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(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 543)

ADOPTION OF RESTRICTED SHARE AWARD SCHEME

The Board of Pacific Online Limited resolved on 10 January 2011 to adopt the restricted share award scheme as an incentive to retain and encourage the Eligible Participants for the continual operation and development of the Group, pursuant to which existing Shares will be purchased by the Trustee from the market out of cash contributed by the Group and be held in trust for the relevant Selected Participant until such Shares are vested with the relevant Selected Participants in accordance with the provisions of the Scheme.

The Board will implement the Scheme in accordance with the terms of the Scheme Rules including providing necessary funds to the Trustee for purchase of Shares up to 2.5% of the issued share capital of the Company as at the Adoption Date.

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The Board will implement the Scheme in accordance with the terms of the Scheme Rules including to provide necessary funds to the Trustee for purchase of Shares up to 2.5% of the issued share capital of the Company as at the Adoption Date.

For the avoidance of doubt, no new Share will be granted under the Scheme.

Listing Rules Implication

The Scheme does not constitute a share option scheme pursuant to Chapter 17 of the Listing Rules and is a discretionary scheme of the Company.

Pursuant to the Scheme, existing Shares will be purchased by the Trustee and be held in trust for the relevant Selected Participants. Eligible Participants cover any directors (whether executive or non-executive and whether independent or not), any employee (whether full time or part-time), any consultant or adviser of or to the Company or the Group (whether on an

employment or contractual or honorary basis and whether paid or unpaid), who, in the absolute opinion of the Board, have contributed to the Company or the Group. Accordingly, if the Board selects a Director as the Selected Participant, the grant of the Restricted Shares to the Director may constitute a connected transaction. However, given the grant of Restricted Shares to a Director will form part of the remuneration of the relevant Director under his service contract, such grant of Restricted Shares are exempted from all the reporting, announcement and independent shareholders' approval requirements under rule 14A.31(6) of the Listing Rules.

REASONS FOR THE ADOPTION OF THE SCHEME

The Directors strongly believe that the future success of the Company is closely tied to the commitment and efforts of the Eligible Participants. The Board proposes the Scheme to increase the degree to which the interests of the Eligible Participants are directly tied to the fortunes of the Company and the Shareholders. The awards to be made under the Scheme enable the Selected Participants to see their fortunes more directly linked to that of the Shareholders through the mechanism under the Scheme. The Restricted Shares to be awarded will be calculated and awarded on the basis of specific pre-defined criteria that directly links to the Company's operating performance.

SUMMARY OF THE SCHEME RULES

A summary of the Scheme Rules is set out below.

Purposes and Objectives

The purpose of the Scheme is to recognise and motivate the contribution of certain Eligible Participants and to provide incentives and help the Group in retaining its existing employees and recruiting additional employees and to provide them with a direct economic interest in attaining the long-term business objectives of the Company.

Administration

The Scheme shall be subject to the administration of the Board in accordance with the Scheme Rules.

Maximum Limit

The Board shall not make any further award of Restricted Shares which will result in the aggregate number of restricted shares awarded by the Board throughout the duration of the Scheme to be in excess of 2.5% of the issued share capital of the Company as at the Adoption Date. The maximum number of Restricted Shares which may be awarded to a Selected Participant under the Scheme shall not exceed 0.5% of the issued share capital of the Company as at the Adoption Date.

Restrictions

No instructions and no payments to purchase Shares shall be given to the Trustee when any director of the Company is in possession of unpublished price sensitive information in relation to the Company or where dealings by directors of the Company are prohibited under any code or requirement of the Listing Rules and all applicable laws from time to time.

