PACIFIC ONLINE LIMITED
太 平 洋 網 絡 有 限 公 司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 543)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2010

The board of directors (the "Board") of Pacific Online Limited (the "Company") announces the unaudited condensed consolidated results of the Company and its subsidiaries (collectively the "Group") for the six months ended 30 June 2010 together with the comparative figures for the corresponding period of last year, as follows.

CONDENSED CONSOLIDATED INCOME STATEMENT

FOR THE SIX MONTHS ENDED 30 JUNE 2010

		Unaudited Six months ended 30 June	
		2010	2009
	Note	***RMB'000***	*RMB'000*
Revenue	4	**202,598**	141,834
Cost of revenue		**(61,591)**	(43,158)
Gross profit		**141,007**	98,676
Selling and marketing costs		**(30,969)**	(20,614)
Administrative expenses		**(21,297)**	(18,450)
Product development expenses		**(10,201)**	(8,353)
Operating profit		**78,540**	51,259
Finance income	5	**1,981**	4,386
Finance costs	5	**(641)**	(585)
Finance income — net	5	**1,340**	3,801
Profit before income tax		**79,880**	55,060
Income tax expense	6	**(6,942)**	(10,689)
Profit for the period		**72,938**	44,371
Attributable to:			
Equity holders of the Company		**72,938**	44,371
Earnings per share for profit attributable to equity holders of the Company			Restated
— basic *(RMB)*	7	**7.50 cents**	4.57 cents
— diluted *(RMB)*	7	**7.41 cents**	4.57 cents
Dividends	8	**—**	—

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30 JUNE 2010

	Unaudited	
	Six months ended 30 June	
	2010	2009
	RMB'000	*RMB'000*
Profit for the period	**72,938**	44,371
Other comprehensive income for the period, net of tax	**—**	—
Total comprehensive income for the period	**72,938**	44,371
Attributable to:		
Equity holders of the Company	**72,938**	44,371

CONDENSED CONSOLIDATED BALANCE SHEET

AS AT 30 JUNE 2010

	Note	**Unaudited 30 June 2010** *RMB'000*	Audited 31 December 2009 *RMB'000*
ASSETS			
Non-current assets			
Property, plant and equipment	9	**12,659**	12,534
Intangible assets	9	**9,262**	9,321
Deferred income tax assets	10	**6,258**	4,843
		28,179	26,698
Current assets			
Trade and other receivables	11	**170,913**	135,772
Short-term bank deposits with original terms of over three months		**143,850**	34,680
Cash and cash equivalents		**228,282**	409,330
		543,045	579,782
Total assets		**571,224**	606,480
EQUITY			
Capital and reserves attributable to equity holders of the Company			
Ordinary shares	12	**9,186**	8,737
Reserves		**462,881**	474,561
Total equity		**472,067**	483,298
LIABILITIES			
Non-current liabilities			
Deferred income tax liabilities	10	**4,149**	—
Current liabilities			
Accruals and other payables	13	**61,573**	61,445
Prepaid advertising subscriptions from customers		**22,925**	21,271
Current income tax liabilities		**10,510**	40,466
		95,008	123,182
Total liabilities		**99,157**	123,182
Total equity and liabilities		**571,224**	606,480
Net current assets		**448,037**	456,600
Total assets less current liabilities		**476,216**	483,298

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE SIX MONTHS ENDED 30 JUNE 2010

		Unaudited Attributable to equity holders of the Company		
	Note	Ordinary shares RMB'000	Reserves RMB'000	Total equity RMB'000
Balance at 1 January 2009		8,737	646,744	655,481
Comprehensive income				
Profit for the period		—	44,371	44,371
Other comprehensive income		—	—	—
Total comprehensive income		—	44,371	44,371
Cash dividends relating to 2008, paid in May 2009		—	(314,062)	(314,062)
Employees share option scheme:				
— value of employee services		—	3,054	3,054
Balance at 30 June 2009		8,737	380,107	388,844
Balance at 1 January 2010		8,737	474,561	483,298
Comprehensive income				
Profit for the period		—	72,938	72,938
Other comprehensive income		—	—	—
Total comprehensive income		—	72,938	72,938
Cash dividends relating to 2009, paid in May 2010	8	—	(94,993)	(94,993)
Bonus shares	12	407	(407)	—
Employees share option scheme:				
— value of employee services		—	4,458	4,458
— proceeds from shares issued	12	42	6,324	6,366
Balance at 30 June 2010		9,186	462,881	472,067

