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 2011

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 (collectively the "Group") for the year ended 31 December 2011, together with the comparative figures for the year ended 31 December 2010, as follows:

CONSOLIDATED INCOME STATEMENT
For the year ended 31 December 2011

		Year ended 31 December	
		2011	2010
	Note	***RMB'000***	*RMB'000*
Revenue	3	**640,095**	508,608
Cost of revenue	4	**(197,915)**	(138,836)
Gross profit		**442,180**	369,772
Selling and marketing costs	4	**(86,288)**	(62,200)
Administrative expenses	4	**(48,747)**	(51,970)
Product development expenses	4	**(28,718)**	(20,940)
Other income	5	**3,660**	871
Operating profit		**282,087**	235,533
Finance income	6	**6,229**	4,941
Finance cost	6	**(930)**	(1,488)
Finance income — net	6	**5,299**	3,453
Profit before income tax		**287,386**	238,986
Income tax expense	7	**(58,457)**	(38,310)
Profit for the year		**228,929**	200,676

	Note	Year ended 31 December 2011 RMB'000	2010 RMB'000
Attributable to:			
Equity holders of the Company		**228,929**	200,676
Earnings per share for profit attributable to equity holders of the Company during the year			Restated
— basic *(RMB)*	8	**21.27 cents**	18.73 cents
— diluted *(RMB)*	8	**20.65 cents**	18.40 cents
Dividend per share			
— Final dividend proposed *(RMB)*	9	**14.78 cents**	14.38 cents

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the year ended 31 December 2011

	Year ended 31 December	
	2011	2010
	RMB'000	*RMB'000*
Profit for the year	**228,929**	200,676
Other comprehensive income for the year, net of tax	**—**	—
Total comprehensive income for the year	**228,929**	200,676
Attributable to:		
Equity holders of the Company	**228,929**	200,676

CONSOLIDATED BALANCE SHEET

As at 31 December 2011

		As at 31 December	
		2011	2010
	Note	***RMB'000***	*RMB'000*
ASSETS			
Non-current assets			
Lease prepayment		**17,964**	18,390
Property and equipment		**207,299**	148,741
Intangible assets		**9,034**	9,345
Deferred income tax assets		**7,460**	8,978
		241,757	185,454
Current assets			
Trade and other receivables and prepayments	10	**197,300**	149,711
Short-term bank deposits with original terms of over three months		**2,500**	182,200
Cash and cash equivalents		**429,658**	262,283
		629,458	594,194
Total assets		**871,215**	779,648
EQUITY			
Capital and reserves attributable to equity holders of the Company			
Ordinary shares		**10,093**	9,201
Reserves		**697,786**	597,146
Total equity		**707,879**	606,347
Current liabilities			
Accruals and other payables	11	**106,633**	125,761
Prepaid advertising subscriptions from customers		**26,762**	21,539
Current income tax liabilities		**29,941**	26,001
Total current liabilities		**163,336**	173,301
Total equity and liabilities		**871,215**	779,648
Net current assets		**466,122**	420,893
Total assets less current liabilities		**707,879**	606,347

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2011

	Attributable to equity holders of the company		
	Ordinary shares	**Reserves**	**Total equity**
	RMB'000	*RMB'000*	*RMB'000*
Balance at 1 January 2010	8,737	474,561	483,298
Comprehensive income			
Profit	—	200,676	200,676
Other comprehensive income	—	—	—
Total comprehensive income	—	200,676	200,676
Cash dividends relating to 2009, paid in 2010	—	(94,996)	(94,996)
Bonus shares issued in June 2010	407	(407)	—
Employees share option schemes			
— exercise of share options	57	8,793	8,850
— value of employee services	—	8,519	8,519
Balance at 31 December 2010	9,201	597,146	606,347
Comprehensive income			
Profit	—	228,929	228,929
Other comprehensive income	—	—	—
Total comprehensive income	—	228,929	228,929
Cash dividends relating to 2010, paid in 2011	—	(140,753)	(140,753)
Bonus shares issued in June 2011	816	(816)	—
Share Award Scheme			
— purchase of shares	—	(8,605)	(8,605)
— value of employee services	—	1,441	1,441
Employees share option schemes			
— exercise of share options	76	14,749	14,825
— value of employee services	—	5,695	5,695
Balance at 31 December 2011	10,093	697,786	707,879

