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 2014

The board of directors (the "Board") of Pacific Online Limited (the "Company") is pleased to announce the audited consolidated results of the Company and its subsidiaries (collectively the "Group") for the year ended 31 December 2014, together with the comparative figures for the year ended 31 December 2013, as follows:

CONSOLIDATED INCOME STATEMENT
For the year ended 31 December 2014

		Year ended 31 December	
		2014	2013
	Note	***RMB'000***	*RMB'000*
Revenue	3	**987,526**	847,923
Cost of revenue	4	**(322,899)**	(249,861)
Gross profit		**664,627**	598,062
Selling and marketing costs	4	**(249,435)**	(167,896)
Administrative expenses	4	**(78,883)**	(77,395)
Product development expenses	4	**(61,450)**	(45,930)
Other income	5	**1,629**	7,150
Operating profit		**276,488**	313,991
Finance income	6	**8,965**	9,017
Finance cost	6	**(2,035)**	—
Finance income — net	6	**6,930**	9,017
Profit before income tax		**283,418**	323,008
Income tax expense	7	**(62,191)**	(69,374)
Profit for the year		**221,227**	253,634

	Note	Year ended 31 December 2014 RMB'000	2013 RMB'000
Attributable to:			
Equity holders of the Company		**221,227**	253,634
Earnings per share for profit attributable to equity holders of the Company during the year			
— Basic *(RMB)*	8	**20.00 cents**	23.34 cents
— Diluted *(RMB)*	8	**19.63 cents**	22.83 cents
Dividend per share			
— Final dividend proposed *(RMB)*	9	**13.93 cents**	16.25 cents

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2014

	Year ended 31 December	
	2014	2013
	RMB'000	*RMB'000*
Profit for the year	**221,227**	253,634
Items that may be reclassified to profit or loss		
Change in value of investment in equity fund	**(2,243)**	—
Other comprehensive income for the year, net of tax	**(2,243)**	—
Total comprehensive income for the year	**218,984**	253,634
Attributable to:		
Equity holders of the Company	**218,984**	253,634

CONSOLIDATED BALANCE SHEET

As at 31 December 2014

		As at 31 December	
		2014	2013
	Note	***RMB'000***	*RMB'000*
ASSETS			
Non-current assets			
Lease prepayment		**16,992**	17,316
Property and equipment		**264,736**	202,243
Intangible assets		**9,689**	12,292
Deferred income tax assets		**15,493**	9,739
Prepayments	10	**—**	43,484
Investment in equity fund	11	**28,954**	—
Held-to-maturity financial assets	12	**49,553**	—
		385,417	285,074
Current assets			
Trade and other receivables and prepayments	10	**505,140**	380,553
Short-term bank deposits with original terms of over three months		**2,539**	12,500
Cash and cash equivalents		**392,295**	438,036
		899,974	831,089
Total assets		**1,285,391**	1,116,163
EQUITY AND LIABILITIES			
Capital and reserves			
Ordinary shares		**10,312**	10,161
Reserves		**948,278**	876,972
Total equity		**958,590**	887,133
Current liabilities			
Accruals and other payables	13	**251,501**	169,826
Prepaid advertising subscriptions from customers and deferred revenue		**10,945**	17,431
Current income tax liabilities		**64,355**	41,773
Total current liabilities		**326,801**	229,030
Total equity and liabilities		**1,285,391**	1,116,163
Net current assets		**573,173**	602,059
Total assets less current liabilities		**958,590**	887,133

