RMB'000	Leasehold improvement RMB'000	Computers and servers RMB'000	Motor vehicles RMB'000	Furniture, fittings and equipment RMB'000	Total RMB'000
At 1 January 2014							
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
Year ended 31 December 2015							
Opening net book amount	**206,355**	**30,858**	**6,166**	**14,007**	**2,842**	**4,508**	**264,736**
Additions	**2,114**	**4,079**	**—**	**4,362**	**1,011**	**1,322**	**12,888**
Acquisition of a subsidiary (Note 28)	**—**	**—**	**—**	**—**	**—**	**122**	**122**
Disposals	**—**	**—**	**—**	**(466)**	**(29)**	**(97)**	**(592)**
Depreciation (Note 6)	**(5,011)**	**(4,494)**	**(804)**	**(4,163)**	**(1,099)**	**(1,471)**	**(17,042)**
Closing net book amount	**203,458**	**30,443**	**5,362**	**13,740**	**2,725**	**4,384**	**260,112**
At 31 December 2015							
Cost	**223,007**	**47,118**	**8,025**	**42,214**	**7,057**	**12,224**	**339,645**
Accumulated depreciation	**(19,549)**	**(16,675)**	**(2,663)**	**(28,474)**	**(4,332)**	**(7,840)**	**(79,533)**
Net book amount	**203,458**	**30,443**	**5,362**	**13,740**	**2,725**	**4,384**	**260,112**

14. PROPERTY AND EQUIPMENT (CONTINUED)

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

	2015 RMB'000	2014 RMB'000
Cost of revenue	**3,739**	3,588
Selling and marketing costs	**206**	226
Administrative expenses	**11,890**	10,885
Product development expenses	**1,207**	1,064
	17,042	15,763

Lease rentals amounting to RMB1,574,000 for the year ended 31 December 2015 (2014: RMB1,575,000) relating to the lease of office buildings were included in the consolidated income statement.

15. INTANGIBLE ASSETS

	Computer software and technology RMB'000	Club membership RMB'000	Brand and technology RMB'000	Goodwill RMB'000	Total RMB'000
At 1 January 2014					
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
Year ended 31 December 2015					
Opening net book amount	**896**	**8,793**	**—**	**—**	**9,689**
Additions	**600**	**—**	**—**	**—**	**600**
Acquisition of a subsidiary (Note 28)	**—**	**—**	**2,300**	**4,622**	**6,922**
Impairment charge (a)	**—**	**—**	**—**	**(4,622)**	**(4,622)**
Amortisation charge (Note 6)	**(814)**	**—**	**(240)**	**—**	**(1,054)**
Closing net book amount	**682**	**8,793**	**2,060**	**—**	**11,535**
At 31 December 2015					
Cost	**15,400**	**8,793**	**2,300**	**4,622**	**31,115**
Accumulated amortisation and impairment	**(14,718)**	**—**	**(240)**	**(4,622)**	**(19,580)**
Net book amount	**682**	**8,793**	**2,060**	**—**	**11,535**

15. INTANGIBLE ASSETS (CONTINUED)

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

	2015 RMB'000	2014 RMB'000
Cost of revenue	82	123
Selling and marketing costs	43	89
Administrative expenses	293	2,923
Product development expenses	636	430
	1,054	3,565

(a) Impairment tests of Goodwill

The goodwill of RMB4,622,000 arose from the acquisition of iCare Newlife Technologies, Inc., ("iCare"). Management reviews the business performance of iCare. The recoverable amount is determined based on the value-in-use calculations. These calculations use pre-tax cash flow projections based on financial budgets approved by management covering a five-year period. Cash flows beyond the five-year period are extrapolated using an estimated growth rate.

The key assumptions adopted in the value in use calculation include long-term growth rate of 3.0% and pre-tax discount rate of 20.3%. The growth rate does not exceed the long-term average growth rate of the industry. Pre-tax discount rate reflects specific risks relating to iCare.

Due to the change of market environment, the growth of turnover of the main products of iCare failed to reach the expectation of management. Management has adjusted the financial budget to reflect the change and based on the result of the impairment testing, goodwill was fully impaired and an impairment charge of RMB4,622,000 has been recorded in 2015. No other class of asset of iCare other than goodwill was impaired.

