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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)

**RENEWAL OF THE RENEWED KEXIM TENANCY AGREEMENT,
THE RENEWED ADVERTISING AGREEMENT
AND
THE PROPERTY MANAGEMENT SERVICE AGREEMENT**

**RENEWAL OF THE RENEWED KEXIM TENANCY AGREEMENT, THE RENEWED
ADVERTISING AGREEMENT AND THE PROPERTY MANAGEMENT SERVICE
AGREEMENT**

Reference is made to the Announcement regarding the Renewed Kexim Tenancy Agreement, the Renewed Advertising Agreement and the Property Management Service Agreement. As the Renewed Kexim Tenancy Agreements, the Renewed Advertising Agreement and the Property Management Service Agreement which will all expire on 31 December 2015, the Group has decided to renew the Renewed Kexim Tenancy Agreements with Kexim, one of the Renewed Advertising Agreement with Kexim and the Property Management Service Agreement with BRT Property Management respectively on 30 December 2015.

LISTING RULES IMPLICATIONS

As at the date of this announcement, Mr. Wang, holding approximately 0.31% of the total issued share capital of the Company, is a Director and hence is a connected person of the Group in accordance with Rule 14A.07 of the Listing Rules. Kexim 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.07 of the Listing Rules. Accordingly, all transactions contemplated under the Renewed Kexim Tenancy Agreement, the Renewed Advertising Agreement 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 (other than the profits ratio) for each of the Renewed Kexim Tenancy Agreement, the Renewed Advertising Agreement 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 Kexim Tenancy Agreement, the Renewed Advertising Agreement and the Property Management Service Agreement are subject to the reporting, announcement and annual review requirements only under Rule 14A.76 of the Listing Rules but exempt from the independent shareholders' approval requirement.

RENEWAL OF THE RENEWED KEXIM TENANCY AGREEMENT, THE RENEWED ADVERTISING AGREEMENT AND THE PROPERTY MANAGEMENT SERVICE AGREEMENT

(1) Tenancy Agreement 2016

Background

Reference is made to the Announcement in relation to the Renewed Kexim Tenancy Agreement, pursuant to which the Group has agreed to rent a premises which was owned by the relevant landlord for the period from 1 January 2013 to 31 December 2015.

As the Renewed Kexim Tenancy Agreement will expire on 31 December 2015, 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 the Renewed Kexim Tenancy Agreement. Accordingly, the Group has entered into the Tenancy Agreement 2016 with Kexim on 30 December 2015 under the terms and conditions similar to the Renewed Kexim Tenancy Agreement.

Principal Terms of the Tenancy Agreement 2016

The Tenancy Agreement 2016

Date:	30 December 2015
Parties:	(1) Kexim (as landlord) (2) Pacific E-Commerce (as tenant)
Term:	1 January 2016 to 31 December 2018
Nature of transaction:	Kexim agreed to lease the premises situated 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 RMB17,325) 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 Tenancy Agreement 2016 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 Tenancy Agreement 2016 and thus are fair and reasonable to the Group.

Historical caps and transaction amounts

Under the Renewed Kexim Tenancy Agreement, the annual caps for each of the three years ended 31 December 2013, 2014 and 2015 are RMB400,000 RMB600,000 and RMB800,000 respectively; and the total annual rentals paid by the Group to Kexim for each of the two years ended 31 December 2013 and 2014 were approximately RMB214,000 and RMB197,000 respectively, and such annual rental payable by the Group for the year ending 31 December 2015 is expected to be approximately RMB220,000.

Proposed annual caps

The proposed annual rentals payable under the Tenancy Agreement 2016 by the Group to Kexim (and/or its subsidiaries, as appropriate) for each of the three years ending 31 December 2016, 2017 and 2018 are expected to be not exceeding RMB270,000, RMB320,000 and RMB390,000 respectively. The above annual caps are calculated with reference to the historical amounts, expected expansion of rental areas to satisfy the Group's business development and the maximum annual amounts of the transactions under the Renewed Kexim Tenancy Agreements based on the monthly rental payable by the Group to Kexim.