CONDENSED CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS
FOR THE SIX MONTHS ENDED 30 JUNE 2010

		Unaudited	
		Six months ended 30 June	
		2010	2009
	Note	***RMB'000***	*RMB'000*
Cash flows from operating activities			
Cash generated from operations		**51,816**	47,424
Income tax paid		**(34,164)**	(19,146)
Net cash generated from operating activities		**17,652**	28,278
Cash flows from investing activities			
Purchase of property, plant and equipment		**(2,144)**	(1,190)
Purchase of intangible assets		**(197)**	(296)
Increase in short-term bank deposits with original terms of over three months		**(109,170)**	(53,992)
Interest received		**1,981**	1,567
Net cash used in investing activities		**(109,530)**	(53,911)
Cash flows from financing activities			
Cash dividends paid	8	**(94,993)**	(314,062)
Proceeds from issuance of ordinary shares	12	**6,366**	—
Net cash used in financing activities		**(88,627)**	(314,062)
Net decrease in cash and cash equivalents		**(180,505)**	(339,695)
Cash and cash equivalents at beginning of period		**409,330**	582,854
Exchange losses on cash and cash equivalents		**(543)**	(47)
Cash and cash equivalents		**228,282**	243,112

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

(All amounts are stated in Renminbi ("RMB") thousands 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 has its shares listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

This condensed consolidated interim financial information was approved for issue by the Board on 23 August 2010.

This condensed consolidated interim financial information has not been audited.

2. BASIS OF PREPARATION

This condensed consolidated interim financial information for the six months ended 30 June 2010 has been prepared in accordance with HKAS 34, 'Interim financial reporting'. The condensed consolidated interim financial information should be read in conjunction with the annual financial statements for the year ended 31 December 2009, which have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs").

3. ACCOUNTING POLICIES

Except as described below, the accounting policies adopted are consistent with those of the annual financial statements for the year ended 31 December 2009, as described in those annual financial statements.

Taxes on income in the interim periods are accrued using the tax rate that would be applicable to expected total annual earnings.

(a) The following amendments to standards and interpretations are effective for the financial year beginning 1 January 2010:

HKAS 27 (Revised)	Consolidated and Separate Financial Statements
HKFRS 3 (Revised)	Business Combinations
HKAS 39 (Amendment)	Financial Instruments: Recognition and measurement — Eligible Hedge Items
HKFRS 1 (Revised)	First-time adoption of HKFRSs
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
HKAS 1 (Amendment)	Presentation of Financial Statements
HKAS 7 (Amendment)	Statement of Cash Flows
HKAS 17 (Amendment)	Leases
HKAS 36 (Amendment)	Impairment of Assets

The adoption of the above amended standards and interpretations did not have any material impact on the Group's interim financial information except for disclosure and has not led to any changes in the accounting policies except disclosed elsewhere.

(b) The following new standards, amendments and interpretations to existing standards have been issued but are not effective for the financial year beginning 1 January 2010 and have not been early adopted:

		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)	Third improvements to HKFRSs (2010)	1 January 2011
HKFRS 9	Financial instruments	1 January 2013

Management is in the process of making an assessment of their impact and is not yet in a position to state whether any substantial changes to the Group's significant accounting policies and presentation of the financial information will be resulted.

4. SEGMENT INFORMATION

The chief operating decision maker has been identified as the executive directors that make strategic decisions.

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, it is 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 and kids products, e-commerce and other services.

There were no inter-segment sales for the six months ended 30 June 2010 (six months ended 30 June 2009: same). The revenue from external parties reported to the chief operating decision maker is measured in a manner consistent with that in the condensed consolidated income statement.

	PConline	PCauto	Other	Group
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
For the six months ended 30 June 2010				
Revenue	90,019	93,085	19,494	202,598
For the six months ended 30 June 2009				
Revenue	75,192	57,248	9,394	141,834

Though the Company is domiciled in the Cayman Islands, for the six months ended 30 June 2010, all revenues of the Group were derived from external customers and they were all generated from the PRC (six months ended 30 June 2009: same).

As at 30 June 2010, the total non-current assets of the Group were all located in the PRC (31 December 2009: same).

For the six months ended 30 June 2010, there was no revenue derived from a single external customer accounting for ten per cent or more of the Group's revenues (six months ended 30 June 2009: same).

