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 2008

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 2008, together with the comparative figures for the year ended 31 December 2007, as follows:

CONSOLIDATED INCOME STATEMENT

		Year ended 31 December	
		2008	2007
	Note	***RMB'000***	*RMB'000*
Revenue	3	**324,608**	236,830
Cost of revenue	4	**(88,180)**	(66,110)
Gross profit		**236,428**	170,720
Selling and marketing costs	4	**(46,983)**	(32,256)
Administrative expenses	4	**(37,940)**	(21,362)
Product development expenses	4	**(14,048)**	(2,931)
Operating profit		**137,457**	114,171
Finance income	5	**16,885**	2,482
Finance cost	5	**(36,819)**	(8,197)
Finance cost — net	5	**(19,934)**	(5,715)
Profit before income tax		**117,523**	108,456
Income tax expense	6	**(29,242)**	(17,425)
Profit for the year		**88,281**	91,031

	Note	Year ended 31 December **2008** *RMB'000*	2007 *RMB'000*
Attributable to:			
Equity holders of the Company		**88,281**	91,031
Earnings per share for profit attributable to the equity holders of the Company during the year			
— basic (RMB)	8	**9.405 cents**	11.864 cents
— diluted (RMB)	8	**9.403 cents**	11.829 cents
Dividends (excluding special dividend)	7	**64,660**	70,965

CONSOLIDATED BALANCE SHEET

		As at 31 December	
		2008	2007
	Note	***RMB'000***	*RMB'000*
ASSETS			
Non-current assets			
Property, plant and equipment		**13,540**	11,350
Intangible assets		**947**	1,585
Deferred income tax assets		**2,785**	2,668
		17,272	15,603
Current assets			
Derivative financial instrument		**1,640**	—
Trade and other receivables	9	**99,726**	77,701
Restricted cash		**10,252**	—
Short-term bank deposits with original terms of over three months		**30,509**	18,000
Cash and cash equivalents		**582,854**	621,057
		724,981	716,758
Total assets		**742,253**	732,361
EQUITY			
Capital and reserves attributable to the equity holders of the Company			
Ordinary shares		**8,737**	8,986
Reserves			
— Proposed special dividend		**249,402**	—
— Others		**301,270**	565,227
Retained earnings			
— Proposed final dividend		**64,660**	70,965
— Others		**31,412**	20,003
Total equity		**655,481**	665,181
Current liabilities			
Accruals and other payables	10	**40,848**	29,251
Prepaid advertising subscriptions from customers		**23,322**	26,946
Current income tax liabilities		**22,602**	10,983
Total current liabilities		**86,772**	67,180
Total equity and liabilities		**742,253**	732,361
Net current assets		**638,209**	649,578
Total assets less current liabilities		**655,481**	665,181

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to the equity holders of the Company			
	Share capital	**Reserves**	**Retained earnings**	**Total equity**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Balance at 1 January 2007	9	18,535	92,806	111,350
Profit for the year	—	—	91,031	91,031
Dividends paid by a subsidiary to its then equity holders	—	—	(92,400)	(92,400)
Disposal of subsidiaries	—	(531)	531	—
Employees' share option benefits	—	754	—	754
Issue of shares	1,797	591,282	—	593,079
Share issuance costs	—	(38,633)	—	(38,633)
Capitalisation of share premium	7,180	(7,180)	—	—
Appropriations to reserves	—	1,000	(1,000)	—
Balance at 31 December 2007	8,986	565,227	90,968	665,181
Profit for the year	—	—	88,281	88,281
Dividends paid	—	—	(70,965)	(70,965)
Employees' share option benefits	—	6,776	—	6,776
Repurchase of shares of the Company	(249)	(33,294)	(249)	(33,792)
Appropriations to reserves	—	11,963	(11,963)	—
Balance at 31 December 2008	8,737	550,672	96,072	655,481

