PACIFIC ONLINE LIMITED
太平洋網絡有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 543)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2010

The board of directors (the "Board") of Pacific Online Limited (the "Company") is pleased to announce the consolidated results of the Company and its subsidiaries (the "Group") for the year ended 31 December 2010, together with the comparative figures for the year ended 31 December 2009, as follows:

CONSOLIDATED INCOME STATEMENT
For the year ended 31 December 2010

	Note	**Year ended 31 December 2010** *RMB'000*	2009 *RMB'000*
Revenue	3	**508,608**	386,994
Cost of revenue	4	**(138,836)**	(103,401)
Gross profit		**369,772**	283,593
Selling and marketing costs	4	**(62,200)**	(52,475)
Administrative expenses	4	**(51,970)**	(39,097)
Product development expenses	4	**(20,940)**	(17,069)
Other income	5	**871**	2,963
Operating profit		**235,533**	177,915
Finance income	6	**4,941**	6,926
Finance cost	6	**(1,488)**	(1,078)
Finance income — net	6	**3,453**	5,848
Profit before income tax		**238,986**	183,763
Income tax expense	7	**(38,310)**	(48,782)
Profit for the year		**200,676**	134,981

	Note	Year ended 31 December **2010** ***RMB'000***	2009 *RMB'000*
Attributable to:			
Equity holders of the Company		**200,676**	134,981
Dividend per share			
— Final dividend proposed *(RMB)*	9	**14.38 cents**	10.23 cents
Earnings per share for profit attributable to equity holders of the Company during the year			Restated
— basic *(RMB)*	8	**20.61 cents**	13.92 cents
— diluted *(RMB)*	8	**20.21 cents**	13.90 cents

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2010

	Year ended 31 December	
	2010	2009
	RMB'000	*RMB'000*
Profit for the year	**200,676**	134,981
Other comprehensive income for the year, net of tax	**—**	—
Total comprehensive income for the year	**200,676**	134,981
Attributable to:		
Equity holders of the Company	**200,676**	134,981

CONSOLIDATED BALANCE SHEET

As at 31 December 2010

		As at 31 December	
		2010	2009
	Note	***RMB'000***	*RMB'000*
ASSETS			
Non-current assets			
Lease prepayment		**18,390**	—
Property and equipment		**148,741**	12,534
Intangible assets		**9,345**	9,321
Deferred income tax assets		**8,978**	4,843
		185,454	26,698
Current assets			
Trade and other receivables and prepayments	10	**149,711**	135,772
Short-term bank deposits with original terms of over three months		**182,200**	34,680
Cash and cash equivalents		**262,283**	409,330
		594,194	579,782
Total assets		**779,648**	606,480
EQUITY			
Capital and reserves attributable to equity holders of the Company			
Ordinary shares		**9,201**	8,737
Reserves		**597,146**	474,561
Total equity		**606,347**	483,298
Current liabilities			
Accruals and other payables	11	**125,761**	61,445
Prepaid advertising subscriptions from customers		**21,539**	21,271
Current income tax liabilities		**26,001**	40,466
Total current liabilities		**173,301**	123,182
Total equity and liabilities		**779,648**	606,480
Net current assets		**420,893**	456,600
Total assets less current liabilities		**606,347**	483,298

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2010

	Attributable to the equity holders of the company		
	Ordinary shares	**Reserves**	**Total equity**
	RMB'000	*RMB'000*	*RMB'000*
Balance at 1 January 2009	8,737	646,744	655,481
Comprehensive income			
Profit	—	134,981	134,981
Other comprehensive income	—	—	—
Total comprehensive income	—	134,981	134,981
Cash dividends relating to 2008, paid in May 2009	—	(314,062)	(314,062)
Employees share option scheme:			
— value of employee services	—	6,898	6,898
Balance at 31 December 2009	8,737	474,561	483,298
Comprehensive income			
Profit	—	200,676	200,676
Other comprehensive income	—	—	—
Total comprehensive income	—	200,676	200,676
Cash dividends relating to 2009, paid in May 2010	—	(94,996)	(94,996)
Bonus shares	407	(407)	—
Employees share option scheme:			
— value of employee services	—	8,519	8,519
— proceeds from shares issued	57	8,793	8,850
Balance at 31 December 2010	**9,201**	**597,146**	**606,347**

