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PACIFIC ONLINE LIMITED
太平洋網絡有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 543)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2015

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 2015, together with the comparative figures for the year ended 31 December 2014, as follows:

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2015

		Year ended 31 December	
		2015	2014
	Note	***RMB'000***	*RMB'000*
Revenue	3	**1,096,356**	987,526
Cost of revenue	4	**(385,780)**	(322,899)
Gross profit		**710,576**	664,627
Selling and marketing costs	4	**(322,045)**	(249,435)
Administrative expenses	4	**(96,582)**	(78,883)
Product development expenses	4	**(80,338)**	(61,450)
Other income	5	**3,394**	1,629
Other gain — net	6	**9,308**	—
Operating profit		**224,313**	276,488
Finance income	7	**4,505**	8,965
Finance cost	7	**(890)**	(2,035)
Finance income — net	7	**3,615**	6,930
Profit before income tax		**227,928**	283,418
Income tax expense	8	**(48,097)**	(62,191)
Profit for the year		**179,831**	221,227

		Year ended 31 December	
		2015	2014
	Note	***RMB'000***	*RMB'000*
Attributable to:			
Equity holders of the Company		**179,831**	221,227
Earnings per share for profit attributable to equity holders of the Company during the year			
— Basic *(RMB)*	9	**16.04 cents**	20.00 cents
— Diluted *(RMB)*	9	**15.92 cents**	19.63 cents

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the year ended 31 December 2015

	Year ended 31 December	
	2015	2014
	RMB'000	*RMB'000*
Profit for the year	**179,831**	221,227
Items that may be reclassified to profit or loss		
Change in value of investment in equity fund	**4,075**	(2,243)
Other comprehensive income for the year, net of tax	**4,075**	(2,243)
Total comprehensive income for the year	**183,906**	218,984
Attributable to:		
Equity holders of the Company	**183,906**	218,984

CONSOLIDATED BALANCE SHEET

As at 31 December 2015

	Note	As at 31 December 2015 RMB'000	2014 RMB'000
ASSETS			
Non-current assets			
Lease prepayment		**16,668**	16,992
Property and equipment		**260,112**	264,736
Intangible assets		**11,535**	9,689
Deferred income tax assets		**24,989**	15,493
Investment in equity fund	12	**33,029**	28,954
Held-to-maturity financial assets	13	**28,207**	49,553
		374,540	385,417
Current assets			
Inventories		**948**	—
Trade and other receivables and prepayments	11	**578,694**	505,140
Held-to-maturity financial assets	13	**21,264**	—
Short-term bank deposits with original terms of over three months		**2,610**	2,539
Cash and cash equivalents		**410,849**	392,295
		1,014,365	899,974
Total assets		**1,388,905**	1,285,391
EQUITY AND LIABILITIES			
Capital and reserves			
Ordinary shares		**10,468**	10,312
Reserves		**1,004,222**	948,278
Total equity		**1,014,690**	958,590
Non-current liabilities			
Deferred income tax liabilities		**515**	—
Current liabilities			
Accruals and other payables	14	**281,765**	251,501
Prepaid advertising subscriptions from customers and deferred revenue		**25,115**	10,945
Current income tax liabilities		**66,820**	64,355
		373,700	326,801
Total liabilities		**374,215**	326,801
Total equity and liabilities		**1,388,905**	1,285,391

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2015

		Attributable to equity holders of the Company		
		Ordinary shares	**Reserves**	**Total equity**
	Note	*RMB'000*	*RMB'000*	*RMB'000*
Balance at 1 January 2014		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	10	—	(180,303)	(180,303)
Share Award Scheme I				
— purchase of shares		—	(1,232)	(1,232)
— value of employee services		—	5,017	5,017
Employees share option schemes				
— proceeds from shares issued		151	28,840	28,991
Balance at 31 December 2014		10,312	948,278	958,590
Comprehensive income				
Profit		**—**	**179,831**	**179,831**
Other comprehensive income		**—**	**4,075**	**4,075**
Total comprehensive income		**—**	**183,906**	**183,906**
Transactions with shareholders				
— cash dividends relating to 2014, paid in 2015	10	**—**	**(155,017)**	**(155,017)**
Share Award Scheme I				
— purchase of shares		**—**	**(1,224)**	**(1,224)**
— value of employee services		**—**	**1,619**	**1,619**
Employees share option schemes				
— proceeds from shares issued		**156**	**26,660**	**26,816**
Balance at 31 December 2015		**10,468**	**1,004,222**	**1,014,690**