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2014

		Attributable to equity holders of the Company		
		Ordinary shares	**Reserves**	**Total equity**
	Note	*RMB'000*	*RMB'000*	*RMB'000*
Balance at 1 January 2013		10,100	772,447	782,547
Comprehensive income				
Profit		—	253,634	253,634
Other comprehensive income		—	—	—
Total comprehensive income		—	253,634	253,634
Transactions with shareholders				
— cash dividends relating to 2012, paid in 2013	9	—	(165,858)	(165,858)
Share Award Scheme				
— value of employee services		—	3,412	3,412
Employees share option schemes				
— exercise of share options		61	12,863	12,924
— value of employee services		—	474	474
Balance at 31 December 2013		10,161	876,972	887,133
Comprehensive income				
Profit		—	221,227	221,227
Other comprehensive income		—	(2,243)	(2,243)
Total comprehensive income		—	218,984	218,984
Transactions with shareholders				
— cash dividends relating to 2013, paid in 2014	9	—	(180,303)	(180,303)
Share Award Scheme				
— purchase of shares		—	(1,232)	(1,232)
— value of employee services		—	5,017	5,017
Employees share option schemes				
— exercise of share options		151	28,840	28,991
Balance at 31 December 2014		10,312	948,278	958,590

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2014

		Year ended 31 December	
		2014	2013
	Note	***RMB'000***	*RMB'000*
Cash flows from operating activities			
Cash generated from operations		**251,600**	269,743
Income tax paid		**(45,363)**	(62,556)
Net cash generated from operating activities		**206,237**	207,187
Cash flows from investing activities			
Purchase of property and equipment		**(35,521)**	(51,447)
Disposals of property and equipment		**592**	34
Purchase of intangible assets		**(1,054)**	(1,307)
Investment in equity fund		**(31,197)**	—
Purchase of held-to-maturity financial assets		**(49,220)**	—
Placement of short-term bank deposits with original terms of over three months		**(117,925)**	(170,487)
Receipt from maturity of short-term bank deposits with original terms of over three months		**127,886**	160,570
Interest received		**9,437**	7,890
Net cash used in investing activities		**(97,002)**	(54,747)
Cash flows from financing activities			
Purchase of shares held for Share Award Scheme		**(1,232)**	—
Cash dividends paid	9	**(180,303)**	(165,858)
Proceeds from issuance of ordinary shares		**28,991**	12,924
Net cash used in financing activities		**(152,544)**	(152,934)
Net decrease in cash and cash equivalents		**(43,309)**	(494)
Cash and cash equivalents at beginning of year		**438,036**	437,316
Exchange (losses)/gains on cash and cash equivalents		**(2,432)**	1,214
Cash and cash equivalents at end of the year		**392,295**	438,036

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 are 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") since 18 December 2007.

These consolidated financial statements are presented in Renminbi ("RMB"), unless otherwise stated.

These consolidated financial statements have been approved for issue by the Board on 27 March 2015.

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, as modified by the revaluation of investment in equity fund, which is carried at fair value.

The consolidated financial statements are prepared in accordance with the applicable requirements of the predecessor Companies Ordinance (Cap. 32) for this financial year and the comparative period.

Changes in accounting policies and disclosures

(a) Amendments to standards and interpretations adopted by the Group

The following amendments to existing standards and interpretation have been adopted by the Group for the first time for the financial year beginning on 1 January 2014:

- Amendment to HKAS 32, 'Financial instruments: Presentation' on offsetting financial assets and financial liabilities. This amendment clarifies that the right of set-off must not be contingent on a future event. It must also be legally enforceable for all counterparties in the normal course of business, as well as in the event of default, insolvency or bankruptcy. The amendment also considers settlement mechanisms.

- Amendments to HKAS 36, 'Impairment of assets' on the recoverable amount disclosures for non-financial assets. This amendment removed certain disclosures of the recoverable amount of CGUs which had been included in HKAS 36 by the issue of HKFRS 13. It also enhanced the disclosures of information about the recoverable amount of impaired assets if that amount is based on fair value less costs of disposal.

- Amendment to HKAS 39, 'Financial instruments: Recognition and measurement' on the novation of derivatives and the continuation of hedge accounting. This amendment considers legislative changes to 'over-the-counter' derivatives and the establishment of central counterparties. Under HKAS 39 novation of derivatives to central counterparties would result in discontinuance of hedge accounting. The amendment provides relief from discontinuing hedge accounting when novation of a hedging instrument meets specified criteria.