5. FINANCE INCOME — NET

	Six months ended 30 June	
	2010	2009
	RMB'000	*RMB'000*
Finance income		
— Interest income on short-term bank deposits	**1,981**	1,567
— Change in fair values of forward foreign exchange contracts	**—**	2,819
	1,981	4,386
Finance costs		
— Net foreign exchange losses	**(641)**	(585)
Finance income — net	**1,340**	3,801

6. INCOME TAX EXPENSE

	Six months ended 30 June	
	2010	2009
	RMB'000	*RMB'000*
PRC current income tax	**17,246**	8,008
Deferred income tax	**2,734**	2,681
Reversal of the over-provided withholding tax resulted from the different tax rates	**(13,038)**	—
	6,942	10,689

Income tax expense is recognized based on management's best estimate of the projected full year annual effective income tax rate.

The Company, which is a Cayman Islands corporation, is not subject to any profit tax. The subsidiaries of the Group incorporated in Hong Kong were not subject to Hong Kong profit tax as they had no assessable income arising in or derived from Hong Kong during the six months ended 30 June 2010 (six months ended 30 June 2009: same).

Current taxation primarily represents 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"), 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% (six months ended 30 June 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. Dividends coming from the profit generated by GZP Computer after 1 January 2011 shall be subject to next application for the 5% beneficial withholding tax rate. As a result, the over-provided 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% beneficial withholding tax rate) has been reversed in the six months ended 30 June 2010.

7. 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 period. In determining the weighted average number of ordinary shares in issue for the six months ended 30 June 2009 and 2010, the 46,420,000 bonus shares (Note 12(b)) issued in 2010 were treated as if it had occurred prior to 1 January 2009, the earliest period presented.

	Six months ended 30 June	
	2010	2009 Restated
Profit attributable to equity holders of the Company *(RMB'000)*	**72,938**	44,371
Weighted average number of ordinary shares in issue *(thousand shares)*	**925,479**	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)*	**971,899**	969,896
Basic earnings per share *(RMB)*	**7.50 cents**	4.57 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.

	Six months ended 30 June	
	2010	2009 Restated
Profit attributable to equity holders of the Company *(RMB'000)*	**72,938**	44,371
Weighted average number of ordinary shares for basic earnings per share *(thousand shares)*	**971,899**	969,896
Adjustments for — share options *(thousand shares)*	**12,411**	—
Weighted average number of ordinary shares for diluted earnings per share *(thousand shares)*	**984,310**	969,896
Diluted earnings per share *(RMB)*	**7.41 cents**	4.57 cents

The weighted average number of ordinary shares used in the calculation of diluted earnings per share has taken into account the impact of bonus issue of shares as disclosed above.

8. DIVIDENDS

The directors did not recommend the payment of interim dividend for the six months ended 30 June 2010 (six months ended 30 June 2009: nil).

Final cash dividend relates to the year ended 31 December 2009 amounting to RMB94,993,000 was paid in May 2010.

9. PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE ASSETS

	Property, plant and equipment *RMB'000*	**Intangible assets** *RMB'000*
Six months ended 30 June 2009		
Opening net book amount as at 1 January 2009	13,540	947
Additions	1,190	296
Disposals	(11)	—
Depreciation and amortization	(2,029)	(463)
Closing net book amount as at 30 June 2009	12,690	780
Six months ended 30 June 2010		
Opening net book amount as at 1 January 2010	12,534	9,321
Additions	2,144	197
Disposals	(8)	—
Depreciation and amortization	(2,011)	(256)
Closing net book amount as at 30 June 2010	12,659	9,262

10. DEFERRED INCOME TAX

Deferred income taxes are calculated in full on temporary differences under the liability method using the tax rates of 15% or 25% (31 December 2009: same) which are expected to apply to the period when the assets are realised.

Deferred income tax assets

	As at 30 June 2010	As at 31 December 2009
	RMB'000	*RMB'000*
Deferred income tax assets:		
— to be recovered after more than 12 months	**5,887**	4,330
— to be recovered within 12 months	**371**	513
	6,258	4,843

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

	Intra-group software sales	**Provision for impairment of trade receivables**	**Provision for tax losses**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2009	860	1,593	332	2,785
(Charged)/credited to the income statement	(13)	696	1,375	2,058
At 31 December 2009	847	2,289	1,707	4,843
(Charged)/credited to the income statement	(327)	285	1,457	1,415
At 30 June 2010	520	2,574	3,164	6,258

Deferred income tax liabilities

	As at 30 June 2010	As at 31 December 2009
	RMB'000	*RMB'000*
Deferred income tax liabilities:		
— to be recovered within 12 months	**4,149**	—
	4,149	—

The movement in deferred income tax liabilities during the period is as follows:

	Deferred income tax liabilities-withholding tax
	RMB'000
At 31 December 2009	—
Charged to the income statement	4,149
At 30 June 2010	4,149

As at 30 June 2010, the deferred income tax liabilities represented the withholding tax provided for the earnings anticipated to be remitted aboard from a PRC subsidiary of the Group.