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2015

	Note	Year ended 31 December **2015** *RMB'000*	2014 *RMB'000*
Cash flows from operating activities			
Cash generated from operations		**212,586**	251,600
Income tax paid		**(55,188)**	(45,363)
Net cash generated from operating activities		**157,398**	206,237
Cash flows from investing activities			
Purchase of property and equipment		**(12,888)**	(35,521)
Disposals of property and equipment		**81**	592
Purchase of intangible assets		**(600)**	(1,054)
Proceeds from business disposal		**5,500**	—
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		**(5,187)**	(117,925)
Receipt from maturity of short-term bank deposits with original terms of over three months		**5,116**	127,886
Acquisition of a subsidiary, net of cash acquired		**(6,781)**	—
Interest received		**6,321**	9,437
Net cash used in investing activities		**(8,438)**	(97,002)
Cash flows from financing activities			
Purchase of shares held for Share Award Scheme I		**(1,224)**	(1,232)
Cash dividends paid	10	**(155,017)**	(180,303)
Proceeds from issuance of ordinary shares		**26,816**	28,991
Net cash used in financing activities		**(129,425)**	(152,544)
Net increase/(decrease) in cash and cash equivalents		**19,535**	(43,309)
Cash and cash equivalents at beginning of year		**392,295**	438,036
Exchange losses on cash and cash equivalents		**(981)**	(2,432)
Cash and cash equivalents at end of the year		**410,849**	392,295

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") 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 24 March 2016.

2. BASIS OF PRESENTATION

The consolidated financial statements of the Group have been prepared in accordance with all applicable 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.

In addition, the requirements of Part 9 "Accounts and Audit" of the new Hong Kong Companies Ordinance (Cap. 622) come into operation during the financial year, as a result, there are changes to presentation and disclosures of certain information in these consolidated financial statements.

The preparation of financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies.

Changes in accounting policies and disclosures

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

The following amendment to existing standard and interpretation has been adopted by the Group for the first time for the financial year beginning on 1 January 2015:

- Annual improvements 2012, HKFRS 8, 'Operating segments': The standard is amended to require disclosure of the judgements made by management in aggregating operating segments and a reconciliation of segment assets to the entity's assets when segment assets are reported.

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

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

The following new standards and amendments to standards are not effective for financial year beginning 1 January 2015, and have not been early adopted by the Group in preparing these consolidated financial statements.

		Effective for annual periods beginning on or after
HKFRS 14	Regulatory deferral accounts	1 January 2016
Amendment to HKFRS 11	Accounting for acquisitions of interests in joint operations	1 January 2016
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment entities: applying the consolidation exception	1 January 2016
Amendments to HKAS 1	Disclosure initiative	1 January 2016
Amendments to HKAS 16 and HKAS 38	Clarification of acceptable methods of depreciation and amortisation	1 January 2016
Amendments to HKAS 16 and HKAS 41	Agriculture: bearer plants	1 January 2016
Amendment to HKAS 27	Equity method in separate financial statements	1 January 2016
Annual improvements 2014	Changes from the 2012–2014 cycle of the annual improvements project	1 January 2016
HKFRS 9	Financial instruments	1 January 2018
HKFRS15	Revenue from contracts with customers	1 January 2018
Amendments to HKFRS 10 and HKAS 28	Sale or contribution of assets between an investor and its associate or joint venture	To be determined

Further information about below new standards and amendments to the existing standards that are expected to be applicable to the Group is as below:

- 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 2018 and earlier application is permitted.

- 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 other comprehensive income and fair value through profit or loss. 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 other comprehensive income 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.

- 2014 annual improvements projects to HKFRS and HKAS. The amendments clarify some accounting treatments/disclosure requirements under new/revised HKFRS and HKAS and eliminate inconsistency. These improvements are not effective for financial year beginning 1 January 2015. 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 standards or interpretations that are not yet effective that would be expected to have a material impact on the Group.

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 2015 (2014: 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**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
For the year ended 31 December 2015					
Revenue	**703,917**	**187,203**	**96,755**	**108,481**	**1,096,356**
For the year ended 31 December 2014					
Revenue	564,194	229,939	103,776	89,617	987,526

Though the Company is domiciled in the Cayman Islands, for the year ended 31 December 2015, all revenues of the Group were derived from external customers and they were all generated from the PRC (2014: same).

As at 31 December 2015, 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 (2014: same).