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2010

	Year ended 31 December	
	2010	2009
	RMB'000	*RMB'000*
Cash flows from operating activities		
Cash generated from operations	**254,175**	175,690
Income tax paid	**(56,910)**	(32,976)
Net cash generated from operating activities	**197,265**	142,714
Cash flows from investing activities		
Purchase of property and equipment and lease prepayment of land use rights	**(114,254)**	(3,092)
Purchase of intangible assets	**(564)**	(9,291)
(Increase)/decrease in short-term bank deposits with original terms of over three months	**(147,520)**	6,081
Interest received	**4,941**	4,275
Net cash used in investing activities	**(257,397)**	(2,027)
Cash flows from financing activities		
Cash dividends paid	**(94,996)**	(314,062)
Proceeds from issuance of ordinary shares	**8,850**	—
Net cash used in financing activities	**(86,146)**	(314,062)
Net decrease in cash and cash equivalents	**(146,278)**	(173,375)
Cash and cash equivalents at beginning of year	**409,330**	582,854
Exchange losses on cash and cash equivalents	**(769)**	(149)
Cash and cash equivalents at end of the year	**262,283**	409,330

1. GENERAL INFORMATION

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

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

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

These consolidated financial statements have been approved for issue by the Board on 28 March 2011.

2. BASIS OF PREPARATION

The consolidated financial statements of the Group have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS"). They have been prepared under the historical cost convention, as modified by derivative financial instrument which is stated at fair value through profit or loss.

The Group has adopted the following amendments and interpretation to existing standards for the accounting periods commencing 1 January 2010:

HKAS17 (Amendment)	Leases
HKAS18 (Amendment)	Revenue
HKAS 39 (Amendment)	Financial Instruments: Recognition and Measurement — Eligible Hedge Items
HKFRS 1 (Revised)	First-time adoption of HKFRSs
HKFRS 3 (Revised)	Business combinations
HK(IFRIC) — Int 17	Distributions of non-cash assets to owners
HKFRSs (Amendments)	Improvements to HKFRSs
HKFRS 1 (Amendment)	Additional exemptions for first-time adopters
HKFRS 2 (Amendment)	Group cash-settled share-based payment transaction

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

The following new standards, amendments and interpretations to existing standards have been published and are mandatory for the Group's accounting periods beginning on or after 1 January 2011 or later periods, but the Group has not early adopted them:

		Effective for annual periods beginning on or after
Amendment to HKAS 32	Classification of rights issues	1 February 2010
HK(IFRIC) — Int 19	Extinguishing financial liabilities with equity instruments	1 July 2010
Amendment to HKFRS 1	Limited exemption from comparative HKFRS 7 disclosures for first-time adopters	1 July 2010
HKAS 24 (Revised)	Related party disclosures	1 January 2011
Amendments to HK(IFRIC) — Int 14	Prepayments of a minimum funding requirement	1 January 2011
HKFRSs (Amendments)	Improvements to HKFRSs 2010	1 January 2011
HKFRS 9	Financial instruments	1 January 2013

Management of the Group is in the process of making an assessment of their impact and 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.

3. SEGMENT INFORMATION

The Group is principally engaged in the provision of internet advertising services for different commodities. The chief operating decision maker reviews the Group's internal reports in order to assess performance and allocate resources. Management has determined the operating segments based on these internal reports.

The chief operating decision maker considers the business from the performance of the internet advertising generated from different internet portals which it operates. As all revenues of the Group are generated from customers in the PRC, they are not further evaluated on a geographic basis.