16. SUBSIDIARIES

The following is a list of the principal subsidiaries (including controlled structured entities) of the Company at 31 December 2015:

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%
Smooth Choice Limited ("Smooth Choice")	Hong Kong, 15 August 2014, limited liability company	Investment holding in Hong Kong	HKD100	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 (a)	The PRC, 24 March 1998, limited liability company	Provision of advertising services in the PRC	RMB500,000	100%
GDP Internet (a)	The PRC, 27 November 2002, limited liability company	Provision of online advertising services in the PRC	RMB10,000,000	100%
GZ Yingxin (a)	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 2015, foreign investment enterprise	Technology research, test and development	RMB1,000,000	100%

16. SUBSIDIARIES (CONTINUED)

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
Guangzhou Chuangcheng Online Technology Co., Ltd (廣州創程網絡科技有限公司)	The PRC, 10 June 2015, foreign investment enterprise	Not yet commenced formal operations	RMB500,000	100%
Guangzhou Yingyue Computer Technology Co., Ltd (廣州英悦計算機科技有限公司) (a)	The PRC, 10 January 2014, limited liability company	Information technology and software development and provision of computer information consultancy services in the PRC	RMB3,200,000	100%
Guangzhou Shangjin Internet Co., Ltd (廣州尚進網絡有限公司) (a)	The PRC, 8 April 2014, limited liability company	Provision of online advertising services in the PRC	RMB3,000,000	100%
Guangzhou Shangjin Advertising Co., Ltd (廣州市尚謹廣告有限公司) (a)	The PRC, 30 June 2014, limited liability company	Provision of advertising services in the PRC	RMB500,000	100%
iCare	The PRC, 18 February 2013, limited liability company	Development of computer technique, trading of electronic and medical products, healthy consultation	RMB2,364,706	100%

* Shares held directly by the Company.

(a) As described in Note 1(b), the Company does not have legal ownership in equity of these subsidiaries. Nevertheless, under certain contractual agreements entered into with the registered owners of these subsidiaries, the Company and its other legally owned subsidiaries control these companies by way of controlling the voting rights. As a result, they are presented as controlled structured entities of the Company.

(b) In connection with the implementation of the Share Award Scheme I of the Group mentioned in Note 24(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.

17. FINANCIAL INSTRUMENTS BY CATEGORY

31 December 2015

	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 19)	572,408	—	—	572,408
Short-term bank deposits with original terms of over three months (Note 22)	2,610	—	—	2,610
Cash and cash equivalents (Note 22)	410,849	—	—	410,849
Held-to-maturity financial assets (Note 21)	—	—	21,264	21,264
Non-current assets				
Investment in equity fund (Note 20)	—	33,029	—	33,029
Held-to-maturity financial assets (Note 21)	—	—	28,207	28,207
Total	985,867	33,029	49,471	1,068,367

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 19)	500,024	—	—	500,024
Short-term bank deposits with original terms of over three months (Note 22)	2,539	—	—	2,539
Cash and cash equivalents (Note 22)	392,295	—	—	392,295
Non-current assets				
Investment in equity fund (Note 20)	—	28,954	—	28,954
Held-to-maturity financial assets (Note 21)	—	—	49,553	49,553
Total	894,858	28,954	49,553	973,365

17. FINANCIAL INSTRUMENTS BY CATEGORY (CONTINUED)

	Other financial liabilities at amortised cost	
	2015	2014
	RMB'000	RMB'000
Current liabilities		
Accruals and other payables excluding other tax payable and salaries payable (Note 25)	**211,609**	179,146

18. DEFERRED INCOME TAX

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

Deferred income tax assets

	2015	2014
	RMB'000	RMB'000
Deferred income tax assets:		
— to be recovered after more than 12 months	**6,981**	4,957
— to be recovered within 12 months	**18,008**	10,536
	24,989	15,493

18. DEFERRED INCOME TAX (CONTINUED)

Deferred income tax assets (Continued)

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

	Provision for impairment of trade receivables	Accrued salary expenses	Accrued advertising and other expenses	Advertising expenses in excess of allowance	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2014	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
Credited/(charged) to the consolidated income statement	2,024	(7,015)	3,007	11,480	9,496
At 31 December 2015	**6,981**	**—**	**6,528**	**11,480**	**24,989**

Deferred income tax liabilities

	2015	2014
	RMB'000	RMB'000
Deferred income tax liabilities		
— to be recovered after more than 12 months	**435**	—
— to be recovered within 12 months	**80**	—
	515	—