CONSOLIDATED CASH FLOW STATEMENT

	Year ended 31 December	
	2008	2007
	RMB'000	*RMB'000*
Cash flows from operating activities		
Net cash generated from operations	**117,600**	93,419
Income tax paid	**(17,740)**	(16,740)
Net cash generated from operating activities	**99,860**	76,679
Cash flows from investing activities		
Acquisition of subsidiary, net of cash acquired	**—**	(599)
Purchase of property, plant and equipment	**(6,107)**	(3,546)
Purchase of intangible assets	**(433)**	(1,265)
Increase in short-term bank deposits with original terms of over three months and restricted cash	**(22,761)**	(10,500)
Interest received	**13,807**	2,482
Disposal of subsidiaries	**—**	(1,663)
Net cash used in investing activities	**(15,494)**	(15,091)
Cash flows from financing activities		
Proceeds from issuance of ordinary shares	**—**	582,913
Share issuance costs	**—**	(38,633)
Net proceeds from issuance of ordinary shares	**—**	544,280
Repurchase of shares of the Company	**(33,792)**	—
Dividends paid	**(70,965)**	(92,400)
Net cash (used in)/generated from financing activities	**(104,757)**	451,880
Net (decrease)/increase in cash and cash equivalents	**(20,391)**	513,468
Cash and cash equivalents at beginning of year	**621,057**	113,437
Exchange losses on cash and cash equivalents	**(17,812)**	(5,848)
Cash and cash equivalents at end of the year	**582,854**	621,057

Notes to the Consolidated Financial Statements (All amounts are stated in Renminbi ("RMB") unless otherwise stated):

1. GENERAL INFORMATION

The Company was incorporated on 27 August 2007 as an exempted company with limited liability under the Company Law, Cap.22, (Law 3 of 1961, as combined and revised) of the Cayman Islands. The 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's shares have been listed on Main Board of The Stock Exchange of Hong Kong Limited ("SEHK") since the initial public offering of shares ("IPO") on 18 December 2007.

These consolidated financial statements have been approved for issue by the Board on 30 March 2009.

2. BASIS OF PREPARATION AND PRESENTATION

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 the derivative financial instrument at fair value through profit or loss.

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

The Group has adopted the following amendment and interpretations to existing standards for the accounting periods commencing on or after 1 January 2008:

		Effective for annual periods beginning on or after
Amendment to HKAS 39 and HKFRS 7	Reclassification of Financial Assets	1 July 2008
HK(IFRIC) — Int 11	HKFRS 2 — Group and Treasury Share Transactions	1 March 2007
HK(IFRIC) — Int 12	Service Concession Arrangements	1 January 2008
HK(IFRIC) — Int 14	HKAS 19 — The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction	1 January 2008

The adoption of the above amendment and interpretations to existing standards does not have any impact on the Group's financial statements and has not led to any changes in the accounting policies of the Group.

The following new standards, interpretations and amendments to existing standards have been published but have not come into effect for the financial year beginning 1 January 2008:

		Effective for annual periods beginning on or after
HKAS 1 (Revised)	Presentation of Financial Statements	1 January 2009
HKAS 23 (Revised)	Borrowing Costs	1 January 2009
HKAS 27 (Revised)	Consolidated and Separate Financial Statements	1 July 2009
Amendment to HKAS 32 and HKAS 1	Puttable Financial Instruments and Obligations Arising on Liquidation	1 January 2009
Amendment to HKFRS 1 and HKAS 27	Amendments to HKFRS 1 'First Time Adoption of HKFRS' and HKAS 27 'Consolidated and Separate Financial Statements' — Cost of Investments In Subsidiaries, Jointly Controlled Entities and Associates	1 July 2009
Amendment to HKFRS 2	Share-Based Payment Vesting Conditions and Cancellations	1 January 2009
HKFRS 3 (Revised)	Business Combinations	1 July 2009
HKFRS 8	Operating Segments	1 January 2009
HK(IFRIC) — Int 16	Hedges of a Net Investment in a Foreign Operation	1 October 2008
Amendment to HKAS 39	Amendment to HKAS 39 'Financial Instruments: Recognition and Measurement' — Eligible Hedged Items	1 July 2009
HK(IFRIC) — Int 17	Distributions of Non-Cash Assets to Owners	1 July 2009

The Group has not early adopted any of the above new standards, interpretations and amendments to the existing standards. The Group is in the process of making an assessment of their impact and is not yet in a position to state what impact they would have on the results of operations and financial positions for the Group.