The chief operating decision maker assesses the performance of the operating segments based on revenue derived from its different internet portals. The reportable operating segments derive their revenue primarily from the two major portals, namely PConline and PCauto. The Company currently does not allocate cost of revenue, operating costs or assets to its segments, as its chief operating decision maker does not use this information to allocate resources to or evaluate the performance of the operating segments. Therefore, the Company does not report a measure of profit for each reportable segment and total assets.

Other segments relate to revenues generated from other portals, including on-line game, lady, baby and home products, e-commerce and other services.

There were no inter-segment sales for the year ended 31 December 2010 (2009: same). The revenue from external parties reported to the chief operating decision maker is measured in a manner consistent with that in the consolidated income statement.

	PConline	PCauto	Others	Group
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
For the year ended 31 December 2010				
Revenue	**226,918**	**235,276**	**46,414**	**508,608**
For the year ended 31 December 2009				
Revenue	205,390	149,860	31,744	386,994

Though the Company is domiciled in the Cayman Islands, for the year ended 31 December 2010, all revenues of the Group were derived from external customers and they were all generated from the PRC (2009: same).

As at 31 December 2010, the total non-current assets of the Group were all located in the PRC (2009: same).

For the year ended 31 December 2010, there was no revenue derived from a single external customer accounting for ten per cent or more of the Group's revenues (2009: same).

4. EXPENSES BY NATURE

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

	Year ended 31 December	
	2010	2009
	RMB'000	*RMB'000*
Employee benefit expenses	**110,958**	90,083
Business tax	**56,842**	41,433
Sales commission	**41,671**	27,460
Rental expenses	**13,190**	13,720
Advertising expenses	**15,995**	14,079
Travelling and entertainment expenses	**8,209**	5,323
Depreciation and amortisation expenses	**4,576**	4,891
Auditors' remuneration	**3,180**	2,987
Professional fees	**7,276**	5,022
Provision for impairment of receivables	**5,006**	3,085
Other expenses	**7,043**	3,959
Total cost of revenue, selling and marketing costs, administrative expenses and product development expenses	**273,946**	212,042

5. OTHER INCOME

	Year ended 31 December	
	2010	2009
	RMB'000	*RMB'000*
Government grants	**871**	2,963

The Group obtained and recognised as income government grants of RMB871,000 (2009: RMB2,963,000) for the development of e-commerce initiatives and improvement of its internet websites.

6. FINANCE INCOME — NET

	Year ended 31 December	
	2010	2009
	RMB'000	*RMB'000*
Finance income		
— Interest income	**4,941**	4,275
— Change in fair values of forward foreign exchange contracts	**—**	2,651
	4,941	6,926
Finance cost		
— Net foreign exchange losses	**(1,488)**	(1,078)
Finance income — net	**3,453**	5,848

7. INCOME TAX EXPENSE

	Year ended 31 December	
	2010	2009
	RMB'000	*RMB'000*
PRC current tax	**55,483**	50,840
Deferred taxation	**(4,135)**	(2,058)
Reversal of the over-provided dividend withholding tax	**(13,038)**	—
Income tax expense	**38,310**	48,782

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 2010 (2009: same).

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

Pursuant to the PRC Corporate Income Tax Law ("CIT Law"), the CIT rate for domestic enterprises and foreign invested enterprises is 25%. In addition, the CIT Law provides for, among others, a preferential tax rate of 15% for enterprises qualified as High and New Technology Enterprises ("HNTE"). Guangzhou Pacific Computer Information Consulting Co., Ltd. (廣州太平洋電腦信息咨詢有限公司, "GZP Computer") and Guangdong Pacific Internet Information Services Co., Ltd. (廣東太平洋互聯網信息服務有限公司, "GDP Internet"), the principal operating subsidiaries of the Company, were formally designated as HNTE under the CIT Law. As a result, GZP Computer and GDP Internet are subject to CIT at a rate of 15% in both 2009 and 2010. All the other PRC entities of the Group are subject to CIT at a rate of 25% (2009: same) in accordance with the CIT Law.

