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PACIFIC ONLINE LIMITED

太平洋網絡有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 543)

**(1) RENEWAL OF THE EXISTING TENANCY AGREEMENTS
AND EXISTING ADVERTISING AGREEMENT;
AND
(2) PROPERTY MANAGEMENT SERVICE AGREEMENT**

**RENEWAL OF THE EXISTING TENANCY AGREEMENTS AND THE EXISTING
ADVERTISING AGREEMENT**

Reference is made to the Announcement regarding the Existing Tenancy Agreements and the Existing Advertising Agreement. As the Existing Tenancy Agreements and the Existing Advertising Agreement will all expire on 31 December 2012, the Group has decided to renew some of the Existing Tenancy Agreements and the Existing Advertising Agreement and entered into the (i) Renewed Tenancy Agreements with Kexim and South China; and (ii) the Advertising Agreements with Kexim and South China respectively on 27 December 2012.

PROPERTY MANAGEMENT SERVICE AGREEMENT

Further, on 27 December 2012, the Company has entered into the Property Management Service Agreement with BPT Property Management for a term of three (3) years commencing from 1 January 2013.

LISTING RULES IMPLICATIONS

As at the date of this announcement, Mr. Wang, holding approximately 27.28% of the total issued share capital of the Company, is a substantial shareholder of the Company and hence is a connected person of the Group in accordance with Rule 14A.11 of the Listing Rules. Kexim, South China and BPT Property Management are, directly or indirectly, owned as to more than 30% of their respective total issued shares by Mr. Wang and hence are considered as Mr. Wang's associates and the connected persons of the Company pursuant to Rule 14A.11 of the Listing Rules. Accordingly, all transactions contemplated under the Renewed Tenancy Agreements, the Advertising Agreements and the Property Management Service Agreement constitute continuing connected transactions pursuant to Chapter 14A of the Listing Rules.

As each of the applicable percentage ratios for each of the Renewed Tenancy Agreements, the Advertising Agreements and the Property Management Service Agreement, is, on an annual basis, over 0.1% but less than 5%, the transactions contemplated under each of the Renewed Tenancy Agreements, the Advertising Agreements and the Property Management Service Agreement are subject to the reporting, announcement and annual review requirements only under Rules 14A.45 to 14A.47 of the Listing Rules but exempt from the independent shareholders' approval requirement.

RENEWAL OF THE EXISTING TENANCY AGREEMENTS AND THE EXISTING ADVERTISING AGREEMENT

(1) Renewed Tenancy Agreements

Background

Reference is made to the Announcement in relation to the Existing Tenancy Agreements, pursuant to which the Group has agreed to rent certain premises which were respectively owned by the relevant landlords for the period from 1 January 2010 to 31 December 2012.

As all the Existing Tenancy Agreements will expire on 31 December 2012, and in view of the continuous development of the Group and based on the internal forecasts of the forthcoming demand, the Group decided to renew some of the Existing Tenancy Agreements. Accordingly, the Group has entered into the Renewed Tenancy Agreements with Kexim and South China respectively on 27 December 2012 under the terms and conditions similar to the Existing Tenancy Agreements.

Principal Terms of the Renewed Tenancy Agreements

(i) The Master Tenancy Agreement

Date:	27 December 2012
Parties:	(1) the Company (and on behalf of its subsidiaries) as tenant (2) South China (and on behalf of its subsidiaries) as landlord
Premises:	premises and buildings owned by South China and/or its subsidiaries
Term:	1 January 2013 to 31 December 2015
Nature of transaction:	South China agreed to lease the premises and buildings owned by it and/or its subsidiaries to the Group
Usage of the Premises:	General office or storage

Rental: The rental and other terms and conditions for each Premise shall be further agreed between the Group and South China (and/or its subsidiaries) under the relevant tenancy agreement to be separately entered into between the relevant parties according to the prevailing market rates of comparable properties and determined by the parties in a fair and reasonable manner

Payment term: Unless otherwise agreed between the Company and South China, the rentals in respect of each Premise shall be paid by the Group to South China monthly

(ii) The Renewed Kexim Tenancy Agreement

Date: 27 December 2012

Parties: (1) Kexim (as landlord)
(2) Pacific E-Commerce (as tenant)