- Amendments to HKFRS 10, 12 and HKAS 27, 'Consolidation for investment entities': These amendments mean that many funds and similar entities will be exempt from consolidating most of their subsidiaries. Instead, they will measure them at fair value through profit or loss. The amendments give an exception to entities that meet an 'investment entity' definition and which display particular characteristics. Changes have also been made in HKFRS 12 to introduce disclosures that an investment entity needs to make.

- HK(IFRIC) 21, 'Levies' sets out the accounting for an obligation to pay a levy if that liability is within the scope of HKAS 37 'Provisions'. The interpretation addresses what the obligating event is that gives rise to the payment a levy and when a liability should be recognised.

The adoption of the above amendments to existing standards and interpretations did not have any material impact on the consolidated financial statements of the Group except for disclosure and has not led to any changes in the accounting policies.

(b) *New standards and amendments to existing standards not yet adopted*

A number of new standards and amendments to standards are not effective for financial year beginning 1 January 2014, and have not been early adopted by the Group in preparing these consolidated financial statements.

- Amendment to HKAS 27, 'Equity method in separate financial statements': The amendment allows entities to use equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements. The standard is effective for accounting periods beginning on or after 1 January 2016.

- HKFRS 15, 'Revenue from contracts with customers' deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. The core principle of HKFRS 15 is that an entity recognises revenue to depict the transfer of control of the promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The standard can be either (i) applied retrospectively with certain practical expedients available or (ii) through cumulative adjustment in the opening balance of retained earnings at date of application with additional disclosures which include reporting numbers under the old standard in year of transition. The Group is currently assessing the impact of this standard but it is not practicable to quantify the effect as at the date of the financial statements. The standard is effective for annual periods beginning on or after 1 January 2017 and earlier application is permitted. The Group is assessing the impact of HKAS 15.

- HKFRS 9, 'Financial instruments', addresses the classification, measurement and recognition of financial assets and financial liabilities. The complete version of HKFRS 9 was issued in July 2014. It replaces the guidance in HKAS 39 that relates to the classification and measurement of financial instruments. HKFRS 9 retains but simplifies the mixed measurement model and establishes three primary measurement categories for financial assets: amortised cost, fair value through OCI and fair value through P&L. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. Investments in equity instruments are required to be measured at fair value through profit or loss with the irrevocable option at inception to present changes in fair value in OCI not recycling. There is now a new expected credit losses model that replaces the incurred loss impairment model used in HKAS 39. For financial liabilities there were no changes to classification and measurement except for the recognition of changes in own credit risk in other comprehensive income, for liabilities designated at fair value through profit or loss. HKFRS 9 relaxes the requirements for hedge effectiveness by replacing the bright line hedge effectiveness tests. It requires an economic relationship between the hedged item and hedging instrument and for the 'hedged ratio' to be the same as the one management actually use for risk management purposes. Contemporaneous documentation is still required but is different to that currently prepared under HKAS 39. The standard is effective for accounting periods beginning on or after 1 January 2018. Early adoption is permitted.

- 2012, 2013 and 2014 annual improvements projects to HKFRS and HKAS. The amendments clarify some accounting treatments/disclosure requirements under new/revised HKFRSs and HKAS and eliminate inconsistency. These improvements are not effective for financial year beginning 1 January 2014. Management does not expect these amendments to have a significant impact on the Group's consolidated financial statements.

Management of the Group 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. There are no other HKFRSs or HK(IFRIC) interpretations that are not yet effective that would be expected to have a material impact on the Group.

(c) New Hong Kong Companies Ordinance (Cap. 622)

In addition, the requirements of Part 9 "Accounts and Audit" of the new Hong Kong Companies Ordinance (Cap. 622) come into operation as from the Company's first financial year commencing on or after 3 March 2014 in accordance with section 358 of that Ordinance. The Group is in the process of making an assessment of expected impact of the changes in the Companies Ordinance on the consolidated financial statements in the period of initial application of Part 9 of the new Hong Kong Companies Ordinance (Cap. 622). So far it has concluded that the impact is unlikely to be significant and only the presentation and the disclosure of information in the consolidated financial statements will be affected.