18. DEFERRED INCOME TAX (CONTINUED)

Deferred income tax liabilities (Continued)

The movement of deferred income tax liabilities during the year is as follows:

	Intangible assets acquired in business combination at fair value RMB'000
At 1 January 2015	—
Acquisition of a subsidiary (Note 28)	575
Credited to the consolidated income statement	(60)
At 31 December 2015	515

19. TRADE AND OTHER RECEIVABLES AND PREPAYMENTS

	2015 RMB'000	2014 RMB'000
Trade receivables, net of impairment provision (a)	553,672	489,216
Other receivables (b)	18,736	10,808
Prepayments	6,286	5,116
	578,694	505,140
Trade and other receivables are denominated in		
— RMB	571,875	500,024
— HKD	533	—
	572,408	500,024

19. 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 2015, the ageing analysis of the trade receivables (net of impairment provision of RMB31,860,000 (2014: RMB23,069,000)) was as follows:

	2015 RMB'000	2014 RMB'000
Current to 6 months	**415,890**	420,747
6 months to 1 year	**114,137**	62,684
1 year to 2 years	**23,645**	5,767
Above 2 years	**—**	18
	553,672	489,216

As of 31 December 2015, trade receivables of RMB58,187,000 (2014: RMB35,321,000) 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:

	2015 RMB'000	2014 RMB'000
Current to 6 months	**12,220**	13,392
6 months to 1 year	**22,322**	16,144
1 year to 2 years	**23,645**	5,767
Above 2 years	**—**	18
	58,187	35,321

(b) Other receivables

	2015 RMB'000	2014 RMB'000
Advance to employees	**4,816**	5,030
Others	**13,920**	5,778
	18,736	10,808

20. INVESTMENT IN EQUITY FUND

	2015 **RMB'000**	2014 RMB'000
At beginning of the year	**28,954**	—
Additions (a)	**—**	31,197
Changes in fair value	**4,075**	(2,243)
At end of the year	**33,029**	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.

21. HELD-TO-MATURITY FINANCIAL ASSETS

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

	2015 **RMB'000**	2014 RMB'000
Listed in Hong Kong	**16,226**	16,283
Listed outside Hong Kong	**33,245**	33,270
	49,471	49,553

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

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

	2015 RMB'000	2014 RMB'000
At beginning of the year	49,553	—
Additions-cost	—	49,220
Amortised interest (Note 8)	1,734	811
Interest received	(1,816)	(478)
At end of the year	49,471	49,553

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

	2015 RMB'000	2014 RMB'000
Listed bonds:		
Current		
Less than 1 year	21,264	—
Non-Current		
Between 1 and 2 years	28,207	21,288
Between 2 and 3 years	—	28,265
	28,207	49,553
	49,471	49,553

The coupon rates of the bonds are 3.25% to 4.50% per annum.

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

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

	2015 **RMB'000**	2014 RMB'000
Cash at bank and on hand	**150,956**	235,291
Short-term bank deposits	**262,503**	159,543
	413,459	394,834
Less:		
Short-term bank deposits with original terms of over three months	**(2,610)**	(2,539)
Cash and cash equivalents	**410,849**	392,295

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 2.16% for the year ended 31 December 2015 (2014: 3.28%). The weighted average effective interest rate of the remaining short-term bank deposits of the Group was 1.94% for the year ended 31 December 2015 (2014: 2.77%).

As at 31 December 2015, 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 (2014: same). Management did not expect any losses from non-performance by these counterparties.

23. ORDINARY SHARES

	Authorised ordinary shares		
	Number of shares '000	HKD'000	RMB'000
At 31 December 2014 and 2015	100,000,000	1,000,000	969,200

23. ORDINARY SHARES (CONTINUED)

	Issued and fully paid up		
	Number of Shares '000	HKD'000	RMB'000
At 1 January 2014	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
Employees share option schemes — issued shares (a)	19,655	197	156
At 31 December 2015	1,131,342	11,314	10,468

As at 31 December 2015, the total number of issued ordinary shares of the Company was 1,131,342,000 shares (2014: 1,111,687,000 shares) which included 33,000 shares (2014: 1,232,000 shares) held under the Share Award Scheme I (Note 24(b)).