Term: 1 January 2013 to 31 December 2015

Nature of transaction: Kexim agreed to lease the premises situate at portion of Unit 807, Tower 2, Lippo Centre, 89 Queensway, Hong Kong with a total gross floor area of approximately 753 square feet owned by it to the Group

Usage of the Premises: General office

Rental: HK\$20,790 (approximately RMB16,632) per month (exclusive of Government rents and rates, management fees, conditioning fees and other sundry expenses)

Payment term: The rental is payable by the Group in advance on or before 1st day of each calendar month during the term of tenancy

Pricing basis

The rentals payable under the Renewed Tenancy Agreements were determined by the relevant parties at arm's length negotiations with reference to the prevailing market rents for comparable properties in the same region on or about the date of the Renewed Tenancy Agreements and thus are fair and reasonable to the Group.

Historical caps and transaction amounts

Under the Existing Tenancy Agreements, the annual caps for each of the three years ended 31 December 2010, 2011 and 2012 are RMB3,700,000, RMB4,000,000 and RMB4,400,000 respectively; and the total annual rentals paid by the Group to the respective landlords, all being connected persons of the Group, for each of the two years ended 31 December 2010 and 2011 were approximately RMB3,213,000 and RMB2,863,000 respectively, and such annual rental payable by the Group for the year ending 31 December 2012 is expected to be approximately RMB1,200,000.

Proposed annual caps

The proposed annual rentals payable under the Renewed Tenancy Agreements by the Group to Kexim and South China (and/or its subsidiaries, as appropriate) for each of the three years ending 31 December 2013, 2014 and 2015 are expected to be not exceeding RMB2,000,000, RMB3,000,000 and RMB4,000,000 respectively. The above annual caps are calculated with reference to the historical amounts, expected expansion of the rental areas to satisfy the Group's business development and the maximum annual values of the transactions under the Renewed Tenancy Agreements based on the monthly rental payable by the Group to Kexim and South China.

Reasons for and benefits of entering into the Renewed Tenancy Agreements

As the Group has rented the certain premises and properties owned by Kexim and South China (and/or its subsidiaries, as appropriate) for general office use for over 8 years, and the rentals payable by the Group under the Renewed Tenancy Agreements are comparable and in line with the prevailing market rents, the Group intends to continue to rent premises and properties owned by Kexim and South China (and/or its subsidiaries, as appropriate) under similar terms and conditions for a term of three (3) years from 1 January 2013 to 31 December 2015 after the expiration of the Existing Tenancy Agreements.

The Directors (including the independent non-executive Directors) consider that each of the Renewed Tenancy Agreements was entered into in the ordinary and usual course of business of the Group and on normal commercial terms; and the proposed annual caps and the terms of the Renewed Tenancy Agreements were arrived at after arm's length negotiations between the parties and are fair and reasonable and in the interests of the Group and the Shareholders taken as a whole.

(2) Advertising Agreements

Background

On 24 December 2009, GZP Advertising and GPET Mall entered into the Existing Advertising Agreement, pursuant to which GPET Mall had authorised GZP Advertising to lease certain advertising boards which were owned by GPET Mall as well as to receive and collect all revenue in connection with the leasing of such advertising boards for the period from 1 January 2010 to 31 December 2012.

As the Existing Advertising Agreement will expire on 31 December 2012, and in view of the continuous development of the Group and based on the internal forecasts of the forthcoming demand, the Group has agreed to renew the Existing Advertising Agreement and entered into the Renewed Advertising Agreement with Kexim as well as the New Advertising Agreement with South China respectively on 27 December 2012 with similar terms and conditions to the Existing Advertising Agreement.

Principal Terms of the Advertising Agreements

Date:	27 December 2012
Parties:	(1) Kexim (and on behalf of its subsidiaries) and South China (and on behalf of its subsidiaries) respectively (2) the Company (and on behalf of its subsidiaries)
Term:	1 January 2013 to 31 December 2015
Nature of transaction:	Kexim and South China respectively authorises the Company to lease the advertising boards on the external walls of the relevant property(ies) which are owned by Kexim or South China 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 to pay for the associated costs thereof.