Pursuant to the Detailed Implementation Regulations for implementation of the CIT Law, a 10% withholding tax rate will be levied on the dividends declared by the companies established in the PRC to their foreign investors starting from 1 January 2008. In 2010, based on the tax treaty entered into between the PRC and Hong Kong, the local tax bureau of GZP Computer formally approved that 5% beneficial withholding tax rate is applicable to the dividends declared by GZP Computer to its immediate holding company incorporated in Hong Kong from its retained profits since 2008. As a result, the over-provided dividend withholding tax of RMB13,038,000 resulted from the different tax rates (between 10% withholding tax rate previously used by GZP Computer on its 2008 and 2009 retained profits and the 5% preferential withholding tax rate) has been reversed in 2010.

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

	Year ended 31 December	
	2010	2009
	RMB'000	*RMB'000*
Profit before tax	**238,986**	183,763
Tax calculated at the statutory tax rate of 25% (2009: 25%)	**59,747**	45,941
Tax effects of:		
— Tax concessions available to certain PRC subsidiaries (a)	**(26,963)**	(20,683)
— Income not subject to tax	**(206)**	(824)
— Expenses not deductible for tax purposes (b)	**8,526**	3,667
Withholding tax on the earnings anticipated to be remitted by a PRC subsidiary	**10,244**	20,681
Reversal of the over-provided dividend withholding tax	**(13,038)**	—
Tax charge	**38,310**	48,782

(a) Two of the Group's major operating subsidiaries in the PRC were approved by the relevant tax authority to be entitled to the HNTE status in 2008. Accordingly, preferential tax treatments were enjoyed by these two companies for the year ended 31 December 2010 (2009: same).

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

8. 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. In determining the weighted average number of ordinary shares in issue for years ended 31 December 2009 and 2010, the 46,420,000 bonus shares issued in 2010 were treated as if they had been issued prior to 1 January 2009, the earliest period presented.

	Year ended 31 December	
	2010	2009
		Restated
Profit attributable to equity holders of the Company *(RMB'000)*	**200,676**	134,981
Weighted average number of ordinary shares in issue *(thousand shares)*	**927,290**	923,710
Impact of bonus issue of shares *(thousand shares)*	**46,420**	46,186
Weighted average number of ordinary shares for basic earnings per share *(thousand shares)*	**973,710**	969,896
Basic earnings per share *(RMB)*	**20.61 cents**	13.92 cents

(b) Diluted

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The Company has one category of dilutive potential ordinary shares: share options. 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. Due to the fact that the exercise price for certain options granted are higher than the average market price, the impact had not been included in the calculation of diluted earnings per share.

	Year ended 31 December	
	2010	2009 Restated
Profit attributable to equity holders of the Company *(RMB'000)*	**200,676**	134,981
Weighted average number of ordinary shares in issue *(thousand shares)*	**973,710**	969,896
Adjustments for — share options *(thousand shares)*	**19,436**	1,075
Weighted average number of ordinary shares for diluted earnings per share *(thousand shares)*	**993,146**	970,971
Diluted earnings per share *(RMB)*	**20.21 cents**	13.90 cents

9. DIVIDENDS

The dividends paid in 2010 included the payment of the 2009 final dividend of RMB10.23 cents per ordinary share out of the retained earnings, totalling RMB94,996,000, and a bonus issue of shares on the basis of one new share for every twenty existing issued shares.

The directors recommended the payment of a final dividend of RMB14.38 cents per ordinary share in cash for the year ended 31 December 2010, totalling RMB140,473,000 based on the ordinary shares in issue as of 31 December 2010, and a bonus issue of shares on the basis of one new share for every ten existing issued shares. Such final dividend and bonus issue of shares are to be approved by the shareholders at the Annual General Meeting on 30 May 2011. These consolidated financial statements do not reflect this dividend payable and bonus issue of shares.