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2011

	Year ended 31 December	
	2011	2010
	RMB'000	*RMB'000*
Cash flows from operating activities		
Cash generated from operations	**271,215**	254,175
Income tax paid	**(52,999)**	(56,910)
Net cash generated from operating activities	**218,216**	197,265
Cash flows from investing activities		
Purchase of property and equipment	**(100,960)**	(114,254)
Purchase of intangible assets	**(122)**	(564)
Decrease/(increase) in short-term bank deposits with original terms of over three months	**179,700**	(147,520)
Interest received	**6,070**	4,941
Net cash generated from/(used in) investing activities	**84,688**	(257,397)
Cash flows from financing activities		
Purchase of shares held for Share Award Scheme	**(8,605)**	—
Cash dividends paid	**(140,753)**	(94,996)
Proceeds from issuance of ordinary shares	**14,825**	8,850
Net cash used in financing activities	**(134,533)**	(86,146)
Net increase/(decrease) in cash and cash equivalents	**168,371**	(146,278)
Cash and cash equivalents at beginning of year	**262,283**	409,330
Exchange losses on cash and cash equivalents	**(996)**	(769)
Cash and cash equivalents at end of year	**429,658**	262,283

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, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands.

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

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

These consolidated financial statements have been approved for issue by the Board on 23 March 2012.

2. BASIS OF 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.

The Group has adopted the following amendment and interpretation to existing standards for the accounting periods commencing 1 January 2011:

HKAS 24 (Revised)	Related party disclosures
HK(IFRIC) — Int 19	Extinguishing financial liabilities with equity instruments
Amendment to HKAS 32	Classification of rights issues
Amendment to HKFRS 1	Limited exemption from comparative HKFRS 7 disclosures for first-time adopters
Amendments to HK(IFRIC) — Int 14	Prepayments of a minimum funding requirement
HKFRSs (Amendments)	Third improvements to HKFRSs (2010)

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

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

		Effective for annual periods beginning on or after
HKFRS 7 (Amendment)	Disclosures — Transfers of financial assets	1 July 2011
HKFRS 1 (Amendment)	Severe hyperinflation and removal of fixed dates for first-time adopters	1 July 2011
HKAS 12 (Amendment)	Deferred tax: Recovery of underlying assets	1 January 2012
HKAS 1 (Amendment)	Presentation of financial statements	1 July 2012
HKAS 27 (revised 2011)	Separate financial statements	1 January 2013
HKAS 28 (revised 2011)	Investments in associates and joint ventures	1 January 2013
HKFRS 10	Consolidated financial statements	1 January 2013
HKFRS 11	Joint arrangements	1 January 2013
HKFRS 12	Disclosure of interests in other entities	1 January 2013
HKFRS 13	Fair value measurements	1 January 2013
HKAS 19 (Amendment)	Employee benefits	1 January 2013
HKFRS 7 (Amendment)	Financial instruments: Disclosures — Offsetting financial assets and financial liabilities	1 January 2013
HK(IFRIC) — Int 20	Stripping costs in the production phase of a surface mine	1 January 2013
HKAS 32 (Amendment)	Financial instruments: Presentation — Offsetting financial assets and financial liabilities	1 January 2014
HKFRS 9	Financial instruments	1 January 2015
HKFRS 7 (Amendment)	Mandatory effective date and transition disclosures	1 January 2015

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

3. SEGMENT INFORMATION

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

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

The chief operating decision maker assesses the performance of the operating segments based on the revenues generated. The three major reportable operating segments derive their revenues primarily from the three major portals, namely PConline, PCauto and PClady. 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 or total assets for each reportable segment.