3. SEGMENT INFORMATION

The Group is principally engaged in the provision of internet advertising services for different commodities. The chief operating decision-makers review 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-makers consider 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-makers assess 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 PCauto, PConline and PClady. The Company currently does not allocate cost of revenue, operating costs or assets to its segments, as its chief operating decision-makers do 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.

Revenues of other segments relate to those generated from other portals, including on-line game, baby and home products, and other services.

There were no inter-segment sales for the year ended 31 December 2014 (2013: same). The revenue from external parties reported to the chief operating decision-makers 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 2014					
Revenue	564,194	229,939	103,776	89,617	987,526
For the year ended 31 December 2013					
Revenue	448,748	251,833	83,600	63,742	847,923

Though the Company is domiciled in the Cayman Islands, for the year ended 31 December 2014, all revenues of the Group were derived from external customers and they were all generated from the PRC (2013: same).

As at 31 December 2014, other than financial instruments, club membership included in the intangible assets, majority of other non-current assets of the Group were located in the PRC. (2013: same).

For the year ended 31 December 2014, there was no revenue derived from a single external customer accounting for ten percent or more of the Group's revenues (2013: 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	
	2014	2013
	RMB'000	*RMB'000*
Employee benefit expenses	**251,641**	195,418
Sales commission to advertising agencies	**123,561**	105,298
Advertising expenses	**145,642**	102,694
Other taxes and surcharge	**39,937**	31,526
Travelling and entertainment expenses	**25,142**	20,361
Depreciation and amortisation expenses		
— Depreciation of property and equipment	**15,763**	14,545
— Amortisation of intangible assets	**3,565**	3,692
— Amortisation of lease prepayment	**324**	324
Outsourcing production cost	**44,439**	15,722
Technology service fees	**21,200**	12,192
Bandwidth and server custody fees	**17,712**	10,466
Impairment charge of receivables	**3,516**	8,824
Rental expenses	**6,984**	6,930
Auditors' remuneration	**3,912**	3,774
Professional fees	**1,062**	1,480
Other expenses	**8,267**	7,836
Total cost of revenue, selling and marketing costs, administrative expenses and product development expenses	**712,667**	541,082

Product development expenses are mainly included in employee benefit expenses and depreciation and amortisation expenses. No product development expenses had been capitalised for the year ended 31 December 2014 (2013: nil).

5. OTHER INCOME

	Year ended 31 December	
	2014	2013
	RMB'000	*RMB'000*
Government grants	**818**	7,150
Investment income on held-to-maturity financial assets	**811**	—
	1,629	7,150

6. FINANCE INCOME — NET

	Year ended 31 December	
	2014	2013
	RMB'000	*RMB'000*
Finance income		
— Interest income	**8,965**	7,890
— Net foreign exchange gains	**—**	1,127
	8,965	9,017
Finance cost		
— Net foreign exchange losses	**(2,035)**	—
Finance income — net	**6,930**	9,017

7. INCOME TAX EXPENSE

	Year ended 31 December	
	2014	2013
	RMB'000	*RMB'000*
PRC current tax	**67,945**	72,039
Deferred taxation	**(5,754)**	(2,665)
Income tax expense	**62,191**	69,374

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 2014 (2013: 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咨詢有限公司, "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 in 2014 for the three years ending 31 December 2016 under the CIT Law. Consequently, GZP Computer and GDP Internet used 15% in the computation of deferred taxes as of 31 December 2014 (2013: 15%) 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% 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	
	2014	2013
	RMB'000	*RMB'000*
Profit before tax	**283,418**	323,008
Tax calculated at the statutory tax rate of 25% (2013: 25%)	**70,855**	80,752
Tax effects of		
— Tax concessions available to certain PRC subsidiaries (a)	**(31,508)**	(34,650)
— Income not subject to tax	**(1,538)**	(1,575)
— Expenses not deductible for tax purposes (b)	**10,232**	10,050
Withholding tax on the earnings anticipated to be remitted by a PRC subsidiary	**14,150**	14,797
Tax charge	**62,191**	69,374

(a) The preferential tax treatments relating to HNTE were enjoyed by GZP Computer and GDP Internet for the year ended 31 December 2014 (2013: same).