3. SEGMENT INFORMATION

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

4. EXPENSES BY NATURE

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

	Year ended 31 December	
	2008	2007
	RMB'000	*RMB'000*
Employee benefit expenses	**79,028**	52,036
Business tax	**32,126**	21,828
Sales commission	**23,119**	12,938
Rental expenses	**13,034**	10,837
Advertising expenses	**13,562**	7,782
Depreciation and amortisation expenses	**4,867**	4,006
Auditors' remuneration	**3,480**	3,050
Conference and office expenses	**3,279**	2,660
Travelling expenses	**2,899**	2,256
Professional fees	**3,160**	967
Technical consultancy fees	**—**	591
Provision for impairment of receivables	**4,362**	417
Utilities and energy costs	**360**	253
Other expenses	**3,875**	3,038
Total cost of revenue, selling and marketing costs, administrative expenses and product development expenses	**187,151**	122,659

5. FINANCE INCOME AND COST

	Year ended 31 December	
	2008	2007
	RMB'000	*RMB'000*
Finance cost		
— Net foreign exchange losses	**36,819**	8,197
Finance income		
— Interest income on short-term bank deposits	**(15,245)**	(2,279)
— Interest income on subscription proceeds	**—**	(203)
— Change in fair values of forward foreign exchange contracts	**(1,640)**	—
	(16,885)	(2,482)
Finance cost — net	**19,934**	5,715

6. INCOME TAX EXPENSE

	Year ended 31 December	
	2008	2007
	RMB'000	*RMB'000*
PRC Enterprise Income Tax ("EIT")	**29,359**	17,370
Deferred taxation	**(117)**	55
	29,242	17,425

The Group is not subject to Hong Kong or Cayman Islands profits tax as it has no assessable income arising in or derived from Hong Kong or Cayman Islands during the year ended 31 December 2008 (2007: Nil).

On 16 March 2007, the National People's Congress approved the new Enterprise Income Tax Law, which is effective from 1 January 2008 (the "New EIT Law"). Under the New EIT Law, the applicable EIT rate for subsidiaries established in the PRC was at 25% (2007: 33%), after taking into account the relevant applicable tax concessions mentioned below. EIT was levied on the assessable income of each of the PRC subsidiaries of the Group during the year ended 31 December 2008, as determined in accordance with the relevant PRC income tax rules and regulations.

According to the New EIT Law, enterprises granted the High/New Technology Enterprises ("HNTE") will be entitled to enjoy a reduced tax rate of 15%. In December 2007, the detailed implementation rules relating to obtaining the HNTE status have not been published. Consequently, when recognizing deferred taxes as at 31 December 2007, Guangzhou Pacific Computer Information Consulting Co., Ltd. (廣州太平洋電腦信息諮詢有限公司, "GZP Computer") 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") applied a tax rate of 25% on their temporary differences. The HNTE positions of GZP Computer and GDP Internet were formally confirmed in December 2008, when both of them obtained their formal designations as HNTE under the New EIT Law. As a result, GZP Computer and GDP internet applied the 15% rate for computation of current and deferred taxes in 2008.

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

	Year ended 31 December	
	2008	2007
	RMB'000	*RMB'000*
Profit before tax	**117,523**	108,456
Tax calculated at the statutory tax rate of 25% (2007: 33%)	**29,381**	35,790
Tax effects of:		
Tax concessions available to subsidiaries	**(14,746)**	(19,879)
Remeasurement of deferred tax — change in PRC tax rate	**219**	823
Income not subject to tax	**(3,561)**	(4,219)
Expenses not deductible for tax purposes	**12,555**	4,910
Withholding tax on declared profits	**5,394**	—
Tax charge	**29,242**	17,425

The weighted average applicable tax rate was 25% (2007: 16%). The increase is mainly caused by exchange losses of the Company which are not deductible for tax purposes.

7. DIVIDENDS

The Company was newly incorporated on 27 August 2007, no dividend was paid by the Company in 2007. The dividends paid by Takehigh Industrial Limited to its then equity holders in 2007 was RMB92,400,000. The dividends relating to 2007 paid in 2008 was RMB70,965,000 (RMB7.47 cents per ordinary share).

The directors recommend the payment of a final dividend of RMB7 cents per ordinary share out of the retained earnings, totalling RMB64,660,000, and a special dividend of RMB27 cents per ordinary share out of the share premium, totalling RMB249,402,000.

The proposed final dividend and special dividend stated above are to be approved by the shareholders at the Annual General Meeting on 15 May 2009. These financial statements do not reflect this dividend payable.