For the year ended 31 December 2015, there was no revenue derived from a single external customer accounting for ten percent or more of the Group's revenues (2014: 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	
	2015	2014
	RMB'000	*RMB'000*
Employee benefit expenses	**290,903**	251,641
Service commission to advertising agencies	**142,557**	123,561
Advertising expenses	**203,890**	145,642
Other taxes and surcharge	**40,172**	39,937
Travelling and entertainment expenses	**27,914**	25,142
Depreciation and amortisation expenses		
— Depreciation of property and equipment	**17,042**	15,763
— Amortisation of intangible assets	**1,054**	3,565
— Amortisation of lease prepayment	**324**	324
Outsourcing production cost	**78,083**	44,439
Technology service fees	**21,350**	21,200
Bandwidth and server custody fees	**19,179**	17,712
Impairment charge of receivables	**10,547**	3,516
Impairment charge of goodwill	**4,622**	—
Rental expenses	**7,972**	6,984
Auditors' remuneration		
— Audit services	**3,609**	3,506
— Non-audit services	**572**	406
Professional fees	**2,820**	1,062
Cost of goods sold	**3,853**	—
Other expenses	**8,282**	8,267
Total cost of revenue, selling and marketing costs, administrative expenses and product development expenses	**884,745**	712,667

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 2015 (2014: same).

5. OTHER INCOME

	Year ended 31 December	
	2015	2014
	RMB'000	*RMB'000*
Government grants	**1,660**	818
Investment income on held-to-maturity financial assets	**1,734**	811
	3,394	1,629

6. OTHER GAIN — NET

	Year ended 31 December	
	2015	2014
	RMB'000	*RMB'000*
Net gain on disposal of business	**9,308**	—

In November 2015, the Group entered into an agreement with a third party on the disposal of business related to a portal of the Group for a cash consideration of RMB10,800,000. The disposal has been completed as at 31 December 2015. Net gain after related costs and expenses was RMB9,308,000.

7. FINANCE INCOME — NET

	Year ended 31 December	
	2015	2014
	RMB'000	*RMB'000*
Finance income		
— Interest income	**4,505**	8,965
Finance cost		
— Net foreign exchange losses	**(890)**	(2,035)
Finance income — net	**3,615**	6,930

8. INCOME TAX EXPENSE

	Year ended 31 December	
	2015	2014
	RMB'000	*RMB'000*
PRC current tax	**57,936**	67,945
Deferred taxation	**(9,839)**	(5,754)
	48,097	62,191

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 2015 (2014: 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 and the applicable income tax rate is 15% for the three years from 2014 to 2016. Assuming that there is no change to the relevant laws and regulations, the directors consider that these two subsidiaries will continue to be granted the preferential tax treatment through an application of renewal, and accordingly, tax rate of 15% has been applied when considering the deferred income tax. 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	
	2015	2014
	RMB'000	*RMB'000*
Profit before tax	**227,928**	283,418
Tax calculated at the statutory tax rate of 25% (2014: 25%)	**56,982**	70,855
Tax effects of		
— Tax concessions available to certain PRC subsidiaries (a)	**(24,029)**	(31,508)
— Income not subject to tax	**(1,877)**	(1,538)
— Expenses not deductible for tax purposes (b)	**5,971**	10,232
Withholding tax on the earnings anticipated to be remitted by a PRC subsidiary	**11,050**	14,150
Tax charge	**48,097**	62,191

(a) The preferential tax treatments relating to HNTE were enjoyed by GZP Computer and GDP Internet for the year ended 31 December 2015 (2014: 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.

9. 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 I).

	Year ended 31 December	
	2015	2014
Profit attributable to equity holders of the Company *(RMB'000)*	**179,831**	221,227
Weighted average number of ordinary shares for basic earnings per share *(thousand shares)*	**1,121,428**	1,106,033
Basic earnings per share *(RMB)*	**16.04 cents**	20.00 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	
	2015	2014
Profit attributable to equity holders of the Company *(RMB'000)*	**179,831**	221,227
Weighted average number of ordinary shares for diluted earnings per share *(thousand shares)*	**1,129,715**	1,127,006
— Weighted average number of ordinary shares for basic earnings per share *(thousand shares)*	**1,121,428**	1,106,033
— Adjustment for share options and awarded shares *(thousand shares)*	**8,287**	20,973
Diluted earnings per share *(RMB)*	**15.92 cents**	19.63 cents

10. DIVIDENDS

The dividend paid in 2015 included the payment of the 2014 final cash dividend of RMB13.93 cents (2014: RMB16.25 cents) per ordinary share out of the retained earnings, totalling RMB155,017,000 (2014: RMB180,303,000), excluding the dividend related to the ordinary shares held under the Share Award Scheme I of RMB44,000 (2014: RMB276,000).