(a) Share options exercised during the year ended 31 December 2015 resulted in 19,655,000 shares being issued (2014: 19,133,000 shares), with exercise proceeds of RMB26,816,000 (2014: RMB28,991,000). The nominal value of these shares of RMB156,000 (2014: RMB151,000) and the premium of RMB26,660,000 (2014: RMB28,840,000) had been credited to ordinary shares and share premium accounts, respectively. The related weighted average price at the time of exercise was HKD3.05 (2014: HKD4.53) per share.

All the ordinary shares issued during the year ended 31 December 2015 rank pari passu with the then existing ordinary shares in all respects.

24. RESERVES

	Share premium	Merger reserve	Capital redemption reserve	Share-based compensation reserve	Shares held for Share Award Scheme I	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 2014	302,206	4	306	40,184	(5,558)	43,250	—	496,580	876,972
Share Award Scheme I (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)									
— proceeds from shares issued	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**
Share Award Scheme I (b)									
— purchase of shares	—	—	—	—	(1,224)	—	—	—	(1,224)
— value of employee services	—	—	—	1,619	—	—	—	—	1,619
— vesting of Awarded Shares	(6,087)	—	—	—	6,087	—	—	—	—
— transfer upon vesting of Awarded Shares	15,476	—	—	(15,476)	—	—	—	—	—
Employees share option schemes (a)									
— proceeds from shares issued	26,660	—	—	—	—	—	—	—	26,660
— transfer upon exercise of share options	27,164	—	—	(27,164)	—	—	—	—	—
Revaluation of available for sale investment	—	—	—	—	—	—	4,075	—	4,075
Profit	—	—	—	—	—	—	—	179,831	179,831
Cash dividends relating to 2014, paid in 2015	—	—	—	—	—	—	—	(155,017)	(155,017)
At 31 December 2015	**391,556**	**4**	**306**	**4,180**	**776**	**43,250**	**1,832**	**562,318**	**1,004,222**

(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.

24. RESERVES (CONTINUED)

(a) Share options reserves (Continued)

(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 8.7% of the issued share capital of the Company as of 31 December 2015. 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.

24. 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 2014	1.71	28,409	1.92	18,461	46,870
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
At 1 January 2015	**1.71**	**27,697**	**—**	**—**	**27,697**
Exercised	**1.72**	**(19,655)**	**—**	**—**	**(19,655)**
Forfeited	**1.68**	**(87)**	**—**	**—**	**(87)**
At 31 December 2015	**1.67**	**7,955**	**—**	**—**	**7,955**
Currently exercisable as at 31 December 2015	**1.67**	**7,955**	**—**	**—**	**7,955**

24. 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	2015 Exercise price in HKD per share	2015 Number of options (thousands)	2014 Exercise price in HKD per share	2014 Number of options (thousands)
Pre-IPO Share Option Plan				
— 22 November 2017	**1.32**	**2,598**	1.32	7,007
— 22 November 2017	**1.71**	**2,703**	1.71	10,045
— 22 November 2017	**1.96**	**2,654**	1.96	10,645
At 31 December		**7,955**		27,697

(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 2015 (2014: same).

(b) Share Award Scheme I

On 10 January 2011 ("Adoption Date"), the Board approved and adopted a restricted share award scheme (the "Share Award Scheme I") 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.

24. RESERVES (CONTINUED)

(b) Share Award Scheme I (Continued)

The Board implements 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 I for the year ended 31 December 2015 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 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
At 1 January 2015	**1,624**	**—**	**(392)**	**1,232**
Purchased	**—**	**8**	**392**	**400**
Forfeited	**(25)**	**25**	**—**	**—**
Vested	**(1,599)**	**—**	**—**	**(1,599)**
At 31 December 2015	**—**	**33**	**—**	**33**

For the Awarded Shares granted under the Share Award Scheme I, 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.

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.

24. RESERVES (CONTINUED)

(b) Share Award Scheme I (Continued)

The total expense recognised for employee services received in respect of the Share Award Scheme I for the year ended 31 December 2015 was RMB1,619,000 (2014: RMB5,017,000) (Note 7).

During the year ended 31 December 2015, the Share Award Scheme Trust received cash dividend amounting to RMB44,000 (2014: RMB276,000) which will be used to pay for the fees of trust or purchase a maximum number of shares as specified by the Board.

(c) Share Award Scheme II adopted by a subsidiary

On 31 March 2015, the directors of the Company and Smooth Choice approved and adopted a restricted share award scheme in Smooth Choice (the "Share Award Scheme II"). Under the Share Award Scheme II, a director of Smooth Choice will receive an award of 15% equity interest shares in Smooth Choice. The vesting of the restricted share award with a performance condition is based on required services and performance from the award recipient.