Pricing basis

Pursuant to the Advertising Agreements, the Group is entitled to retain 20% of the revenue received from the leasing of the advertising boards and all other related activities, and shall transfer the remaining 80% of the revenue to Kexim and South China respectively on a quarterly basis. The Directors believe that the decision to retain 20% of the revenue and thus make payments of 80% of the revenue received from the leasing of advertising boards and all other related activities to Kexim and South China respectively was determined by arm's length negotiations between the parties with reference to industry profit margin range in association with the advertising services.

Historical caps and transaction amounts

Under the Existing Advertising Agreement, the annual caps payable by GZP Advertising to GPET Mall for each of the three years ended 31 December 2010, 2011 and 2012 are RMB3,500,000, RMB4,500,000 and RMB5,500,000 respectively; and the aggregated annual amounts paid by GZP Advertising to GPET Mall for each of the two years ended 31 December 2010 and 2011 were approximately RMB826,000, RMB436,000 respectively, and such annual amount payable by GZP Advertising for the year ending 31 December 2012 is expected to be approximately RMB3,500,000.

Proposed annual caps

The proposed total annual amounts payable by the Group to Kexim and South China, both being connected persons of the Group, under the Advertising Agreements for each of the three years ending 31 December 2013, 2014 and 2015 are expected to be not exceeding RMB5,500,000, RMB6,500,000 and RMB7,500,000 respectively. The proposed annual caps are determined with reference to the historical amounts, expected expansion of the advertising business and increase of advertising price for the said periods of time.

Reasons for and benefits of entering into the Advertising Agreements

Due to the established clientele and the advertisement business license held by the Group, the Group expects to generate additional revenue under these arrangements set out in the Renewed Advertising Agreement. In addition, in view of the continuous business development of the Group's advertising business, the Group has entered into the New Advertising Agreement with South China in relation to the advertising boards on the external walls of the relevant property(ies) which are owned by South China and/or its subsidiaries.

The Directors (including the independent non-executive Directors) consider that each of the Advertising Agreements was entered into in the ordinary and usual course of business of the Group and on normal commercial terms; and the proposed annual caps and the terms of each of the Advertising Agreements were arrived at after arm's length negotiations between the parties and are fair and reasonable and in the interests of the Group and the Shareholders taken as a whole.

(3) Property Management Service Agreement

Principal Terms of the Property Management Service Agreement

Date:	27 December 2012
Parties:	(1) the Company (and on behalf of its subsidiaries) as recipient of services (2) BPT Property Management as service provider
Term:	1 January 2013 to 31 December 2015
Nature of transaction:	BPT Property Management agrees to provide and the Group agrees to receive property management services in relation to the premises owned or rented by the Group.
Service fees:	The service fees for the property management services shall be agreed between the parties having regard to the type of property owned or rented by the Group and the type of services provided by BPT Property Management under each management service agreement to be separately entered into between the relevant parties. The service fees shall be determined by the parties in a fair and reasonable manner through arm's length negotiation, agreed between the parties having regard to the common commercial clauses and conditions and referring to the comparable market price for comparable property management services in the same region and shall not be higher than the fees for the same type of property management services offered by Independent Third Parties to the Company. Unless otherwise agreed by the relevant parties, the relevant management service fees shall be exclusive of other expenses such as electricity fees, water fees, telephone call fees, internet fees and maintenance costs.

Payment term: Unless otherwise agreed between the Company and BPT Property Management, the property management service fees and other expenses shall be settled by the Company every 6 months.

Proposed annual caps

The proposed annual caps under the Property Management Service Agreement payable by the Group to BPT Property Management for each of the three years ending 31 December 2013, 2014 and 2015 are expected to be not exceeding RMB800,000, RMB1,200,000 and RMB1,800,000 respectively.

In determining the annual caps under the Property Management Service Agreement, the Directors have considered a number of factors including: (i) the growth in demand for property management services following the anticipated increase in both the total area of property and the scope of property management services to be covered by the Property Management Service Agreement; (ii) natural rise of general market price due to factors such as cost and commodity price level; and (iii) the estimated increase in the property management service fees under the Property Management Service Agreement yearly from 2013 to 2015.