	Year ended 31 December	
	2008	2007
	RMB'000	*RMB'000*
Proposed final dividend of RMB7 cents (2007: RMB7.47 cents) per ordinary share	**64,660**	70,965
Proposed special dividend of RMB27 cents (2007: nil) per ordinary share	**249,402**	—

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 excluding ordinary shares purchased by the Company:

	Year ended 31 December	
	2008	2007
Profit attributable to equity holders of the Company (RMB'000)	**88,281**	91,031
Weighted average number of ordinary shares in issue (thousands shares)	**938,612**	767,288
Basic earnings per share (RMB)	**9.405 cents**	11.864 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.

	Year ended 31 December	
	2008	2007
Profit attributable to equity holders of the Company (RMB'000)	**88,281**	91,031
Weighted average number of ordinary shares in issue (thousands shares)	**938,612**	767,288
Adjustments for — share options (thousands shares)	**236**	2,268
Weighted average number of ordinary shares for diluted earnings per share (thousands shares)	**938,848**	769,556
Diluted earnings per share (RMB)	**9.403 cents**	11.829 cents

9. TRADE AND OTHER RECEIVABLES

	As at 31 December	
	2008	2007
	RMB'000	*RMB'000*
Trade receivables, net of impairment provision (a)	**96,267**	49,662
Amount due from BNP Paribas Capital (Asia Pacific) Limited ("BNP Paribas Capital") (b)	**—**	25,166
Receivables from related parties	**423**	242
Other receivables (c)	**3,036**	2,631
	99,726	77,701
Denominated in		
— RMB	**98,137**	52,535
— US$	**1,325**	—
— HK$	**264**	25,166
	99,726	77,701

(a) Trade receivables

Credit terms granted to customers by the Group are generally within six months. At 31 December 2008, the ageing analysis of the trade receivables (net of impairment provision of approximately RMB6,070,000) was as follows:

	As at 31 December	
	2008	2007
	RMB'000	*RMB'000*
Current to 6 months	**82,191**	44,120
6 months to 1 year	**12,197**	3,542
1 year to 2 years	**1,879**	1,894
Over 2 years	**—**	106
	96,267	49,662

As of 31 December 2008, trade receivables of RMB11,996,000 (2007: RMB5,535,000) were past due but not impaired. These relate to a number of independent customers with no history of credit default and they are in continuous business with the Group. The ageing analysis of these trade receivables was as follows:

	As at 31 December	
	2008	2007
	RMB'000	*RMB'000*
Current to 6 months	**6,054**	2,495
6 months to 1 year	**4,063**	1,040
1 year to 2 years	**1,879**	1,894
Over 2 years	**—**	106
	11,996	5,535

(b) **Amount due from BNP Paribas Capital**

The amount represented a portion of the listing proceeds due from BNP Paribas Capital, which was the sponsor of the IPO. The amount had been fully received by the Group in May 2008.

(c) **Other receivables**

Other receivables of the Group mainly represented petty cash advance made to employees, prepaid operating rental and telecommunication fees and interest receivables from bank deposits.

10. ACCRUALS AND OTHER PAYABLES

	As at 31 December	
	2008	2007
	RMB'000	*RMB'000*
Salary payables	**11,555**	9,223
Accrued expenses (a)	**20,040**	13,740
Other payables (b)	**9,253**	6,288
	40,848	29,251

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

(b) Other payables of the Group mainly represented business tax and other levies payable.

BUSINESS OUTLOOK

We continued to grow at a steady pace in the year under review. Revenue of the Group increased by 37% from RMB236.8 million to RMB324.6 million. Gross profit margin was maintained at a stable level of 73%, as compared to 72% in the previous year. Operating profit increased by 20% from RMB114.2 million to RMB137.5 million.

Our audited profit attributable to equity holders for the year ended 31 December 2008 experienced a moderate decrease from RMB91.0 million to RMB88.3 million, primarily due to a foreign currency exchange loss of RMB36.8 million arising from appreciation of RMB against HK$/USD in respect of our IPO proceeds held in deposits denominated in HK$/USD.

Revenue for PConline, the Group's IT portal, increased by 24% from RMB159.7 million to RMB198.1 million for the year ended 31 December 2008. The performance remained strong with PConline as we have successfully consolidated our role as the leading specialized content portal in China through the improved quality and extended depth of the information we offer on a broad range of products and brands.

Revenue for PCauto, the Group's automobile portal, increased by 59% from RMB67.7 million to RMB107.6 million for the year ended 31 December 2008. The automobile market has experienced rapid growth in China. PCauto is a recognized leader among automobile advertising portal and we are able to leverage PCauto's leading position and capitalize on this increase in internet advertising spending.