The directors recommended the payment of a final dividend of RMB13.93 cents per ordinary share in cash for the year ended 31 December 2015, totalling RMB157,596,000 based on the ordinary shares in issue as of 31 December 2015. Such final dividend is to be approved by the shareholders at the annual general meeting of the Company to be held on 20 May 2016. These consolidated financial statements do not reflect this dividend payable.

11. TRADE AND OTHER RECEIVABLES AND PREPAYMENTS

	As at 31 December	
	2015	2014
	RMB'000	*RMB'000*
Trade receivables, net of impairment provision (a)	**553,672**	489,216
Other receivables (b)	**18,736**	10,808
Prepayments	**6,286**	5,116
	578,694	505,140
Trade and other receivables are denominated in		
— RMB	**571,875**	500,024
— HKD	**533**	—
	572,408	500,024

(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 2015, the ageing analysis of the trade receivables (net of impairment provision of RMB31,860,000 (2014: RMB23,069,000)) was as follows:

	As at 31 December	
	2015	2014
	RMB'000	*RMB'000*
Current to 6 months	**415,890**	420,747
6 months to 1 year	**114,137**	62,684
1 year to 2 years	**23,645**	5,767
Above 2 years	**—**	18
	553,672	489,216

As of 31 December 2015, trade receivables of RMB58,187,000 (2014: RMB35,321,000) 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	
	2015	2014
	RMB'000	*RMB'000*
Current to 6 months	**12,220**	13,392
6 months to 1 year	**22,322**	16,144
1 year to 2 years	**23,645**	5,767
Above 2 years	**—**	18
	58,187	35,321

(b) Other receivables

	As at 31 December	
	2015	2014
	RMB'000	*RMB'000*
Advance to employees	**4,816**	5,030
Others	**13,920**	5,778
	18,736	10,808

12. INVESTMENT IN EQUITY FUND

	2015	2014
	RMB'000	*RMB'000*
At beginning of the year	**28,954**	—
Additions (a)	**—**	31,197
Changes in fair value	**4,075**	(2,243)
At end of the year	**33,029**	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.

13. HELD-TO-MATURITY FINANCIAL ASSETS

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

	As at 31 December	
	2015	2014
	RMB'000	*RMB'000*
Listed in Hong Kong	**16,226**	16,283
Listed outside Hong Kong	**33,245**	33,270
	49,471	49,553

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

	2015	2014
	RMB'000	*RMB'000*
At beginning of the year	**49,553**	—
Additions-cost	**—**	49,220
Amortised interest *(Note 5)*	**1,734**	811
Interest received	**(1,816)**	(478)
At end of the year	**49,471**	49,553

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

	As at 31 December	
	2015	2014
	RMB'000	*RMB'000*
Listed bonds:		
Current		
Less than 1 year	**21,264**	—
Non-Current		
Between 1 and 2 years	**28,207**	21,288
Between 2 and 3 years	**—**	28,265
	28,207	49,553
	49,471	49,553

The coupon rates of the bonds are 3.25% to 4.50% per annum.

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

14. ACCRUALS AND OTHER PAYABLES

	As at 31 December	
	2015	2014
	RMB'000	*RMB'000*
Salaries payable	**48,737**	44,518
Accrued expenses (a)	**192,058**	158,926
Other tax payable	**21,419**	27,837
Other payables (b)	**19,551**	20,220
	281,765	251,501

(a) Accrued expenses of the Group mainly represented accrued service 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

The year 2015 remained a very tough year, as most people have expected. The continuing weak global economy has significantly affected global manufacturing and related industries, which has in turn had major impact on all walks of life in China. As a result of their prudent sales projections, the marketing spending of many of the major players in various markets has been reduced, some substantially. There were fundamental shifts in the habits and behaviours of the users and responding changes in the requirements of the advertising campaigns that have resulted in the significant increase in the costs of marketing and sales. This combination has had a major impact on most internet companies in China. During the year, despite worked hard to cope with the changes, including opening up new revenue sources, making investments in new products and services, in particular mobile based ones, and reducing operating costs, we report a reduction in the net profit for the year. However, our hard work help contain the extent of this reduction, and enables us to maintain our leadership positions in the vertical markets we operate in.