(b) Expenses not deductible for tax purposes include primarily share-based compensation expenses, 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 year (excluding the ordinary shares purchased by the Group and held for the Share Award Scheme).

	Year ended 31 December	
	2014	2013
Profit attributable to equity holders of the Company *(RMB'000)*	**221,227**	253,634
Weighted average number of ordinary shares for basic earnings per share *(thousand shares)*	**1,106,033**	1,086,638
Basic earnings per share *(RMB)*	**20.00 cents**	23.34 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). 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 and awarded shares. No adjustment is made to earnings (numerator).

	Year ended 31 December	
	2014	2013
Profit attributable to equity holders of the Company *(RMB'000)*	**221,227**	253,634
Weighted average number of ordinary shares for diluted earnings per share *(thousand shares)*	**1,127,006**	1,110,829
— Weighted average number of ordinary shares for basic earnings per share *(thousand shares)*	**1,106,033**	1,086,638
— Adjustment for share options and awarded shares *(thousand shares)*	**20,973**	24,191
Diluted earnings per share *(RMB)*	**19.63 cents**	22.83 cents

9. DIVIDENDS

The dividend paid in 2014 included the payment of the 2013 final cash dividend of RMB16.25 cents (2013: RMB15.26 cents) per ordinary share out of the retained earnings, totalling RMB180,303,000 (2013: RMB165,858,000), excluding the dividend related to the ordinary shares held under the Share Award Scheme of RMB276,000 (2013: RMB464,000).

The directors recommended the payment of a final dividend of RMB13.93 cents per ordinary share in cash for the year ended 31 December 2014, totalling RMB154,859,000 based on the ordinary shares in issue as of 31 December 2014. Such final dividend is to be approved by the shareholders at the annual general meeting of the Company to be held on 22 May 2015. These consolidated financial statements do not reflect this dividend payable.

10. TRADE AND OTHER RECEIVABLES AND PREPAYMENTS

	As at 31 December	
	2014	2013
	RMB'000	*RMB'000*
Trade receivables, net of impairment provision (a)	**489,216**	358,533
Other receivables (b)	**10,808**	13,776
Prepayments	**5,116**	51,728
	505,140	424,037
Less non-current portion:		
Prepayments	**—**	(43,484)
Current Portion	**505,140**	380,553

(a) Trade receivables, net of impairment provision

Credit terms granted to customers by the Group are generally within a period of six months to a year. At 31 December 2014, the ageing analysis of the trade receivables (net of impairment provision of RMB23,069,000 (2013: RMB20,849,000)) was as follows:

	As at 31 December	
	2014	2013
	RMB'000	*RMB'000*
Current to 6 months	**420,747**	308,513
6 months to 1 year	**62,684**	42,429
1 year to 2 years	**5,767**	7,591
Above 2 years	**18**	—
	489,216	358,533

As of 31 December 2014, trade receivables of RMB35,321,000 (2013: RMB40,756,000) 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	
	2014	2013
	RMB'000	*RMB'000*
Current to 6 months	**13,392**	15,650
6 months to 1 year	**16,144**	17,515
1 year to 2 years	**5,767**	7,591
Above 2 years	**18**	—
	35,321	40,756

(b) Other receivables

	As at 31 December	
	2014	2013
	RMB'000	*RMB'000*
Advance to employees	**5,030**	8,805
Others	**5,778**	4,971
	10,808	13,776

11. INVESTMENT IN EQUITY FUND

	Year ended 31 December 2014 *RMB'000*
At 1 January 2014	—
Additions (a)	**31,197**
Changes in fair value	**(2,243)**
At 31 December 2014	**28,954**

(a) In June 2014, a subsidiary of the Group invested as a limited partner in an unlisted equity fund ("the Fund") established and managed by an independent third party partner. The investment is denominated in USD with an initial cost of USD5,000,000. The Group does not have control or significant influence in the Fund. The directors classified the investment as available-for-sale financial assets.