For the awarded shares granted under the Share Award Scheme II, 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.

The fair value of the shares awarded under the Share Award Scheme II is about RMB1,050,000 and they will be valid and effective for a term of one to three years.

No expenses were recognised for employee services received in respect of Share Award Scheme II for the year ended 31 December 2015. All the awarded shares forfeited as at 31 December 2015.

24. RESERVES (CONTINUED)

(d) 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.

25. ACCRUALS AND OTHER PAYABLES

	2015 **RMB'000**	2014 RMB'000
Salaries payable	**48,737**	44,518
Accrued expenses (a)	**192,058**	158,926
Other tax payable	**21,419**	27,837
Other payables (b)	**19,551**	20,220
	281,765	251,501

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

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

26. CASH GENERATED FROM OPERATIONS

	2015 RMB'000	2014 RMB'000
Profit before income tax	**227,928**	283,418
Adjustments for:		
— Finance income	**(3,615)**	(6,930)
— Investment income on held-to-maturity financial assets	**(1,734)**	(811)
— Impairment charge of receivables	**10,547**	3,516
— Depreciation (Note 14)	**17,042**	15,763
— Losses on disposal of property and equipment	**129**	249
— Gain on business disposal (Note 9)	**(9,308)**	—
— Amortisation of lease prepayment	**324**	324
— Amortisation of intangible assets (Note 15)	**1,054**	3,565
— Share-based compensation expense (Note 24)	**1,619**	5,017
— Impairment charge of goodwill (Note 15)	**4,622**	—
	248,608	304,111
Changes in working capital:		
— Inventories	**(620)**	—
— Trade and other receivables and prepayments	**(78,272)**	(127,700)
— Accruals and other payables	**28,760**	81,675
— Prepaid advertising subscriptions from customers and deferred revenue	**14,110**	(6,486)
Cash generated from operations	**212,586**	251,600

27. COMMITMENTS

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:

	2015 RMB'000	2014 RMB'000
Not later than 1 year	**4,424**	2,368
Later than 1 year and not later than 5 years	**1,058**	71
	5,482	2,439

28. BUSINESS COMBINATION

On 31 March 2015, the Group indirectly through a subsidiary, Smooth Choice, acquired 100% of the equity interest in iCare, a PRC company which engages in the sales of mother and baby intellectual products, at a consideration of RMB7,000,000. The acquisition is expected to increase its scale of operation and market presence in the online advertising and services related on PCbaby portal. None of the goodwill recognised is expected to be deductible for income tax purposes.

The goodwill of RMB4,622,000 arising from the acquisition is attributable to the acquired customer base and economies of scale expected to be derived from combining the operations of the Group and the acquired business.

The following table summarises the consideration to be paid for iCare, the fair value of the assets acquired and liabilities assumed at the acquisition date.

	31 March 2015 RMB'000
Total purchase consideration, paid in cash	7,000
Recognised amounts of identifiable assets acquired and liabilities assumed	
Cash and cash equivalents	219
Intangibles-brand and technology	2,300
Other non-current assets	122
Receivables	438
Other current assets	328
Payables and other liabilities	(454)
Deferred income tax liabilities	(575)
Total identifiable net assets	2,378
Goodwill	4,622
	7,000

Acquisition-related costs were not significant and have been charged to administrative expenses in the consolidated income statement for the year ended 31 December 2015.

Deferred tax of RMB575,000 has been provided in relation to these fair value adjustments.

28. BUSINESS COMBINATION (CONTINUED)

The acquired business contributed revenue of RMB2,390,000 and net losses of RMB11,747,000 to the Group for the period from the date of acquisition to 31 December 2015. The Group's revenue and results for the period would not be materially different if the acquisition had occurred on 1 January 2015.