The performance of our younger portals, such as PCgames, PClady and PCkids, was encouraging in 2008. Revenue increased by more than 100% and they will no doubt remain as one of our main driving forces.

As of 31 December 2008, we had not utilized any proceeds from our listing and they are being held in deposits denominated in HK$/USD. We had refrained from carrying out any aggressive acquisitions or investments in view of the volatile economic environment in the previous year. However, we are still prudently looking for acquisition opportunities that offer synergy with our operation and complement our portfolio.

The Board has recommended the payment of a final dividend of RMB64.7 million, equivalent to RMB7 cents per share and a payout ratio of 73%. Future dividend payout, however, will depend on factors such as our future earnings, financial condition, cash requirement and availability. Any future declaration of dividends or distributions may or may not reflect our historical declarations of dividends or distribution and will be at the absolute discretion of the Board.

Currently, the Group is in sound financial position. As of 31 December 2008, we had a net cash of approximately RMB623.6 million with no external debt. In view of the strong internally generated cash flow of our business, the Company proposes to change the intended use of part of the IPO proceeds originally allocated for our business expansions and general working capital as detailed in the Company's another announcement made on 30 March 2009 and to distribute a special dividend of RMB249.4 million, equivalent to RMB27 cents per share, subject to the approval by the shareholders at the forthcoming annual general meeting.

For 2009, we expect the internet advertising business in China to remain challenging. We will continue to develop and launch new portal initiatives and to enrich our portal contents. The Group's sales and marketing teams across various regional offices will expand to match our growth. With strong market recognition, we are well positioned to capitalize on the business opportunities.

MANAGEMENT DISCUSSION AND ANALYSIS

Revenue and Segment Information

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

Revenue generated during the year ended 31 December 2008 was as follows:

	Year ended 31 December	
	2008	2007
	RMB'000	*RMB'000*
Internet advertising services		
— for computer and other IT-related products	**198,108**	159,731
— for automobile products	**107,554**	67,681
— for other products	**18,946**	9,418
	324,608	236,830

Revenue

Revenue increased by 37% from RMB236.8 million for the year ended 31 December 2007 to RMB324.6 million for the year ended 31 December 2008. Revenue for PConline, the Group's IT portal, increased by 24% from RMB159.7 million for the year ended 31 December 2007 to RMB198.1 million for the year ended 31 December 2008. Revenue for PCauto, the Group's automobile portal, increased by 59% from RMB67.7 million for the year ended 31 December 2007 to RMB107.6 million for the year ended 31 December 2008. Revenue for the Group's other operations, such as its game, lady, kids portal and others, increased by 101%. Revenue from PConline and PCauto accounted for 94% of total revenue. The increase in revenue reflects the growth in traffic and popularity of the Group's portals and advertisers' increasing acceptance of the internet as an effective platform to promote and market their products and image.

Cost of Revenue

Cost of Revenue increased by 33% from RMB66.1 million for the year ended 31 December 2007 to RMB88.2 million for the year ended 31 December 2008. The increase in Cost of Revenue can be attributed to increase in sales commission paid to advertising agencies as incentive to bring in larger advertising contracts. Staff cost also increased, primarily due to headcount increase to meet business expansion. In addition, with the five portals gaining popularity among internet users, telecommunication expenses increased as the Group added bandwidth capacity and servers to meet the demand for higher traffic to the five portals.

Selling and Marketing Costs

Selling and Marketing Costs increased by 46% from RMB32.3 million for the year ended 31 December 2007 to RMB47.0 million for the year ended 31 December 2008. The increase can be primarily attributed to increase in staff cost for the sales department to accommodate a larger client base and to better serve our clients. Marketing and promotional expenses also increased to strengthen the brand awareness of the five portals among internet users as well as brand advertisers.

Administrative Expenses

Administrative Expenses increased by 77% from RMB21.4 million for the year ended 31 December 2007 to RMB37.9 million for the year ended 31 December 2008. The increase was mainly due to expenses related to the Pre-IPO Share Option Scheme and expenses associated with being listed such as compliance costs and professional fees. These expenses items were not fully presented during the same period last year.

Product Development Expenses

Product Development Expenses increased by 383% from RMB2.9 million for the year ended 31 December 2007 to RMB14.0 million for the year ended 31 December 2008. The increase can be primarily attributed to increase in staff cost as we set up a new research and development centre in Beijing as well as additional expenses associated with development of various Web2.0 products.