10. TRADE AND OTHER RECEIVABLES AND PREPAYMENTS

	As at 31 December	
	2010 ***RMB'000***	2009 *RMB'000*
Trade receivables, net of impairment provision (a)	**139,799**	133,164
Receivables from related parties	**468**	423
Other receivables (b)	**5,427**	2,185
Prepayments	**4,017**	—
	149,711	135,772
Denominated in		
— RMB	**149,696**	135,607
— US$	**—**	1
— HK$	**15**	164
	149,711	135,772

(a) Trade receivables, net of impairment provision

Credit terms granted to customers by the Group are generally within six months. At 31 December 2010, the ageing analysis of the trade receivables (net of impairment provision of RMB13,989,000 (2009: RMB9,156,000)) was as follows:

	As at 31 December	
	2010	2009
	RMB'000	*RMB'000*
Current to 6 months	**114,714**	113,477
6 months to 1 year	**22,593**	17,946
1 year to 2 years	**2,492**	1,741
	139,799	133,164

As of 31 December 2010, trade receivables of RMB17,913,000 (2009: RMB12,281,000) were past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default. The ageing analysis of these trade receivables was as follows:

	As at 31 December	
	2010	2009
	RMB'000	*RMB'000*
Current to 6 months	**13,354**	6,024
6 months to 1 year	**4,559**	4,516
1 year to 2 years	**—**	1,741
	17,913	12,281

(b) Other receivables

Other receivables mainly represent petty cash advance made to employees, operating rental deposits and telecommunication fees and interest receivables from bank deposits.

The maximum exposure to credit risk at the reporting date is the carrying value of each class of receivable mentioned above. The Group does not hold any collateral as security.

11. ACCRUALS AND OTHER PAYABLES

	As at 31 December	
	2010	2009
	RMB'000	*RMB'000*
Salary payables	**29,621**	20,374
Accrued expenses (a)	**28,121**	19,254
Other payables (b)	**68,019**	21,817
	125,761	61,445

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

(b) Other payables mainly included the 30% remaining payment for the acquisition of office buildings and business tax.

MANAGEMENT DISCUSSION AND ANALYSIS

Revenue

Revenue increased 31.4% from RMB387.0 million for the year ended 31 December 2009 to RMB508.6 million for the year ended 31 December 2010.

Revenue for PConline, the Group's IT and consumer electronics portal, increased 10.5% from RMB205.4 million in 2009 to RMB226.9 million in 2010. The increase in revenues from PConline was mainly due to a general increase in the advertising budgets, and thus increase in the Group's revenue, in China.

Revenue for PCauto, the Group's automobile portal, increased 57.0% from RMB149.9 million in 2009 to RMB235.3 million in 2010. The increase in revenues from PCauto was mainly due to a growth of the automobile industry in China and their corresponding need to advertise, and new features on the Company's auto portal that helped to attract a larger number of users.

Revenue for other operations, including the portals PCgames, PClady, PCbaby, and others, increased by 46.2% from RMB31.7 million in 2009 to RMB46.4 million in 2010. Revenues from this segment increased significantly as consumer goods companies start to experiment with and direct a greater share of their advertising budgets to internet advertising.

As a percent of total revenue, PConline accounted for 53.1% in 2009 and 44.6% in 2010 and PCauto accounted for 38.7% in 2009 and 46.3% in 2010, and other operations accounted for 8.2% in 2009 and 9.1% in 2010. The shift for the largest share of revenue from PConline to PCauto in 2010, together with the increase in other operations, shows the benefit and gradual success of the Group's diversification strategy, with improving balance among the industry sectors that the Company serves.

Cost of Revenue

Cost of revenue increased 34.3% from RMB103.4 million in 2009 to RMB138.8 million in 2010. The gross profit margin was 72.7% for 2010 and 73.3% in 2009. The increase in cost of revenue was mainly due to an increase in the number of employees to support the Group's expansion plans.

Selling and Marketing Costs

Selling and marketing costs increased 18.5% from RMB52.5 million for 2009 to RMB62.2 million for 2010. The increase was primarily due to increase in staff costs to accommodate a larger client base.