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

There were no inter-segment sales for the year ended 31 December 2011 (2010: same). The revenue from external parties reported to the chief operating decision maker is measured in a manner consistent with that in the consolidated income statement.

	PCauto	PConline	PClady	Others	Group
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
For the year ended 31 December 2011					
Revenue	293,850	257,489	51,799	36,957	640,095
For the year ended 31 December 2010					
Revenue	235,276	226,918	25,242	21,172	508,608

Though the Company is domiciled in the Cayman Islands, for the year ended 31 December 2011, all revenues of the Group were derived from external customers and they were all generated from the PRC (2010: same).

As at 31 December 2011, majority of non-current assets of the Group other than the club membership included in the intangible assets were located in the PRC (2010: same).

For the year ended 31 December 2011, there was no revenue derived from a single external customer accounting for ten per cent or more of the Group's revenues (2010: same).

4. EXPENSES BY NATURE

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

	Year ended 31 December	
	2011	2010
	RMB'000	*RMB'000*
Employee benefit expenses	**130,843**	110,958
Business tax	**77,087**	56,842
Sales commission	**57,411**	41,671
Advertising expenses	**39,974**	15,995
Rental expenses	**13,348**	13,190
Depreciation and amortisation expenses		
— Depreciation of property and equipment	**8,329**	4,036
— Amortisation of intangible assets	**433**	540
— Amortisation of lease prepayment	**426**	—
Travelling and entertainment expenses	**13,532**	8,209
Professional fees	**9,612**	7,276
Auditors' remuneration	**3,394**	3,180
Expense for impairment of receivables	**811**	5,006
Other expenses	**6,468**	7,043
Total cost of revenue, selling and marketing costs, administrative expenses and product development expenses	**361,668**	273,946

5. OTHER INCOME

	Year ended 31 December	
	2011	2010
	RMB'000	*RMB'000*
Government grants	**3,660**	871

The Group obtained and recognised as income government grants of RMB3,660,000 (2010: RMB871,000) for the development of e-commerce initiatives and improvement of its internet websites.

6. FINANCE INCOME — NET

	Year ended 31 December	
	2011	2010
	RMB'000	*RMB'000*
Finance income		
— Interest income	**6,229**	4,941
Finance cost		
— Net foreign exchange losses	**(930)**	(1,488)
Finance income — net	**5,299**	3,453

7. INCOME TAX EXPENSE

	Year ended 31 December	
	2011	2010
	RMB'000	*RMB'000*
PRC current tax	**56,939**	55,483
Deferred taxation	**1,518**	(4,135)
Reversal of the over-provided dividend withholding tax	**—**	(13,038)
Income tax expense	**58,457**	38,310

The Company, which is a Cayman Islands corporation, is not subject to any profits tax. The subsidiaries of the Group incorporated in Hong Kong were not subject to Hong Kong profits tax as they had no assessable income arising in or derived from Hong Kong during the year ended 31 December 2011 (2010: same).

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

Pursuant to the PRC Corporate Income Tax Law ("CIT Law"), the CIT rate for domestic enterprises and foreign invested enterprises is 25%. In addition, the CIT Law provides for, among others, a preferential tax rate of 15% for enterprises qualified as High and New Technology Enterprises ("HNTE"). Guangzhou Pacific Computer Information Consulting Co., Ltd. (廣州太平洋電腦信息諮詢有限公司, "GZP Computer") and Guangdong Pacific Internet Information Services Co., Ltd. (廣東太平洋互聯網信息服務有限公司, "GDP Internet"), the principal operating subsidiaries of the Company, were formally designated as HNTE for the three years ended 31 December 2010 under the CIT Law. As a result, GZP Computer and GDP Internet were subject to CIT at a rate of 15% from 2008 to 2010. In 2011, the HNTE designation of GZP Computer and GDP Internet had been announced by the relevant authorities. Consequently, management of GZP Computer and GDP Internet used 15% in the computation of deferred taxation as of 31 December 2011 and the current income tax charge for the year then ended. All the other PRC entities of the Group are subject to CIT at a rate of 25% (2010: same) in accordance with CIT Law.