Finance Income and Cost

The Group suffered a net finance loss of RMB19.9 million for the year ended 31 December 2008, compared with a net finance income of RMB5.7 million for the year ended 31 December 2007. The net finance loss was primarily attributed to net foreign exchange losses of RMB36.8 million. The Group reports in RMB as its functional currency, however, the proceeds received from IPO was denominated in HK$/USD. As RMB has appreciated against HK$/USD during 2008, the Group recorded a foreign exchange loss associated with the depreciation of its HK$/USD denominated IPO proceeds.

Income Tax Expense

Income Tax Expense increased by 68% from RMB17.4 million for the year ended 31 December 2007 to RMB29.2 million for the year ended 31 December 2008. The effective tax rate increased from 16% for the year ended 31 December 2007 to 25% for the year ended 31 December 2008. The increase was mainly due to exchange losses of the Company which were not deductible for tax purposes.

Profit for the Year

Profit for the Year decreased by 3% from RMB91.0 million for the year ended 31 December 2007 to RMB88.3 million for the year ended 31 December 2008. The net margin was 38% for the year ended 31 December 2007 compared to 27% for the year ended 31 December 2008.

Liquidity and Financial Resources

As at 31 December 2008, we had the financial resources in the form of short-term bank deposits and cash amounting to RMB623.6 million (2007: RMB639.1 million). A large portion of our financial assets are held in HK$/USD and we had no other interest-bearing borrowings as at 31 December 2008.

Capital Expenditures

In the year ended 31 December 2008, our capital expenditures consisting of additions to computers and servers and intangible assets amounted to RMB6.5 million. In the year ended 31 December 2007, our capital expenditures consisted of similar items amounted to RMB4.8 million.

OTHER INFORMATION

Employee and Remuneration Policies

As at 31 December 2008, the Group had 674 employees (2007: 559), increased by 21% over 2007. The increase in staff level represented the expansion of the Group's operations in 2008. The Group determines its staff's remuneration based on factors such as qualifications and years of experience.

Proposed Final Dividend and Special Dividend

The Board has recommended the payment of a final dividend of RMB7 cents per ordinary share and a special dividend of RMB27 cents per ordinary share for the year ended 31 December 2008 to shareholders whose names appear on the Company's Register of Members on Friday, 15 May 2009 (the "Proposed Final and Special Dividend"). Subject to the approval of the Company's shareholders at the Company's forthcoming Annual General Meeting to be held on Friday, 15 May 2009, the Proposed Final and Special Dividend will be paid to the Company's shareholders on or around Friday, 22 May 2009.

Closure of Register of Members

The Register of Members of the Company will be closed from Wednesday, 13 May 2009 to Friday, 15 May 2009 (both days inclusive), during which period no transfer of shares of the Company will be registered. In order to qualify for entitlement to the Proposed Final and Special Dividend and for attending and voting at the Annual General Meeting of the Company to be held on Friday, 15 May 2009, 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 Branch Share Registrar in Hong Kong, Tricor Investor Services Limited, at 26/F., Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:30 p.m. on Tuesday, 12 May 2009.

Purchase, Sale or Redemption of the Company's Listed Securities

The Company repurchased its 26,290,000 listed shares on the SEHK during the year ended 31 December 2008. Such shares were cancelled upon repurchase and accordingly the issued share capital of the Company was reduced by the nominal value of these shares.

Details of the repurchases are summarized as follows:

Month of repurchases	Total number of shares repurchased	Repurchase price per share		Aggregate price paid
		Highest	Lowest	
		HK$	*HK$*	*HK$*
July, 2008	23,674,000	1.55	1.44	35,667,780
August, 2008	50,000	1.44	1.44	72,000
September, 2008	2,566,000	1.50	0.90	2,639,420
	26,290,000			38,379,200

Except as disclosed above, neither the Company, nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the year.

Audit Committee

The Audit Committee of the Company, which comprises the three independent non-executive directors of the Company, 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 2008.

Corporate Governance

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

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
Lam Wai Yan
Chairman

Hong Kong, 30 March 2009

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 Da-Shin, Jeff
Ms Zhang Cong Min
Mr Tsung Shih Kin, Samuel

Independent Non-executive Directors:
Mr Tsui Yiu Wa, Alec
Mr Thaddeus Thomas Beczak
Mr Louie Ming