Operation

Pursuant to the Scheme Rules, the Board may, from time to time, at its absolute discretion select the Selected Participant(s) (excluding any Excluded Participant) after taking into various factors as they deem appropriate for participation in the Scheme as a Selected Participant and determines the number of Restricted Shares to be awarded. The Board shall cause to pay the Trustee the purchase price and the related expenses from the Company's resources for the Shares to be purchased by the Trustee. The Trustee shall apply the purchase price to purchase from the market the maximum number of Shares and shall hold such Shares until they are vested in accordance with the Scheme Rules and the Trust Deed. For the avoidance of doubt, all Shares purchased as aforesaid shall only be used for allocation to the Selected Participant(s) in accordance with the Scheme Rules.

The Selected Participant is not entitled to receive any income or distribution, such as dividend derived from the Restricted Shares allocated to him, prior to the vesting of the Restricted Shares in the Selected Participants. The said income or distributions shall be used by the Trustee for the payment of fees, costs and expenses of the Trust and in respect of the remainder for purchase of further Shares to be held upon trust as specified by the Board. When the Selected Participant has satisfied all vesting conditions specified by the Board at the time of making the award and become entitled to the Shares forming the subject of the award, the Trustee shall transfer the relevant vested Shares to that Eligible Participant.

Vesting and Lapse

Unless otherwise determined by the Board at its discretion, Restricted Shares held by the Trustee upon the Trust and which are referable to a Selected Participant shall not vest in the Selected Participant under the following circumstances:

- in the event of any failure of the Selected Participant to remain as an Eligible Participant on the date which the Restricted Shares are supposed to be vested to him;
- in the event that the Selected Participant fails to achieve the key performance indicator or such other condition(s) as specified in the grant letter issued pursuant to the Scheme or the Selected Participant infringes any of the provisions of the Employee Handbook (if applicable);
- in the event that the Selected Participant(s) fails to return duly executed transfer documents prescribed by the Trustee for the relevant Restricted Shares within the stipulated period; and
- in the event of the death of Selected Participant.

Unless otherwise determined by the Board at its discretion, an award shall automatically lapse when (i) a Selected Participant fails to satisfy any condition as set out in the letter of grant, or (ii) the Subsidiary employing or engaging the Selected Participant ceases to be a Subsidiary, or (iii) an order for the winding-up of the Company is made or a resolution is passed for the voluntary winding-up of the Company (otherwise than for the purposes of, and followed by, an amalgamation or reconstruction in such circumstances that substantially the whole of the undertaking, assets and liabilities of the Company pass to a successor company). In any event, the relevant Restricted Shares awarded shall not vest on the relevant vesting date but shall become Returned Shares and shall be held as Returned Shares for the purposes of the Scheme.

In the event (i) a Selected Participant is found to be an Excluded Participant or (ii) a Selected Participant fails to return duly executed transfer documents within the stipulated period, the relevant part of an award made to such Selected Participant shall automatically lapse forthwith and the relevant Shares awarded shall not vest on the relevant vesting date but shall become Returned Shares for the purposes of the Scheme.

If there occurs an event of change in control (as specified in The Codes on Takeovers and Mergers and Share Repurchases from time to time) of the Company, whether by way of offer, merger, scheme of arrangement or otherwise, all the awarded Restricted Shares shall immediately vest on the date when such change in control event becomes or is declared unconditional and such date shall be deemed the vesting date.

Where the Restricted Shares do not vest in accordance with the Scheme Rules, the Trustee shall hold such Shares for the benefit of one or more Eligible Participants as it determines in its discretion, after having taken into account the recommendations of the Board.

Voting Rights

The Trustee shall not exercise the voting rights in respect of any Shares held under the Trust (including but not limited to the awarded Restricted Shares, and further Shares acquired out of the income derived therefrom).

Duration and Termination

The Scheme shall be effective from the Adoption Date and shall continue in full force and effect for a term of 10 years unless sooner terminated as determined by the Board of Directors. The termination shall not affect any subsisting rights of any Selected Participant hereunder.