Reasons for and benefits of entering into the Tenancy Agreement 2016

As the Group has rented the premises and property owned by Kexim (and/or its subsidiaries, as appropriate) for general office use for over 11 years, and the rentals payable by the Group under the Renewed Kexim Tenancy Agreement are comparable and in line with the prevailing market rents, the Group intends to continue to rent premises and properties owned by Kexim (and/or its subsidiaries, as appropriate) under similar terms and conditions for a term of three (3) years from 1 January 2016 to 31 December 2018 after the expiration of the Renewed Kexim Tenancy Agreement.

The Directors (including the independent non-executive Directors) consider that the Tenancy Agreement 2016 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 Tenancy Agreement 2016 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 Agreement 2016

Background

On 27 December 2012, GZP Advertising and GPET Mall entered into the Renewed 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 2013 to 31 December 2015.

As the Renewed Advertising Agreement will expire on 31 December 2015, 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 Renewed Advertising Agreement and entered into the Advertising Agreement 2016 with Kexim on 30 December 2015 with similar terms and conditions to the Renewed Advertising Agreement.

Principal Terms of the Advertising Agreement 2016

Date:	30 December 2015
Parties:	(1) Kexim (for and on behalf of its subsidiaries) (2) the Company (for and on behalf of its subsidiaries)
Term:	1 January 2016 to 31 December 2018
Nature of transaction:	Kexim authorises the Company to lease the advertising boards on the external walls of the relevant property(ies) which are 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 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 Agreement 2016, 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 on a quarterly basis. The Directors believe that the decision to retain 20% of the revenue and make payments of 80% of the revenue received from the leasing of advertising boards and all other related activities to Kexim was determined by arm's length negotiations between the parties with reference to industry profit margin range in association with advertising services.

Historical caps and transaction amounts

Under the Renewed Advertising Agreement, the annual caps payable by GZP Advertising to GPET Mall for each of the three years ended 31 December 2013, 2014 and 2015 are RMB3,850,000 RMB4,550,000 and RMB5,250,000 respectively; and the aggregated annual amounts paid by GZP Advertising to GPET Mall for each of the two years

ended 31 December 2013 and 2014 were approximately RMB1,610,000, RMB1,940,000 respectively, and such annual amount payable by GZP Advertising for the year ending 31 December 2015 is expected to be approximately RMB3,000,000.

Proposed annual caps

The proposed total annual amounts payable by the Group to Kexim, being connected persons of the Group, under the Advertising Agreement 2016 for each of the three years ending 31 December 2016, 2017 and 2018 are expected to be not exceeding RMB4,000,000, RMB5,000,000 and RMB5,000,000 respectively. The proposed annual caps are determined with reference to the historical amounts, expected expansion of the advertising business of the Group and increase of advertising price for the said periods of time.

Reasons for and benefits of entering into the Advertising Agreement 2016

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 Advertising Agreement 2016.

The Directors (including the independent non-executive Directors) consider that the Advertising Agreement 2016 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 Advertising Agreement 2016 was 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 2016

Background

Reference is made to the Announcement in relation to the Property Management Service Agreement, pursuant to which the Group has agreed to hire the property management service provided by BPT Property Management for the period from 1 January 2013 to 31 December 2015.

As the Property Management Service Agreement will expire on 31 December 2015, 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 the Property Management Service Agreement. Accordingly, the Group has entered into the Property Management Service Agreement 2016 with BPT Property Management on 30 December 2015 under the terms and conditions similar to the Property Management Service Agreement.

Principal Terms of the Property Management Service Agreement 2016

Date:	30 December 2015
Parties:	(1) the Company (for and on behalf of its subsidiaries) as recipient of services (2) BPT Property Management as service provider
Term:	1 January 2016 to 31 December 2018

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 in the property management service industry 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.