11. TRADE AND OTHER RECEIVABLES

	As at 30 June 2010 *RMB'000*	As at 31 December 2009 *RMB'000*
Trade receivables, net of impairment provision (a)	**168,173**	133,164
Receivables from related parties	**423**	423
Other receivables	**2,317**	2,185
	170,913	135,772

(a) Trade receivables

Credit terms granted to customers by the Group are generally within six months. As at 30 June 2010, the ageing analysis of the trade receivables was as follows:

	As at 30 June 2010 *RMB'000*	As at 31 December 2009 *RMB'000*
Current to 6 months	**148,002**	113,477
6 months to 1 year	**18,491**	17,946
1 year to 2 years	**1,680**	1,741
	168,173	133,164

12. ORDINARY SHARES

	Authorised ordinary shares		
	Number of shares *('000)*	*HK$'000*	*RMB'000*
At 31 December 2009 and 30 June 2010	100,000,000	1,000,000	969,200

	Issued and fully paid up		
	Number of shares *('000)*	*HK$'000*	*RMB'000*
At 1 January 2010	923,710	9,237	8,737
Employees share option scheme — issued shares (a)	4,784	48	42
Bonus issue of shares (b)	46,420	464	407
At 30 June 2010	974,914	9,749	9,186

(a) Share options exercised during the six months ended 30 June 2010 resulted in 4,784,000 shares being issued (six months ended 30 June 2009: nil), with exercise proceeds of HK$7,272,000 (equivalent to RMB6,366,000). The nominal value of these shares of HK$48,000 (equivalent to RMB42,000) and the premium of HK$7,224,000 (equivalent to RMB6,324,000) had been credited to ordinary shares and share premium, respectively. The related weighted average price at the time of exercise was HK$2.45 per share.

(b) At the Annual General Meeting held on 24 May 2010, shareholders of the Company approved a bonus issue of shares on the basis of one new share for every twenty existing issued shares held. As a result, the ordinary shares in issue increased by 46,420,000 shares, representing an increase in share capital of the Company by HK$464,000 (equivalent to RMB407,000) with a corresponding amount of reduction in retained earnings.

All the ordinary shares issued during the six months ended 30 June 2010 rank pari passu with the then existing ordinary shares in all respects.

13. ACCRUALS AND OTHER PAYABLES

	As at 30 June 2010 *RMB'000*	As at 31 December 2009 *RMB'000*
Salaries payable	**17,471**	20,374
Accrued expenses (a)	**28,192**	19,254
Other payables (b)	**15,910**	21,817
	61,573	61,445

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

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

MANAGEMENT DISCUSSION AND ANALYSIS

Revenue

Revenue increased by 43% from RMB141.8 million for the six months ended 30 June 2009 to RMB202.6 million for the six months ended 30 June 2010. Revenue for PConline, the Group's information technology ("IT") and consumer electronics portal, increased by 20% from RMB75.2 million for the six months ended 30 June 2009 to RMB90.0 million for the six months ended 30 June 2010. The increase in revenue from PConline was due to higher advertising spending from IT manufacturers. Revenue for PCauto, the Group's automobile portal, increased by 63% from RMB57.2 million for the six months ended 30 June 2009 to RMB93.1 million for the six months ended 30 June 2010. The increase in revenue from PCauto was due to the strong growth of the automobile industry in China. Revenue for the Group's other operations, such as games, lady, baby portals and others, increased by 108%. Revenues from these other segments are increasing significantly as consumer goods companies start to experiment with and direct a greater share of their advertising budgets to internet advertising. PConline and PCauto still accounted for the majority of the Group's total revenue, at 90%; however, Pacific Online's diversification strategy is proving beneficial as new revenue sources start to supplement and offset risks from the Group's main verticals.