PCauto continued to be the main income earner, chalking another year of 25% increase in revenue. Although 2015 witnessed another year of increased spending, we noted that the manufacturers are feeling the slowing down of the market and are positioning for new product trends. There is also a noticeable change to focus their marketing budget to more directly linked to the sales of their products. As a result of the harsh competition between auto portals, the selling and marketing spending increased significantly in 2015, which squeezed the net margin of most operators. Nevertheless, we maintained tight control over our selling and marketing expenses, thereby protected our profitability during this hostile period. The PCauto team has successfully demonstrated our core competence and maintained our position as one of the leaders in the market.

The consumer electronics market in China has continued to remain weak. The sales of personal computer continued to fall, while the expansion of the smartphone market has slowed significantly. The situation with IT retail sales outlets was catastrophic. A significant portion of the market has gone to the new diversified sales channels based on social networks and electronic trading platforms. Despite the sizeable fall in the revenue of PConline in 2015, we have made timely and positive structural changes to our business strategy. This adjustment enabled us to open up new e-commerce based sources of revenue which to some degree compensated for the contraction in the traditional technology product sales markets.

The fashion and beauty market trends has had its impact on PClady. In 2015, the luxury products and cosmetics markets showed a general downward trend. Some groups stopped their non-core brands and products, while others closed their retail shops in big scales. Faced with a harsh prospect in their markets, the luxurious and cosmetic brands made substantial cuts in their marketing budgets, especially general brand building type advertising. Their focus have shifted to channels oriented towards direct sales of the products such as e-commerce, video product promotions and open commentary forums.

Revenue from the other verticals, namely PCbaby and PChouse continued to grow rapidly this year. We continued to focus on the needs and habits of our users and provide the knowledge, needs and convenience that they are looking for from the internet website and mobile apps. We believe that these portals will continue their strong performance in the years to come.

Prospects

Looking ahead, we envisage the general economy in China to remain sluggish in the near future. The market segments that we operate in will no doubt remain highly competitive. We will continue our effort to focus on the mobile delivery channels and to develop innovative products that provide products and services to meet the needs of the end users. Our respective teams will persevere in the delivery of quality contents and user experience, while increasing the efficiency and cost effectiveness of our operations.

Our development of new products such as after sale services to motorists and auto learners will increase user loyalty and customer satisfaction. These will improve user stickiness and thus our long term sustainable position in the auto portals market. In the technology portal, we have developed focal teams to better serve the e-commerce arenas and embrace the use of new media. PClady will remain focused on providing more choices for fashion followers and suitable modern courses for young people. PCbaby will extend our care for the pregnant women and will continue to early education and other needs of our users' babies. PChouse will continue to provide useful assistance to the home design and decoration needs of our users, while they develop their sense and taste for their most important place on earth — home.

Despite the drop in net profit this year, the Board has decided to recommend to maintain a similar level of dividend pay-out as prior years. This decision is made after taking into consideration the current level of free cash, the needs for liquid fund for business development and the steady nature of cash inflow. The Group believes that with the suitable and timely adjustments made to its business strategy as outlined above, its medium to long term outlook remains positive.

Revenue

Revenue increased 11.0% from RMB987.5 million for the year ended 31 December 2014 to RMB1,096.4 million for the year ended 31 December 2015.

Revenue for PCauto, the Group's automobile portal, increased 24.8% from RMB564.2 million for the year ended 31 December 2014 to RMB703.9 million during the year ended 31 December 2015. The increase in revenue for PCauto was primarily due to increased spending from both auto manufacturer and dealership customers. As a percentage of revenue, PCauto accounted for 57.1% during the year ended 31 December 2014 and 64.2% during the year ended 31 December 2015.

Revenue for PConline, the Group's IT and consumer electronics portal, decreased 18.6% from RMB229.9 million during the year ended 31 December 2014 to RMB187.2 million during the year ended 31 December 2015. The decrease was due to decline in demand from consumer electronics manufacturers. As a percentage of revenue, PConline accounted for 23.3% during the year ended 31 December 2014 and 17.1% during the year ended 31 December 2015.

Revenue for PClady, the Group's lady and fashion portal, decreased 6.8% from RMB103.8 million during the year ended 31 December 2014 to RMB96.8 million during the year ended 31 December 2015. The decrease was driven by a slowdown in advertising demand from luxury fashion products. As a percentage of revenue, PClady accounted for 10.5% during the year ended 31 December 2014 and 8.8% during the year ended 31 December 2015.