The fair values of investment in equity fund are based on the fair value of underlying investments held by the Fund, which are mainly influenced by the market price of the listed stocks and cash flows discounted using a rate based on the market interest rate and the risk premium specific to the unlisted equity investments.

12. HELD-TO-MATURITY FINANCIAL ASSETS

All the held-to-maturity financial assets are listed bonds, which are dominated in RMB.

	As at 31 December 2014 *RMB'000*
Listed in Hong Kong	**16,283**
Listed outside Hong Kong	**33,270**
	49,553

The movement in held-to-maturity financial assets during the year was as follows:

	Year ended 31 December 2014 *RMB'000*
At 1 January 2014	—
Additions-cost	**49,220**
Amortised interest *(Note 5)*	**811**
Interest received	**(478)**
At 31 December 2014	**49,553**

The terms of maturity of the held-to-maturity financial assets are summarised as follow:

	As at 31 December 2014
	RMB'000
Listed bonds:	
Between 1 and 2 years	**21,288**
Between 2 and 3 years	**28,265**
	49,553

The coupon rate of the bonds is 3.25% to 4.50% per annum.

All the held-to-maturity financial assets are non-current.

The maximum exposure to credit risk at the reporting date is the carrying amount of held-to-maturity financial assets.

13. ACCRUALS AND OTHER PAYABLES

	As at 31 December	
	2014	2013
	RMB'000	*RMB'000*
Salaries payable	**44,518**	34,015
Accrued expenses (a)	**158,926**	90,916
Other tax payable	**27,837**	21,877
Other payables (b)	**20,220**	23,018
	251,501	169,826

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

(b) Other payables of the Group mainly represented deposits due to third parties.

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

Despite a slowing economy in China and intense market competition, our revenue grew 16.5% year-over-year as a result of strong advertising demand in our auto, lady and baby portals. While our top line growth remained strong, net profit decreased 12.8% mainly due to an increase in costs which we believe are necessary to ensure future sustainable growth. During the year, we increased headcount to further strengthen our content and mobile product development capabilities and focus sales on expanding our auto dealer networks. We also increased marketing spending on various channels, in particular, mobile search. We are confident that these expenditures will result in a stronger, more robust platform going forward.

While these costs did have an impact on our bottom line, they were also instrumental in driving user growth and advertising demand. Our viewership and sales leads increased steadily, with significant growth coming from mobile devices. We extended the offerings on our e-commerce platform to a select number of portals. We also launched new mobile apps for our growing mobile user base.

Revenue from PCauto increased 25.7% in 2014, accounting for 57.1% of total revenue during the year. Increased spending from both our auto manufacturer and dealership customers continued to drive growth. During the year, we launched a new community platform for various auto fans and it quickly attracted new users and improved the amount of social interaction on our site. During the second half of 2014, we increased our marketing spending on various mobile and search engine platforms in order to strengthen our brand recognition and lead generation capabilities. We also launched various online and offline marketing events to support car sales from our dealership customers. We remain committed to the development of new digital offerings on our mobile platform. Going forward, we will continue to implement our auto portal strategy which we expect will result in its long-term sustainable growth.

Revenue from PConline declined 8.7% as manufacturers continue to reduce their marketing spending. This is largely in line with structural changes that are taking place in the market. While demand for laptops and desktops may not recover in the short-term, we will continue to improve the portal's operating efficiency and explore new market segments. We see good progress and will continue to penetrate the e-commerce market through our unique platform *best.pconline.com.cn*. We anticipate that the market for wearable devices will offer both new advertising growth and online selling opportunities going forward. But overall, we remain cautious about the future outlook of PConline.