Reasons for and benefits of entering into the Property Management Service Agreement

The Group has rented certain premises in Pacific Technology Development Centre in Beijing and the whole centre is managed by BPT Property Management. As such, the Directors consider that it is necessary for the Group to enter into the Property Management Service Agreement with BPT Property Management in relation to property management services for premises rented by the Group in Pacific Technology Development Centre. The Directors (including the independent non-executive Directors) consider that the Property Management Service Agreement was entered into in the ordinary and usual course of business of the Group and on normal commercial terms; and the proposed annual caps and the terms of the Property Management Service Agreement were arrived at after arm's length negotiations between the parties and are fair and reasonable and in the interests of the Group and the Shareholders taken as a whole.

THE CONNECTED RELATIONSHIP BETWEEN THE PARTIES

As at the date of this announcement, Mr. Wang holds approximately 27.28% of the total issued share capital of the Company and is a substantial shareholder of the Company and hence a connected person of the Group in accordance with Rule 14A.11 of the Listing Rules.

Each of Kexim, South China and BPT Property Management is indirectly owned as to more than 30% by Mr. Wang and hence is considered as an associate of Mr. Wang and a connected person of the Group under the Listing Rules.

INFORMATION OF THE GROUP AND THE COUNTERPARTIES

The Group is principally engaged in provision of internet advertising services in the PRC, which currently operates six vertically-integrated portals, including PConline, PCauto, PCgames, PClady, PCbaby and PChouse that offer specialised content relating to key industries such as IT-related products, automobiles, PC games, women lifestyle-related topics, parenting related issues and home decoration.

Kexim is an investment holding entity.

South China is a property holding entity and its properties are located in Shanghai.

BPT Property Management is principally engaged in the business of providing property management services.

LISTING RULES IMPLICATIONS

As each of Kexim, South China and BPT Property Management is a connected person of the Company, the transactions contemplated under each of the Renewed Tenancy Agreements, the Advertising Agreements and Property Management Service Agreement constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

As each of the applicable percentage ratios (other than the profit ratio) for each of the Renewed Tenancy Agreements, the Advertising Agreements and the Property Management Service Agreement is, on an annual basis, over 0.1% but less than 5%, the transactions contemplated under each of the above agreements are subject to the reporting, announcement and annual review requirements only under Rules 14A.45 to 14A.47 of the Listing Rules but exempt from the independent shareholders' approval requirement.

None of the Directors have any material interests in each of the Renewed Tenancy Agreements, Advertising Agreements and Property Management Service Agreement; thus no Directors were required to abstain from voting on the Board resolutions for approving the aforesaid agreements and their respective proposed annual cap amount for each of the three years ending 31 December 2015.

DEFINITIONS

In this announcement, the following terms shall have the meanings set out below, unless the context otherwise requires:

“Advertising Agreements”	the Renewed Advertising Agreement and the New Advertising Agreement
“Announcement”	the announcement of the Company dated 24 December 2009 in relation to the Existing Tenancy Agreements and the Existing Advertising Agreement
“Board”	the board of Directors
“BPT Property Management”	北京太平洋時代物業管理有限公司 (Beijing Pacific Times Property Management Co., Ltd.*), a limited liability company incorporated in the PRC indirectly owned as to more than 30% by Mr. Wang and a connected person of the Company
“Company”	Pacific Online Limited (太平洋網絡有限公司), a limited liability company incorporated in the Cayman Islands, the shares of which are listed on the main board of the Stock Exchange
“connected person(s)”	has the same meaning as ascribed to this term under the Listing Rules
“Directors”	the directors of the Company