Revenue from other operations, including PCbaby and PChouse portals, increased by 21.0% from RMB89.6 million during the year ended 31 December 2014 to RMB108.5 million during the year ended 31 December 2015. 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 9.1% during the year ended 31 December 2014 and 9.9% during the year ended 31 December 2015.

Cost of Revenue

Cost of revenue increased 19.5% from RMB322.9 million during the year ended 31 December 2014 to RMB385.8 million during the year ended 31 December 2015. Gross profit margin was 67.3% during the year ended 31 December 2014 and 64.8% during the year ended 31 December 2015.

The increase in cost of revenue was due to a rise in personnel-related expenses in content production, service commission to advertising agencies, outsourcing production costs and costs of offline marketing activities.

Selling and Marketing Costs

Selling and marketing costs increased 29.1% from RMB249.4 million during the year ended 31 December 2014 to RMB322.0 million during the year ended 31 December 2015. The increase was mainly due to increases in staff costs and marketing expenses.

Administrative Expenses

Administrative expenses increased by 22.4% from RMB78.9 million during the year ended 31 December 2014 to RMB96.6 million during the year ended 31 December 2015, mainly due to higher impairment charge of receivables and goodwill during the year.

Product Development Expenses

Product development expenses increased by 30.7% from RMB61.5 million during the year ended 31 December 2014 to RMB80.3 million during the year ended 31 December 2015. 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 RMB225.9 million during the year ended 31 December 2015, representing a 19.7% decrease from RMB281.5 million during the year ended 31 December 2014.

Other Income

Other income was RMB3.4 million during the year ended 31 December 2015 and RMB1.6 million during the year ended 31 December 2014. The increase was due to increase in government grant and higher investment income from financial assets during the year.

Finance Income and Cost

Net finance income was RMB6.9 million during the year ended 31 December 2014 and RMB3.6 million during the year ended 31 December 2015. The decrease was mainly due to lower interest income on bank deposits.

Income Tax Expense

Income tax expenses decreased 22.7% from RMB62.2 million during the year ended 31 December 2014 to RMB48.1 million during the year ended 31 December 2015.

Net Profit

Net profit decreased 18.7% from RMB221.2 million during the year ended 31 December 2014 to RMB179.8 million during the year ended 31 December 2015.

Liquidity and Financial Resources

As of 31 December 2015, the Group had short-term deposits and cash totaling RMB413.5 million, compared with RMB394.8 million as of 31 December 2014.

In 2015, net cash generated from operating activities was RMB157.4 million, net cash used in investing activities was RMB8.4 million, net cash used in financing activities was RMB129.4 million, with a net increase in cash and cash equivalents of RMB19.5 million for the year 2015.

In 2014, net cash generated from operating activities was RMB206.2 million, net cash used in investing activities was RMB97.0 million, net cash used in financing activities was RMB152.5 million, with a net decrease in cash and cash equivalents of RMB43.3 million for the year 2014.

The Company had no external debt as of 31 December 2014 and 31 December 2015.

Bank Borrowings

As of both 31 December 2015 and 31 December 2014, 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 2015, the Group had no material acquisitions or disposals of subsidiaries and associates.

Charges on Assets

As at 31 December 2015, 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.

OTHER INFORMATION

Employee and Remuneration Policies

As at 31 December 2015, the Group had 1,798 employees (2014: 1,762). 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 2015 (the "Proposed Final Dividend"), which compares with RMB13.93 cents in 2014. The final dividend is subject to the shareholders' approval at the Company's forthcoming annual general meeting to be held on Friday, 20 May 2016 (the "2016 AGM"). The Proposed Final Dividend will be paid in cash on 10 June 2016 to shareholders whose names appear on the register of members of the Company at the close of business on 31 May 2016.

Closure of Register of Members

For determining the entitlement to attend and vote at the 2016 AGM, the register of members of the Company will be closed from Wednesday, 18 May 2016 to Friday, 20 May 2016, 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 2016 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, 17 May 2016.

For determining the entitlement to the Proposed Final Dividend, the register of members of the Company will also be closed from Friday, 27 May 2016 to Tuesday, 31 May 2016, 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 Thursday, 26 May 2016.

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 2015.

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 2015.

Scope of work of PricewaterhouseCoopers

The figures in respect of the announcement of the Group's results for the year ended 31 December 2015 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 2015, 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, 24 March 2016

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.