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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)**

**CHANGE IN USE OF PROCEEDS  
AND  
DISTRIBUTION OF DIVIDEND OUT  
OF SHARE PREMIUM ACCOUNT**

Reference is made to the Prospectus relating to the Global Offering for the listing of the Company's shares on the Main Board of the Stock Exchange. The Directors wish to announce that since the Company has sufficient cash reserves for the plans of the Group as stated in the Prospectus and particularised below, the Directors have decided to change the use of part of the net proceeds received from the Global Offering in the manner as described below.

The Directors also wish to announce that the Company proposes to distribute a special dividend of RMB27 cents per share in the issued share capital of the Company amounting to RMB249,401,700 from the Net Proceeds depositing in the share premium account of the Company to the Shareholders, subject to the approval by the Shareholders at the forthcoming annual general meeting.

This announcement is made pursuant to Rule 13.09 of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "**Listing Rules**").

**CHANGE IN USE OF PROCEEDS**

Reference is made to the prospectus (the "**Prospectus**") issued by Pacific Online Limited (the "**Company**", together with its subsidiaries, the "**Group**") dated 5 December 2007 relating to the global offering for the listing of the Company's shares (the "**Global Offering**") on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**"). As stated in the Prospectus, out of part of the net proceeds from the Global Offering (the "**Net Proceeds**"), the Company intended to apply:

- (i) approximately HK\$130.0 million (equivalent to 22.7% of the Net Proceeds) on expanding and upgrading the Group's internet portal operations;
- (ii) approximately HK\$40.0 million (equivalent to 7.0% of the Net Proceeds) on expanding the Group's sales and marketing teams across various regional offices in the People's Republic of China;

- (iii) approximately HK\$40.0 million (equivalent to 7.0% of the Net Proceeds) for the enhancement of the Group's research and development activities;
- (iv) approximately HK\$30.0 million (equivalent to 5.2% of the Net Proceeds) for the development of the Group's e-commerce platform; and
- (v) approximately HK\$40.0 million (equivalent to 7.0% of the Net Proceeds) for the Group's working capital and general corporate matters.

In light of the strong internal generated cash flow of the Group's business, and in view of the necessity and timing for expansion of the Group's business, the board (the "**Board**") of directors (the "**Directors**") of the Company considers that the usage of the Net Proceeds on the above particularised plans is not likely to be materialised in near future. Reference is also made to the latest published annual results of the Group for the year ended 31 December 2008 which was published on 30 March 2009, the Company's cash reserves as at 31 December 2008 were approximately RMB623,615,000. In this regard, the Board considers that the Company shall have sufficient cash reserves for the above particularised plans in future. Therefore, the Company intends to reallocate the part of the Net Proceeds as a distribution of special dividend to the shareholders of the Company (the "**Shareholders**").

The Board considers that it is in the interests of the Company and the Shareholders as a whole.

#### **DISTRIBUTION OF DIVIDEND OUT OF SHARE PREMIUM ACCOUNT**

Pursuant to a resolution passed at a meeting of the Board held on 30 March 2009, the Directors resolved to the distribution of a special dividend of RMB27 cents per share (the "**Distribution**") from the Net Proceeds depositing in the share premium account of the Company, which will amount to RMB249,401,700 to the Shareholders.

The proposed Distribution is subject to the approval by the Shareholders at the forthcoming annual general meeting of the Company. In addition, the proposed Distribution may only be effective if, prior to the proposed Distribution is being made, the Directors confirm that the Company has the ability to pay its debts in its ordinary course of business immediately following the day of the proposed Distribution to be paid out.

On behalf of the Board  
**Lam Wai Yan**  
*Chairman*

Hong Kong, 30 March 2009

*As at the date of this announcement, the Directors are:*

**Executive Directors:**

Mr Lam Wai Yan (*Chairman and Chief Executive Officer*)

Mr Ho Kam Wah

Mr Wang Da-Shin, Jeff

Ms Zhang Cong Min

Mr Tsung Shih Kin, Samuel

**Independent Non-executive Directors:**

Mr Tsui Yiu Wa, Alec

Mr Thaddeus Thomas Beczak

Mr Louie Ming