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

	Year ended 31 December	
	2011	2010
	RMB'000	*RMB'000*
Profit before tax	**287,386**	238,986
Tax calculated at the statutory tax rate of 25% (2010: 25%)	**71,847**	59,747
Tax effects of:		
— Tax concessions available to certain PRC subsidiaries (a)	**(29,958)**	(26,963)
— Income not subject to tax	**(315)**	(206)
— Expenses not deductible for tax purposes (b)	**3,883**	8,526
Withholding tax on the earnings anticipated to be remitted by a PRC subsidiary	**13,000**	10,244
Reversal of the over-provided dividend withholding tax	**—**	(13,038)
Tax charge	**58,457**	38,310

(a) Two of the Group's major operating subsidiaries in the PRC were approved by the relevant tax authority to be entitled to the HNTE status in 2011. Accordingly, preferential tax treatments were enjoyed by these two companies for the year ended 31 December 2011 (2010: same).

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

8. EARNINGS PER SHARE

(a) Basic

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the period (excluding the ordinary shares purchased by the Group and held for the Share Award Scheme). In determining the weighted average number of ordinary shares in issue for the years ended 31 December 2011 and 2010, the bonus shares issued in June 2011 were treated as if they had been issued prior to 1 January 2010, the earliest period presented. Accordingly, the 2010 comparatives have been restated.

	Year ended 31 December	
	2011	2010
		Restated
Profit attributable to equity holders of the Company *(RMB'000)*	**228,929**	200,676
Weighted average number of ordinary shares for basic earnings per share *(thousand shares)*	**1,076,513**	1,071,301
— Weighted average number of ordinary shares in issue *(thousand shares)*	**978,747**	973,910
— Impact of bonus issue of shares issued in June 2011 *(thousand shares)*	**97,766**	97,391
Basic earnings per share *(RMB)*	**21.27 cents**	18.73 cents

(b) Diluted

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding by the assumption of the conversion of all potential dilutive ordinary shares arising from share options and awarded shares granted by the Company (collectively forming the denominator for computing diluted earnings per share). No adjustment is made to earnings (numerator).

	Year ended 31 December	
	2011	2010 Restated
Profit attributable to equity holders of the Company *(RMB'000)*	**228,929**	200,676
Weighted average number of ordinary shares for diluted earnings per share *(thousand shares)*	**1,108,593**	1,090,737
— Weighted average number of ordinary shares for basic earnings per share *(thousand shares)*	**1,076,513**	1,071,301
— Adjustment for share options and awarded shares *(thousand shares)*	**32,080**	19,436
Diluted earnings per share *(RMB)*	**20.65 cents**	18.40 cents

9. DIVIDENDS

The dividend paid in 2011 included the payment of the 2010 final cash dividend of RMB14.38 cents (2010: RMB10.23 cents) per ordinary share out of the retained earnings, totalling RMB140,753,000 (2010: RMB94,996,000), which excluded the dividend related to the ordinary shares held under the Share Award Scheme of RMB359,000 (2010: nil), and a bonus issue of shares on the basis of one new share for every ten existing issued shares.

The directors recommended the payment of a final dividend of RMB14.78 cents per ordinary share in cash for the year ended 31 December 2011, totalling RMB160,250,000 based on the ordinary shares in issue as of 31 December 2011. Such final dividend is to be approved by the shareholders at the Annual General Meeting on 18 May 2012. These consolidated financial statements do not reflect this dividend payable.