Administrative Expenses

Administrative expenses increased by 32.9% from RMB39.1 million in 2009 to RMB52.0 million in 2010. The increase was mainly due to an increase in expenses associated with being a publicly listed company, including compliance costs, professional fees, and an increase in staff.

Product Development Expenses

Product development expenses increased 22.7% from RMB17.1 million in 2009 to RMB20.9 million in 2010. The increase was primarily due to higher staff costs as the Group increased its number of employees in research and development.

Operating Profit before Share-based Compensation Expenses (non-GAAP)

Operating profit before share-based compensation expenses (non-GAAP) was RMB244.1 million in 2010, representing 32.1% increase from RMB184.8 million in 2009.

Finance Income and Cost

Net finance income was RMB5.8 million in 2009 and RMB3.5 million in 2010. The net finance income came mainly from interest income on short-term bank deposits.

Income Tax Expense

Income tax expense decreased 21.5% from RMB48.8 million in 2009 to RMB38.3 million in 2010. The decrease was due to reversal of the over-provided dividend withholding tax from different tax rates in 2009 and 2008.

Net Profit

Net profit increased 48.7% from RMB135.0 million in 2009 to RMB200.7 million in 2010.

Liquidity and Financial Resources

As of 31 December 2010, the Group had short-term bank deposits and cash totalling RMB444.5 million, compared with RMB444.0 million as of 31 December 2009.

In 2010, net cash flow from operating activities was RMB197.3 million, net cash used in investing activities was RMB257.4 million, net cash flow used in financing activities was RMB86.1 million, with a net decrease in cash and cash equivalents of RMB146.3 million for the year 2010.

In 2009, net cash flow from operating activities was RMB142.7 million, net cash used in investing activities was RMB2.0 million, net cash flow used in financing activities was RMB314.1 million, with a net decrease in cash and cash equivalents of RMB173.4 million for the year 2009.

The company had no external debt as of 31 December 2009 and 2010.

Bank Borrowings

As at 31 December 2010, the Group did not have any bank borrowings and therefore, its gearing ratio, representing ratio of total bank borrowings to shareholders' equity, was nil (31 December 2009: same).

Acquisition of Property

In light of the development plan of the Group, the Board decided to establish its headquarters, research and development center, e-business platform operation center, as well as software and services contracting center in Guangzhou. In order to meet such development needs of the Group, on 25 January 2010, GZP Computer (a subsidiary of the Company) acquired a property located at No. 115, Gaopu Road, Gaotang Software Station, Tianhe District, Guangzhou, the PRC at a total consideration of RMB148,650,000. Further details of the said acquisition are disclosed in the Company's announcement dated 28 January 2010.

Material Acquisitions and Disposals

During the year ended 31 December 2010, the Group had no material acquisitions and disposals of subsidiaries and associates.

Charges on Assets

As at 31 December 2010, the Group had no bank deposits or other assets pledged to secure its banking facilities.

Foreign Exchange Risk

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

Business Outlook

As the Group expected, the advertising industry saw a significant improvement in 2010. Our strong market position allowed us to profit from the improvements in the advertising industry in China. We delivered strong results for the year 2010, which encourage us to believe that the upward momentum is likely to continue in 2011.

Throughout 2010, we have been further developing our portals to provide a more interactive experience for our users. Our 2010 results were enhanced by strong growth in PCauto, as the automobile companies enjoyed substantial growth and their corresponding need to advertise.

Our other portals, such as PCgames, PClady, and PCbaby also delivered meaningful growth in 2010. We expect good contributions from these portals in 2011.

PConline, our IT portal, continued to grow moderately as the IT sector was affected by constrained global budgets in major consumer electronics companies, partly offset by advertising in support of new product releases during the year.