29. 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 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

(b) Related party transactions

The Group undertook the following related party transactions during the year ended 31 December 2015:

	2015 RMB'000	2014 RMB'000
Rental expenses for office and advertising bill boards:		
Kexim	2,142	2,140
SCRD Consultants	264	805
Property Management for office paid:		
Beijing Pacific Times Property Management Co., Ltd	158	181
	2,564	3,126

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

29. RELATED PARTY TRANSACTIONS (CONTINUED)

(c) Key management compensation

Key management includes directors, the CEO and other senior executives. The aggregate compensation paid/payable to senior management for employee services excluding the directors and the CEO whose details have been reflected in Note 7 is as follows:

	2015 **RMB'000**	2014 RMB'000
Basic salaries, housing allowances, other allowances and benefits in kind	**6,970**	6,056
Share-based compensation expenses	**174**	476
Contributions to pension schemes	**171**	175
	7,315	6,707

30. BALANCE SHEET AND RESERVE MOVEMENT OF THE COMPANY

	Note	As at 31 December 2015 RMB'000	2014 RMB'000
ASSETS			
Non-current assets			
Intangible assets		**8,793**	8,793
Interests in subsidiaries		**285,105**	283,486
Dividend due from subsidiaries		**193,000**	264,000
Held-to-maturity financial assets		**28,207**	49,553
		515,105	605,832
Current assets			
Prepayments		**196**	185
Amounts due from subsidiaries		**31,327**	26,703
Dividend due from subsidiaries		**543,000**	387,000
Held-to-maturity financial assets		**21,264**	—
Cash and cash equivalents		**22,887**	50,249
		618,674	464,137
Total assets		**1,133,779**	1,069,969
EQUITY AND LIABILITIES			
Capital and reserves			
Ordinary shares		**10,468**	10,312
Reserves	(a)	**1,113,111**	1,049,763
Total equity		**1,123,579**	1,060,075
Current liabilities			
Accruals and other payables		**1,595**	1,289
Amounts due to subsidiaries		**8,605**	8,605
Total current liabilities		**10,200**	9,894
Total equity and liabilities		**1,133,779**	1,069,969

The balance sheet of the Company was approved by the Board on 24 March 2016 and was signed on its behalf.

Lam Wai Yan
Director

Wang Ta-Hsing
Director

30. BALANCE SHEET AND RESERVE MOVEMENT OF THE COMPANY (CONTINUED)

(a) Reserve movement of the Company

	Share premium RMB'000	Capital redemption reserve RMB'000	Share-based compensation reserve RMB'000	Contributed surplus RMB'000	Shares held for Share Award Scheme I RMB'000	Retained earnings RMB'000	Total RMB'000
At 1 January 2014	287,206	306	40,184	88,277	(5,558)	527,927	938,342
Share Award Scheme I							
— purchase of shares	—	—	—	—	(1,232)	—	(1,232)
— value of employee services	—	—	5,017	—	—	—	5,017
— vesting of Award Shares	(2,703)	—	—	—	2,703	—	—
— proceeds from shares issued	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
Share Award Scheme I							
— purchase of shares	**—**	**—**	**—**	**—**	**(1,224)**	**—**	**(1,224)**
— value of employee services	**—**	**—**	**1,619**	**—**	**—**	**—**	**1,619**
— vesting of Awarded Shares	**(6,087)**	**—**	**—**	**—**	**6,087**	**—**	**—**
— transfer upon vesting of Awarded Shares	**15,476**	**—**	**(15,476)**	**—**	**—**	**—**	**—**
Employees share option schemes							
— proceeds from shares issued	**26,660**	**—**	**—**	**—**	**—**	**—**	**26,660**
— transfer upon exercise of share options	**27,164**	**—**	**(27,164)**	**—**	**—**	**—**	**—**
Profit	**—**	**—**	**—**	**—**	**—**	**191,310**	**191,310**
Cash dividends relating to 2014, paid in 2015	**—**	**—**	**—**	**—**	**—**	**(155,017)**	**(155,017)**
At 31 December 2015	**376,556**	**306**	**4,180**	**88,277**	**776**	**643,016**	**1,113,111**

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	**2015**	2014	2013	2012	2011
Revenue	**1,096,356**	987,526	847,923	715,636	640,095
Profit before income tax	**227,928**	283,418	323,008	296,429	287,386
Income tax expense	**(48,097)**	(62,191)	(69,374)	(59,958)	(58,457)
Profit for the year	**179,831**	221,227	253,634	236,471	228,929
Attributable to:					
Equity holders of the Company	**179,831**	221,227	253,634	236,471	228,929
ASSETS, LIABILITIES AND ASSETS LESS LIABILITIES					
Total assets	**1,388,905**	1,285,391	1,116,163	948,766	871,215
Total liabilities	**374,215**	326,801	229,030	166,219	163,336
Total assets less liabilities	**1,014,690**	958,590	887,133	782,547	707,879