Upon termination, all awarded Restricted Shares shall become vested on the Selected Participants so referable on such date of termination, subject to the receipt by the Trustee of the transfer documents duly executed by the Selected Participants within the stipulated period. Net sale proceeds (after making appropriate deductions) of the Returned Shares and such non-cash income together with the residual cash and such other funds remaining in the Trust shall be remitted to the Company forthwith after the sale.

DEFINITION

Unless otherwise defined, the following expressions in this announcement have the following meanings:

“Adoption Date”	10 January 2011, being the date on which the board of directors of the Company adopted the Scheme
“Board”	the board of directors of the Company, such committee or sub-committee or person(s) delegated with the power and authority by the board of directors of the Company to administer the Scheme
“Company”	Pacific Online Limited, a company incorporated in the Cayman Islands with limited liability, the shares of which are listed on the Main Board of the Stock Exchange (Stock Code: 543)

“Eligible Participant”	any directors (whether executive or non-executive and whether independent or not), any employee (whether full time or part-time), any consultant or adviser of or to the Company or the Group (whether on an employment or contractual or honorary basis and whether paid or unpaid), who, in the absolute opinion of the Board, have contributed to the Company or the Group
“Employee Handbook”	the employee handbook adopted by the Company from time to time stipulating certain standards and rules to which its employees must strictly adhere
“Excluded Participant”	any Eligible Participant who is resident in a place where the settlement of the Reference Amount and the award of the Restricted Shares and/or the award of the Returned Shares and/or the vesting and transfer of Shares pursuant to the terms of the Scheme is not permitted under the laws and regulations of such place or where in the view of the Board or the Trustee (as the case may be) compliance with applicable laws and regulations in such place make it necessary or expedient to exclude such Eligible Participant
“Group”	the Company and its Subsidiaries
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“Reference Amount”	the sum determined by the Board for the purchase of the Shares to be awarded under the Scheme
“Restricted Shares”	the restricted Shares granted under the Scheme and has the meaning ascribed to such term in the Scheme Rules
“Returned Shares”	such awarded Restricted Shares which are not vested and/or forfeited in accordance with the terms of the Scheme Rules
“Scheme”	the Restricted Share Award Scheme of the Company adopted by the board of directors of the Company whereby awards of Shares may be made to Eligible Participants (such Shares being purchased by the Trustee) pursuant to the Trust Deed and the Scheme Rules
“Scheme Rules”	the rules relating to the Scheme adopted by the board of directors of the Company
“Selected Participant(s)”	means any of the Eligible Participant(s) selected by the Board pursuant to Scheme Rules or selected by the Trustee after having taken into consideration recommendations of the Board pursuant to Scheme Rules for participation in the Scheme
“Share(s)”	ordinary share(s) of HK\$0.01 each in the capital of the Company (or of such other nominal amount as shall result from a sub-division, consolidation, reclassification or reconstruction of the share capital of the Company from time to time)
“Shareholder(s)”	holder(s) of the Share(s)

“Subsidiary(ies)”	subsidiary(ies) of the Company from time to time within the meaning of the Companies Ordinance (Cap. 32 of the Laws of Hong Kong)
“Trust”	the trust constituted by the Trust Deed
“Trust Deed”	the trust deed entered into between the Company as settlor and the Trustee as trustee on 12 January 2011, which deed establishes the Scheme
“Trust Period”	the period beginning with the Adoption Date and ending upon the first to happen of the following, namely: <ul style="list-style-type: none"> (a) such date, being the 10th anniversary date of the Adoption Date; or (b) the date when an order for the winding-up of the Company is made or a resolution is passed for the voluntary winding-up of the Company (otherwise than for the purposes of, and followed by, an amalgamation or reconstruction in such circumstances that substantially the whole of the undertaking, assets and liabilities of the Company pass to a successor company); or (c) the date as may be informed by the Company that the Scheme shall be terminated
“Trustee”	BOCI-Prudential Trustee Limited (which is independent and not connected with the Company)

By Order of the Board
Pacific Online Limited
Lam Wai Yan
Chairman

Hong Kong, 12 January 2011

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