“Existing Advertising Agreement”	the advertising agreement dated 24 December 2009 entered into between GZP Advertising and GPET Mall which will expire on 31 December 2012, pursuant to which GPET Mall authorised GZP Advertising to lease the advertising boards on the external walls of Guangzhou Computer Malls which were owned by GPET Mall as well as to receive and collect all revenue in connection with the leasing of such advertising boards
“Existing Tenancy Agreements”	the tenancy agreements all dated 24 December 2009 entered into between the Group (as tenant) with respective landlords specified therein in connection with the leasing of certain properties which will all expire on 31 December 2012, details of which are set out in the Announcement
“GPET Mall”	廣東太平洋電子科技廣場有限公司 (Guangdong Pacific Electronic Technology Mall Co., Ltd.*), a limited liability company incorporated in the PRC wholly-owned by Kexim which is in turn indirectly owned as to more than 30% by Mr. Wang, and a connected person of the Company
“Group”	the Company and its subsidiaries
“Guangzhou Computer Malls”	comprise two malls located at (i) 1–7 Shipai West Road, Tianhe District, Guangzhou, PRC and (ii) 560, 562, 564, 566 and 574, Tianhe Road, Tianhe District, Guangzhou, PRC.
“GZP Advertising”	廣州市太平洋廣告有限公司 (Guangzhou Pacific Advertising Co., Ltd.*), a limited liability company incorporated in the PRC and a subsidiary of the Company controlled through certain contractual arrangements
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Third Party(ies)”	persons(s) or company(ies) which is(are) independent of the Directors, supervisors, substantial shareholders and chief executive (as defined under the Listing Rules) of the Group
“Kexim”	Kexim Company Limited, a limited liability company incorporated in Hong Kong indirectly owned as to more than 30% by Mr. Wang and a connected person of the Company
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Master Tenancy Agreement”	The master tenancy agreement dated 27 December 2012 entered into between the Company (and on behalf of its subsidiaries) (as tenant) and South China (and on behalf of its subsidiaries) (as landlord) in connection with the leasing of properties owned by South China and/or its subsidiaries for the period from 1 January 2013 to 31 December 2015

“Mr. Wang”	Wang Ko Chiang, a substantial shareholder of the Company holding approximately 27.28% of the total issued Shares of the Company as at the date of this announcement
“New Advertising Agreement”	the advertising agreement dated 27 December 2012 entered into between the Company (an on behalf of its subsidiaries) and South China (and on behalf of its subsidiaries) for the period from 1 January 2013 to 31 December 2015 on terms and conditions similar to the Existing Advertising Agreement
“Pacific E-Commerce”	Pacific E-Commerce Limited (太平洋在線有限公司), a limited liability company incorporated in Hong Kong and a wholly-owned subsidiary of the Company
“percentage ratios”	has the same meaning as ascribed to this term under Chapter 14 of the Listing Rules
“PRC”	the People’s Republic of China (for the purpose of this announcement, excluding Hong Kong, the Macao Special Administrative Region of the PRC and Taiwan)
“Property Management Service Agreement”	the property management service agreement dated 27 December 2012 entered into between the Company and BPT Property Management in connection with the provision of property management services by BPT Property to the Group in relation to premises owned or rented by the Group for the period from 1 January 2013 to 31 December 2015
“Renewed Advertising Agreement”	the advertising agreement dated 27 December 2012 entered into between the Company (an on behalf of its subsidiaries) and Kexim (and on behalf of its subsidiaries) for the period from 1 January 2013 to 31 December 2015 on terms and conditions similar to the Existing Advertising Agreement
“Renewed Kexim Tenancy Agreement”	the tenancy agreement dated 27 December 2012 entered into between the Group (as tenant) with Kexim (as landlord) in connection with the leasing of portion of Unit 807, Tower 2, Lippo Centre, 89 Queensway, Hong Kong for the period from 1 January 2013 to 31 December 2015
“Renewed Tenancy Agreements”	The Master Tenancy Agreement and the Renewed Kexim Tenancy Agreement
“RMB”	Renminbi, the lawful currency of the PRC
“Shareholder(s)”	shareholder(s) of the Company
“South China”	South China Resources Development Consultants Limited (華南資源開發顧問有限公司), a limited liability company incorporated in Hong Kong, which is indirectly owned as to more than 30% by Mr. Wang and therefore a connected person of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

“substantial has the meaning as ascribed to this term under the Listing Rules
shareholder”

“%” per cent

In this announcement, amount quoted in HK\$ have been converted into RMB at the rate of RMB1 to HK\$1.25. Such exchange rate has been used where applicable, for the purposes of illustration only and does not constitute a representation that any amount were or may have been exchanged at this or any other rates or at all.

On behalf of the Board
Lam Wai Yan
Chairman

Hong Kong, 27 December 2012

As at the date of this announcement, the Directors of the Company are:

Executive Directors:

Mr. Lam Wai Yan (*Chairman and Chief Executive Officer*)

Mr. Ho Kam Wah

Mr. Wang Ta-Hsing (*Chief Financial Officer*)

Ms. Zhang Cong Min (*Chief Operating Officer*)

Independent non-executive Directors:

Mr. Tsui Yiu Wa, Alec

Mr. Thaddeus Thomas Beczak

Mr. Chan Chi Mong Hopkins

* *for identification purposes only*