We remain confident in the long-term outlook for our businesses and plan to continue investing for our future growth. In 2010, we purchased three buildings in Guangzhou, China to prepare for further expansion, enhance the working environment for our employees, and attract top talents in the markets. That investment has proven to be wise during the year. We continue to recruit new employees with good talents and great potential, which we leverage by providing education and proprietary training programs to develop them and all of our employees. As always, we expect to invest aggressively in technology and R&D to further boost our content to make it as attractive and as helpful and entertaining as possible for our users.

The future of the advertising market in China is bright. Appropriate and effective positioning is the key to sustaining our good growth in this attractive market. In 2011, we expect to release additional new portals and increase our share in existing portal markets with great features that will better serve our customers' needs and desires. We remain confident that our strategies, innovations, technology leverage, and operations will continue to drive our good growth and profitability that will create additional value for shareholders.

OTHER INFORMATION

Employees and Remuneration Policies

As at 31 December 2010, the Group had 946 employees (2009: 754), increased by 25.5% over 2009. The increase in staff level presented the expansion of the Group's operations in 2010. The Group determines its staff's remuneration based on factors such as qualifications and years of experience.

Proposed Final Dividend and Bonus Issue of Shares

The Board has recommended (i) the payment of a final dividend of RMB14.38 cents per ordinary share in cash for the year ended 31 December 2010 (the "Proposed Final Dividend") and (ii) a bonus issue of shares on the basis of one new share for every ten existing issued shares held (the "Proposed Bonus Issue of Shares") to shareholders whose names appear on the register of members of the Company at the close of business on 30 May 2011. Subject to the shareholders' approval at the Company's forthcoming Annual General Meeting to be held on 30 May 2011, the dividend warrants relating to the Proposed Final Dividend and the new share certificates relating to the Proposed Bonus Issue of Shares will be sent to the shareholders on 16 June 2011.

A circular containing, among other matters, further details relating to the Proposed Bonus Issue of Shares will be despatched to the shareholders of the Company as soon as practicable.

Closure of Register of Members

The Register of Members of the Company will be closed from Thursday, 26 May 2011 to Monday, 30 May 2011 (both days inclusive), during which period no transfer of shares of the Company will be registered. In order to qualify for entitlements to the Proposed Final Dividend and Proposed Bonus Issue of Shares and for attending and voting at the Annual General Meeting of the Company to be held on 30 May 2011, unregistered holders of shares of the Company should ensure that all share transfer forms accompanied by the relevant share certificates must be lodged with the Company's Share Registrar in Hong Kong, Tricor Investor Services Limited at 26/F., Tesbury Centre, 28 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. on Wednesday, 25 May 2011.

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 2010.

Audit Committee

The Audit Committee of the Company, which comprises the three independent non-executive directors of the Company, namely, Mr Tsui Yiu Wa, Alec (Chairman of the Audit Committee), Mr Thaddeus Thomas Beczak and Mr Louie Ming, has reviewed the accounting principles and practices adopted by the Group and discussed auditing, internal control and financial reporting matters, including the review of the annual financial results of the Group for the year ended 31 December 2010.

Corporate Governance

The Company is committed to maintaining a high standard of corporate governance practices with a view to enhancing the management efficiency of the Company as well as preserving the interests of the shareholders as a whole. The Board is of the view that the Company has met the code provisions set out in the Code on Corporate Governance Practices contained in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange, except that there is no separation of the role of Chairman and Chief Executive Officer. Mr Lam Wai Yan currently assumes the role of both the Chairman and the Chief Executive Officer of the Company. 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 Company.

Appreciation

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

On behalf of the Board
Pacific Online Limited
Lam Wai Yan
Chairman

Hong Kong, 28 March 2011

As at the date of this announcement, the Board comprises 4 executive directors, namely, Mr Lam Wai Yan, Mr Ho Kam Wah, Mr Wang Ta-Hsing and Ms Zhang Cong Min; and 3 independent non-executive directors, namely, Mr Tsui Yiu Wa, Alec, Mr Thaddeus Thomas Beczak and Mr Louie Ming.