10. TRADE AND OTHER RECEIVABLES AND PREPAYMENTS

	As at 31 December	
	2011	2010
	RMB'000	*RMB'000*
Trade receivables, net of impairment provision (a)	**191,536**	139,799
Receivables from related parties	**—**	468
Other receivables (b)	**5,522**	5,427
Prepayments	**242**	4,017
	197,300	149,711
Denominated in		
— RMB	**197,112**	149,696
— HKD	**188**	15
	197,300	149,711

(a) Trade receivables, net of impairment provision

Credit terms granted to customers by the Group are generally within six months. At 31 December 2011, the ageing analysis of the trade receivables (net of impairment provision of RMB12,851,000 (2010: RMB13,989,000)) was as follows:

	As at 31 December	
	2011	2010
	RMB'000	*RMB'000*
Current to 6 months	**158,396**	114,714
6 months to 1 year	**30,740**	22,593
1 year to 2 years	**2,400**	2,492
	191,536	139,799

As of 31 December 2011, trade receivables of RMB15,563,000 (2010: RMB17,913,000) were past due but not impaired. These related to a number of independent customers for whom there was no recent history of default. The ageing analysis of these trade receivables was as follows:

	As at 31 December	
	2011	2010
	RMB'000	*RMB'000*
Current to 6 months	**7,512**	13,354
6 months to 1 year	**8,051**	4,559
	15,563	17,913

(b) Other receivables

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

The Group does not hold any collateral as security.

11. ACCRUALS AND OTHER PAYABLES

	As at 31 December	
	2011	2010
	RMB'000	*RMB'000*
Salaries payable	**28,831**	29,621
Accrued expenses (a)	**31,875**	28,121
Other payables (b)	**45,927**	68,019
	106,633	125,761

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

(b) Other payables mainly represented the business tax payable.

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

Our entire lineup of portals continued to show strong growth in 2011, led by PClady, which more than doubled its revenue from the prior year. The female-focused content and high-quality quality fashion and beauty advice are quickly increasing its popularity and generating a strong following. With disposable income in China steadily rising, we believe our PClady portal is poised to take advantage of growing advertising opportunities resulting from increasing demand for luxury and brand name products.

PCauto showed another strong year of revenue growth despite the slowing growth rate of China's automobile industry. This clearly reflects the strength of our brand and the visibility we offer to online advertisers. While the growth rate of China's auto industry is expected to remain in the single digit pace, we believe we will still be able to generate further growth as advertisers allocate a greater share of their advertising dollars from print and television to newer digital media. Our established market position and increasing presence give us a great opportunity to capitalize on this trend.

PConline, the Group's IT portal, continued to expand steadily. This reflects an overall increase in advertising spending from IT companies and we will continue to grow with the increasing demand of the consumer electronics market in China.

In 2011, we further increased our focus on expanding our reach to the mobile web. We launched new applications on both Apple and Android operating systems to give users greater mobile access to PCauto, PConline, and PClady, our top three vertically integrated portals.

We also launched free online magazines on the Apple iPad featuring premium content that mirrors and expands on certain content that is available on our portals. The engaging and easy-to-read content is helping to generate deeper interest and greater user 'stickiness'. Our PCauto magazine has just completed its first full year in publication and has gained significant popularity. Starting from March this year, we also launched a PChouse magazine, our second online publication for the iPad, and are expecting it to pick up traction in the coming year.

The number of internet users accessing the web through mobile devices is quickly rising and we are carefully adding new features and content to stay on top of all the abovementioned trends and capture greater market share over both the traditional and mobile web market moving forward.

The Group moved into its new Guangzhou headquarters in the fourth quarter of the year and photos of the new headquarters will be shown on the cover of the Company's annual report for the year ended 31 December 2011. We hope the upgraded working environment will enhance our team morale and productivity, and provide us with stability in the foreseeable future.

Revenue

Revenue increased 25.9% from RMB508.6 million for the year ended 31 December 2010 to RMB640.1 million for the year ended 31 December 2011.

Revenue for PCauto, the Group's automobile portal, increased 24.9% from RMB235.3 million in 2010 to RMB293.9 million in 2011. According to statistics from the China Association of Automobile Manufacturers, passenger car sales in China grew only 5.2 percent to 14.5 million in 2011, the lowest growth rate over the past decade. However, PCauto was able to outperform the modest growth in the number of car sales as automobile advertisers continued allocating more of their marketing budgets to digital media.