PClady's revenue increased 24.1% as a result of strong advertising demand from cosmetics and fashion brands. During the year, we collaborated with several leading luxury brands to develop in-depth feature articles. PClady has steadily established itself as one of the leading websites for luxury products in the market. We will continue to strengthen our mobile product offerings and develop O2O beauty-related services for our users. We are confident that the steady growth of this portal will continue.

Revenue from other operations, including PCgames, PCbaby, and PChouse increased 40.6%. The increase in revenue was mainly driven by PCbaby, which had another robust year of growth. We recently expanded our business with the development and launch of intelligent hardware and mobile applications for maternity care which we believe will attract pregnant women to our ecosystem. This new strategy will help us expand our brand, deepen our relationship with users, and complement our other service offerings in the vibrant baby market. We believe that growth in our baby and house portals will remain very strong.

Going forward, while we expect competition to remain stiff, especially in the automobile segment, we will continue to execute our strategy to strengthen revenue growth over the long-term. This includes our commitment to the development of high quality content, expansion into select e-commence markets, prudent investment in marketing, and continued innovation of mobile product offerings. In addition, we will maintain a nimble corporate structure that will allow us to respond to changes quickly as we seek out new and effective approaches to address the market's needs.

Revenue

Revenue increased 16.5% from RMB847.9 million for the year ended 31 December 2013 to RMB987.5 million for the year ended 31 December 2014.

Revenue for PCauto, the Group's automobile portal, increased 25.7% from RMB448.7 million for the year ended 31 December 2013 to RMB564.2 million during the year ended 31 December 2014. The increase in revenue for PCauto was primarily due to increased spending from both our auto manufacturer and dealership customers. As a percentage of revenue, PCauto accounted for 52.9% during the year ended 31 December 2013 and 57.1% during the year ended 31 December 2014.

Revenue for PConline, the Group's IT and consumer electronics portal, decreased 8.7% from RMB251.8 million during the year ended 31 December 2013 to RMB229.9 million during the year ended 31 December 2014. The decrease was attributable to generally reduction of advertising budget from brands and manufacturers, offset by increase in those from e-commerce vendors. As a percentage of revenue, PConline accounted for 29.7% during the year ended 31 December 2013 and 23.3% during the year ended 31 December 2014.

Revenue for PClady, the Group's lady and fashion portal, increased 24.1% from RMB83.6 million during the year ended 31 December 2013 to RMB103.8 million during the year ended 31 December 2014. The increase was driven by strong advertising revenue from cosmetics and luxury fashion products. As a percentage of revenue, PClady accounted for 9.9% during the year ended 31 December 2013 and 10.5% during the year ended 31 December 2014.

Revenue from other operations, including the PCgames, PCbaby and PChouse portals, increased by 40.6% from RMB63.7 million during the year ended 31 December 2013 to RMB89.6 million during the year ended 31 December 2014. Revenue from these segments increased as advertisers allocated more of their marketing budgets towards online advertising. As a percentage of revenue, revenue from other operations accounted for 7.5% during the year ended 31 December 2013 and 9.1% during the year ended 31 December 2014.

Cost of Revenue

Cost of revenue increased 29.2% from RMB249.9 million during the year ended 31 December 2013 to RMB322.9 million during the year ended 31 December 2014. Gross profit margin was 70.5% during the year ended 31 December 2013 and 67.3% during the year ended 31 December 2014.

The increase in cost of revenue was due to a rise in personnel-related expenses in content production, as well as technology service fees and bandwidth costs.

Selling and Marketing Costs

Selling and marketing costs increased 48.6% from RMB167.9 million during the year ended 31 December 2013 to RMB249.4 million during the year ended 31 December 2014. The increase was mainly due to increases in staff costs and marketing expenses related to brand development, particularly in mobile search.

Administrative Expenses

Administrative expenses increased by 1.9% from RMB77.4 million during the year ended 31 December 2013 to RMB78.9 million during the year ended 31 December 2014, due to an increase in headcount in support of the Group's growth during the year.

Product Development Expenses

Product development expenses increased by 33.8% from RMB45.9 million during the year ended 31 December 2013 to RMB61.5 million during the year ended 31 December 2014. The increase was primarily due to increases in the number of product development staff and other related expenses.