Cost of Revenue

Cost of revenue increased by 43% from RMB43.2 million for the six months ended 30 June 2009 to RMB61.6 million for the six months ended 30 June 2010. Gross profit margin for the first half of 2010 was 70%, which was stable compared to the first half of 2009. The increase in cost of revenue was proportional to the revenue growth.

Selling and Marketing Costs

Selling and marketing costs increased by 50% from RMB20.6 million for the six months ended 30 June 2009 to RMB31.0 million for the six months ended 30 June 2010. The increase was primarily due to an increase of marketing expenses to strengthen brand awareness of the Group's portals.

Administrative Expenses

Administrative expenses increased by 15% from RMB18.5 million for the six months ended 30 June 2009 to RMB21.3 million for the six months ended 30 June 2010. The increase was mainly due to an increase in professional fees and share-based compensation expenses.

Product Development Expenses

Product development expenses increased by 22% from RMB8.4 million for the six months ended 30 June 2009 to RMB10.2 million for the six months ended 30 June 2010. The increase was primarily due to an increase in staff costs as the Group expanded its research and development team.

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

Operating profit before share-based compensation expenses (non-GAAP) was RMB74.1 million in the first half of 2010, representing 54% increase from RMB48.2 million over the same period in 2009.

Net Finance Income

The Group realized a net finance income of RMB1.3 million for the six months ended 30 June 2010, compared with a net finance income of RMB3.8 million for the six months ended 30 June 2009. The net finance income was primarily attributed to interest income on short-term bank deposits.

Income Tax Expense

Income tax expense decreased by 35% from RMB10.7 million for the six months ended 30 June 2009 to RMB6.9 million for the six months ended 30 June 2010. The decrease was mainly due to a reversal of the over-provided withholding tax resulted from different tax rates.

Net Profit

Net profit increased by 64% from RMB44.4 million for the six months ended 30 June 2009 to RMB72.9 million for the six months ended 30 June 2010.

Liquidity and Financial Resources

As at 30 June 2010, the Group had financial resources in the form of short-term bank deposits and cash totalling RMB372.1 million, compared to RMB444.0 million in short-term bank deposits and cash as at 31 December 2009.

Bank Borrowings

As at 30 June 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 (30 June 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 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 Acquisition and Disposals

During the six months ended 30 June 2010, the Group had no material acquisitions and disposals of subsidiaries and associates.

Charges on Assets

As at 30 June 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 exchange risk was not considered to be significant.

Employee and Remuneration Information

As at 30 June 2010, the Group had 860 employees (31 December 2009: 754). The Group determines staff remuneration based on factors such as qualifications and years of experience.

Business Outlook

The Group's outlook for the second half of 2010 continues to be promising. Growth in the first half of 2010 was driven by higher spending from both new and existing clients.

As the global economy continues to recover from the depths of the financial crisis, electronics manufacturers and other related IT companies are steadily increasing their online marketing spending to support new applications and products. This, in particular, is helping to drive growth of the Group's core PConline portal.

Auto sales in China are expected to show modest growth this year, down from 45 percent growth recorded for 2009. However, this modest slowdown benefits our industry leading automotive portal, PCauto, as greater competition among major auto brands and an increase in inventory pressures caused advertisers to increase spending to reach consumers. Our leading position in the automotive vertical will allow us to capture the strong demand from auto advertisers.

Looking ahead, management intends to continue to enhance the Group's research and development capabilities, invest in new technology and expand the content offering. Growth in the internet advertising industry remains robust, and the Group's management team is fully committed to driving sustainable growth by effectively executing its growth strategies.

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 six months ended 30 June 2010.

AUDIT COMMITTEE

The Audit Committee of the Company, which comprises all 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 these interim results.

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. As Mr. Lam is a co-founder of the Group and has extensive experiences in the internet industry, the Board believes that this structure provides the Group with strong and consistent leadership and allows for more effective and efficient business planning and decisions as well as execution of long-term business strategies. As such, it is beneficial to the business prospects of the Group.

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, 23 August 2010

As at the date of this announcement, the Board comprises 5 executive directors, namely, Mr. Lam Wai Yan, Mr. Ho Kam Wah, Mr. Wang Ta-Hsing, Ms. Zhang Cong Min and Mr. Tsung Shih Kin, Samuel; and 3 independent non-executive directors, namely, Mr. Tsui Yiu Wa, Alec, Mr. Thaddeus Thomas Beczak and Mr. Louie Ming.