Revenue for PConline, the Group's IT and consumer electronics portal, increased 13.5% from RMB226.9 million in 2010 to RMB257.5 million in 2011. The increase in revenue from PConline was mainly due to the overall increase in advertising of consumer electronics such as smart phones, tablets, Blu-ray disc players and digital book readers.

Revenue for PClady, the Group's lady and fashion portal, increased 105.6% from RMB25.2 million in 2010 to RMB51.8 million in 2011. The increase reflected the tremendous demand in the women's segment, especially for luxury and fashion goods.

Revenue for other operations, including the PCgames, PCbaby and PChouse portals, increased by 74.5% from RMB21.2 million in 2010 to RMB37.0 million in 2011. Revenue from these segments increased significantly as advertisers increasingly accept the internet as an effective platform to promote and market their products and images.

As a percentage of total revenue, PCauto accounted for 46.3% in 2010 and 45.9% in 2011, whereas PConline accounted for 44.6% in 2010 and 40.2% in 2011, PClady accounted for 5.0% in 2010 and 8.1% in 2011 and other operations accounted for 4.1% in 2010 and 5.8% in 2011. The Group continued to diversify its revenue base across the different industry segments.

Cost of Revenue

Cost of revenue increased 42.6% from RMB138.8 million in 2010 to RMB197.9 million in 2011. The gross profit margin was 72.7% in 2010 and 69.1% in 2011. The increase in cost of revenue was primarily due to increases in the number of employees, higher sales commission and increases in technology service charges.

Selling and Marketing Costs

Selling and marketing costs increased 38.7% from RMB62.2 million in 2010 to RMB86.3 million in 2011. The increase was mainly due to increases in staff cost and marketing expenses.

Administrative Expenses

Administrative expenses decreased by 6.3% from RMB52.0 million in 2010 to RMB48.7 million in 2011, due to lower provisions for the impairment of trade receivables during the year under review.

Product Development Expenses

Product development expenses increased by 37.3% from RMB20.9 million in 2010 to RMB28.7 million in 2011. The increase was mainly due to the increase in the number of employees in the teams of mobile internet, online magazines, research and development to support the Group's expansion plans.

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

Operating profit before share-based compensation expenses (non-GAAP) was RMB289.2 million in 2011, representing 18.5% increase from RMB244.1 million in 2010.

Finance Income and Cost

Net finance income was RMB3.5 million in 2010 and RMB5.3 million in 2011. The rise in net finance income was mainly due to higher interest income on short-term deposits.

Profit Before Income Tax

Profit before income tax increased 20.3% from RMB239.0 million in 2010 to RMB287.4 million in 2011.

Income Tax Expense

Income tax expense increased by 52.7% from RMB38.3 million in 2010 to RMB58.5 million in 2011. This increase was due to an over provision of dividend withholding tax of RMB13 million in 2009 and its subsequent reversal in 2010, thus leading to a lower tax expense in 2010. Our statutory rate of 15% corporate income tax rate as a high and new technology enterprise and 5% dividend withholding tax rate remain the same in 2011 from 2010.

Net Profit

Net profit increased 14.1% from RMB200.7 million in 2010 to RMB228.9 million in 2011.

Liquidity and Financial Resources

As of 31 December 2011, the Group had short-term deposits and cash totaling RMB432.2 million, compared to RMB444.5 million as of 31 December 2010.

In 2011, net cash flow from operating activities was RMB218.2 million, net cash flow from investing activities was RMB84.7 million, net cash outflow used in financing activities was RMB134.5 million, with a net increase in cash and cash equivalents of RMB168.4 million for the year 2011.

In 2010, net cash flow from operating activities was RMB197.3 million, net cash outflow used in investing activities was RMB257.4 million, net cash outflow used in financing activities was RMB86.2 million, with a net decrease in cash and cash equivalents of RMB146.3 million for the year 2010.