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

Operating profit before share-based compensation expenses (non-GAAP) was RMB281.5 million during the year ended 31 December 2014, representing a 11.4% decrease from RMB317.9 million during the year ended 31 December 2013.

Other Income

Other income was RMB7.2 million during the year ended 31 December 2013 and RMB1.6 million during the year ended 31 December 2014. The decrease was attributable to reduction in government grants during the year.

Finance Income and Cost

Net finance income was RMB9.0 million during the year ended 31 December 2013 and RMB6.9 million during the year ended 31 December 2014.

Income Tax Expense

Income tax expenses decreased 10.4% from RMB69.4 million during the year ended 31 December 2013 to RMB62.2 million during the year ended 31 December 2014.

Net Profit

Net profit decreased 12.8% from RMB253.6 million during the year ended 31 December 2013 to RMB221.2 million during the year ended 31 December 2014.

Liquidity and Financial Resources

As of 31 December 2014, the Group had short-term deposits and cash totaling RMB394.8 million, compared with RMB450.5 million as of 31 December 2013. The decline in cash was primarily due to the investment in equity fund and financial assets as non current assets totaling RMB80.4 million during the year ended 31 December 2014.

The Company had no external debt as of 31 December 2013 and 31 December 2014.

Bank Borrowings

As of both 31 December 2014 and 31 December 2013, 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 Acquisitions and Disposals

During the year ended 31 December 2014, the Group had no material acquisitions or disposals of subsidiaries and associates.

Charges on Assets

As at 31 December 2014, 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

The Group believes that internet will remain as one of the fastest growing industries in China in the coming years. The demand for advertising in the automobile, lady, and baby products will continue to grow. In addition, online transaction is expected to be fuelled further by increasing pace of mobile usage and penetration. The Group will continue to enhance new content, build our brands, and develop new products so as to grow viewership and facilitate e-commerce transactions on our websites. We are confident that this strategy will lead to increase demand of our services in the future.

OTHER INFORMATION

Employee and Remuneration Policies

As at 31 December 2014, the Group had 1,762 employees (2013: 1,495), increased by 267 over 2013. The increase in staff level presented the expansion of the Group's operations in 2014. 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 cash dividend of RMB13.93 cents per ordinary share for the year ended 31 December 2014 (the "Proposed Final Dividend"), which compares with RMB16.25 cents in 2013. The final dividend is subject to the shareholders' approval at the Company's forthcoming annual general meeting to be held on Friday, 22 May 2015 (the "2015 AGM"). The Proposed Final Dividend will be paid in cash on 12 June 2015 to shareholders whose names appear on the register of members of the Company at the close of business on 3 June 2015.

Closure of Register of Members

For determining the entitlement to attend and vote at the 2015 AGM, the register of members of the Company will be closed from Wednesday, 20 May 2015 to Friday, 22 May 2015, 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 2015 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 Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, for registration not later than 4:30 p.m. on Tuesday, 19 May 2015.

For determining the entitlement to the Proposed Final Dividend, the register of members of the Company will also be closed from Monday, 1 June 2015 to Wednesday, 3 June 2015, 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 the above address, for registration not later than 4:30 p.m. on Friday, 29 May 2015.

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 2014.

Audit Committee

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. Chan Chi Mong, Hopkins, 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 2014.

Scope of work of PricewaterhouseCoopers

The figures in respect of the announcement of the Group's results for the year ended 31 December 2014 have been agreed by the Group's auditor, PricewaterhouseCoopers, to the amounts set out in the Group's audited 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 announcement.

Corporate Governance

The Board is of the view that the Company has met the code provisions set out in the Corporate Governance Code as contained in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange during the year ended 31 December 2014, except that there is no separation of the role of chairman and chief executive as stipulated in the code provision A.2.1. Dr. Lam Wai Yan currently assumes the role of both the Chairman and the Chief Executive Officer of the Company. As Dr. 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, 27 March 2015

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