Historical caps and transaction amounts

Under the Property Management Service Agreements, the annual caps for each of the three years ended 31 December 2013, 2014 and 2015 are RMB800,000, RMB1,200,000 and RMB1,800,000 respectively; and the total annual rentals paid by the Group to the service provider, all being connected persons of the Group, for each of the two years ended 31 December 2013 and 2014 were approximately RMB339,000 and RMB181,000 respectively, and such annual rental payable by the Group for the year ending 31 December 2015 is expected to be approximately RMB200,000.

Proposed annual caps

The proposed annual caps under the Property Management Service Agreement 2016 payable by the Group to BPT Property Management for each of the three years ending 31 December 2016, 2017 and 2018 are expected to be not exceeding RMB500,000, RMB700,000 and RMB900,000 respectively.

In determining the annual caps under the Property Management Service Agreement 2016, 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 2016; (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 2016 yearly from 2016 to 2018.

Reasons for and benefits of entering into the Property Management Service Agreement 2016

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 and expedient for the Group to enter into the Property Management Service Agreement 2016 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 2016 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 2016 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 0.31% of the total issued share capital of the Company and is a Director and hence a connected person of the Group in accordance with Rule 14A.07 of the Listing Rules.

Each of Kexim 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 POnline, 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.

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

LISTING RULES IMPLICATIONS

As each of Kexim and BPT Property Management is a connected person of the Company, the transactions contemplated under each of the Tenancy Agreement 2016, the Advertising Agreement 2016 and the Property Management Service Agreement 2016 constitutes 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 Tenancy Agreement 2016, the Advertising Agreement 2016 and the Property Management Service Agreement 2016 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 Rule 14A.76 of the Listing Rules but exempt from the independent shareholders' approval requirement.

Save for Mr. Wang, none of the Directors have any material interests in each of the Tenancy Agreement 2016, the Advertising Agreement 2016 and the Property Management Service Agreement 2016; thus no Directors (except for Mr. Wang) 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 2018.

DEFINITIONS

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

“Advertising Agreement 2016”	the advertising agreement dated 30 December 2015 entered into between the Company (for and on behalf of its subsidiaries) and Kexim (for and on behalf of its subsidiaries) for the period from 1 January 2016 to 31 December 2018 on terms and conditions similar to the Renewed Advertising Agreement
“Announcement”	the announcement of the Company dated 27 December 2012 in relation to the Renewed Kexim Tenancy Agreement, the Renewed Advertising Agreement and the Property Management Service 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 (Stock code: 543)
“connected person(s)”	has the same meaning as ascribed to this term under the Listing Rules
“Directors”	the directors of the Company
“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 from the connected persons of the Company
“Kexim”	Kexim Company Limited, a limited liability company incorporated in Hong Kong and indirectly owned as to more than 30% by Mr. Wang, a connected person of the Company
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Mr. Wang”	Wang Ta-Hsing, a Director holding approximately 0.31% of the total issued Shares of the Company as at the date of this announcement
“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
“Property Management Service Agreement 2016”	the property management service agreement dated 30 December 2015 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 2016 to 31 December 2018
“Renewed Advertising Agreement”	the advertising agreement dated 27 December 2012 entered into between GZP Advertising and GPET Mall which will expire on 31 December 2015, pursuant to which GPET Mall authorised GZP Advertising to lease the advertising boards on the external walls of Guangzhou Computer Malls owned by GPET Mall as well as to receive and collect all revenue in connection with the leasing of such advertising boards

“Renewed Kexim Tenancy Agreement”	the tenancy agreements all dated 27 December 2012 entered into between the Group (as tenant) with the landlord specified therein in connection with the leasing of certain properties which will expire on 31 December 2015, details of which are set out in the Announcement
“RMB”	Renminbi, the lawful currency of the PRC
“Shareholder(s)”	shareholder(s) of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Tenancy Agreement 2016”	the tenancy agreement dated 30 December 2015 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 2016 to 31 December 2018
“%”	Per cent

In this announcement, amount quoted in HK\$ have been converted into RMB at the rate of RMB1 to HK\$1.2. 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, 30 December 2015

As at the date of this announcement, the Board comprises 4 executive directors, namely, Dr. 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. Chan Chi Mong, Hopkins.

* *for identification purposes only*