The Company had no external debt as of 31 December 2011 and 2010.

Bank Borrowings

As of both 31 December 2011 and 31 December 2010, the Group did not have any bank borrowings and therefore, its gearing ratio, representing the ratio of total bank borrowings to shareholders' equity, was nil for both years.

Material Acquistions and Disposals

During the year ended 31 December 2011, the Group had no material acquisitions or disposals of subsidiaries and associates.

Charges On Assets

As of 31 December 2011, the Group had no bank deposits or other assets pledged to secure its banking facilities.

Foreign Exchange Risk

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

Business Outlook

As we look ahead to 2012, we plan to continue investing in the growth of our business and our brand. Given the positive outlook for the online advertising market in China, we are confident that our platform, strategy, and market position will continue to produce strong results. We will continue to expand the reach and stickiness of our existing portals and at the same time focus on the mobile web market as this segment will form an important part of our business in the future. We are always evaluating new opportunities to expand into new markets and launch new content as we seek to grow shareholder value over the long term.

OTHER INFORMATION

Employee and Remuneration Policies

As at 31 December 2011, the Group had 1,149 employees (2010: 946), increased by 21.5% over 2010. The increase in staff level presented the expansion of the Group's operations in 2011. The Group determines its staff's remuneration based on factors such as qualifications and years of experience.

Proposed Final Dividend

The Board has recommended the payment of a final dividend of RMB14.78 cents per ordinary share in cash for the year ended 31 December 2011 (the "Proposed Final Dividend") (2010: RMB14.38 cents), subject to the shareholders' approval at the Company's forthcoming annual general meeting to be held on Friday, 18 May 2012 (the "2012 AGM"). The Proposed Final Dividend will be paid in cash on 6 June 2012 to shareholders whose names appear on the register of members of the Company at the close of business on 29 May 2012.

Closure of Register of Members

For determining the entitlement to attend and vote at the 2012 AGM, the register of members of the Company will be closed from Wednesday, 16 May 2012 to Friday, 18 May 2012, both days inclusive, during which period no transfer of shares of the Company will be registered. In order to be eligible to attend and vote at the 2012 AGM, unregistered holders of shares of the Company should ensure that all share transfer documents 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, 15 May 2012.

For determining the entitlement to the Proposed Final Dividend, the register of members of the Company will also be closed from Friday, 25 May 2012 to Tuesday, 29 May 2012, both days inclusive, during which period no transfer of shares of the Company will be registered. In order to be eligible to receive the Proposed Final Dividend, unregistered holders of shares of the Company should ensure that all share transfer documents 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 Thursday, 24 May 2012.

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

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the year ended 31 December 2011.

Audit Committee and Review of Preliminary Announcement

The Audit Committee of the Company, which comprises the three independent non-executive directors of the Company, namely Mr. Tsui Yiu Wa, Alec (Chairman of the Audit Committee), Mr. Thaddeus Thomas Beczak and Mr. Louie Ming, has reviewed the accounting principles and practices adopted by the Group and discussed auditing, internal control and financial reporting matters, including the review of the annual financial results of the Group for the year ended 31 December 2011.

The figures in this preliminary announcement of the Group's results for the year ended 31 December 2011 have been agreed by the Group's auditor, PricewaterhouseCoopers, to the amounts set out in the Group's consolidated financial statements for the year. The work performed by PricewaterhouseCoopers in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by PricewaterhouseCoopers on this preliminary announcement.

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 to the Rules Governing the Listing of Securities on the Stock Exchange, except that there is no separation of the role of Chairman and Chief Executive Officer. Mr. Lam Wai Yan currently assumes the role of both the Chairman and the Chief Executive Officer of the Company. The Board believes that this structure provides the Group with strong and consistent leadership and allows for more effective and efficient business planning and decisions as well as execution of long-term business strategies. As such, it is beneficial to the business prospects of the Company.

Appreciation

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

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

Hong Kong, 23 March 2012

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