Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.

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 2019

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 2019, together with the comparative figures for the year ended 31 December 2018, as follows:

CONSOLIDATED INCOME STATEMENT

		Year ended 31 December	
		2019	2018
	Note	***RMB'000***	*RMB'000*
Revenue	3	**990,823**	1,022,699
Cost of revenue	4	**(383,546)**	(441,576)
Gross profit		**607,277**	581,123
Selling and marketing costs	4	**(257,662)**	(268,282)
Administrative expenses	4	**(67,663)**	(76,531)
Product development expenses	4	**(77,768)**	(74,251)
Net impairment losses on financial assets		**(32,457)**	(20,671)
Other income	5	**9,694**	11,774
Operating profit		**181,421**	153,162
Finance income		**7,164**	10,419
Finance cost		**(461)**	—
Finance income — net	6	**6,703**	10,419
Share of net losses of an associate accounted for using the equity method		**(356)**	(2,324)
Profit before income tax		**187,768**	161,257
Income tax expense	7	**(33,088)**	(27,944)
Profit for the year		**154,680**	133,313
Attributable to:			
— Equity holders of the Company		**153,124**	132,747
— Non-controlling interests		**1,556**	566
		154,680	133,313
Earnings per share for profit attributable to equity holders of the Company for the year			
— Basic and diluted *(RMB)*	8	**13.62 cents**	11.81 cents

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Year ended 31 December	
	2019	2018
	RMB'000	*RMB'000*
Profit for the year	**154,680**	133,313
Items that will not be reclassified to profit or loss		
Changes in value of investment in equity fund	**7,244**	9,088
Other comprehensive income for the year, net of tax	**7,244**	9,088
Total comprehensive income for the year	**161,924**	142,401
Attributable to:		
— Equity holders of the Company	**160,368**	141,835
— Non-controlling interests	**1,556**	566
	161,924	142,401

CONSOLIDATED BALANCE SHEET

	Note	As at 31 December **2019** *RMB'000*	2018 *RMB'000*
ASSETS			
Non-current assets			
Right-of-use assets		**15,774**	—
Lease prepayment		**—**	15,696
Property and equipment		**173,383**	180,976
Investment property		**43,282**	44,471
Intangible assets		**9,477**	8,893
Deferred income tax assets		**50,489**	53,022
Investment in an associate		**—**	1,387
Investment in equity fund	11	**52,876**	45,632
		345,281	350,077
Current assets			
Trade and other receivables and prepayments	10	**644,472**	601,891
Short-term bank deposits with original terms of over three months		**2,100**	50,750
Cash and cash equivalents		**425,942**	408,191
		1,072,514	1,060,832
Total assets		**1,417,795**	1,410,909
EQUITY			
Equity attributable to equity holders of the Company			
Ordinary shares		**10,491**	10,491
Reserves		**991,931**	984,176
		1,002,422	994,667
Non-controlling interests		**3,622**	2,066
Total equity		**1,006,044**	996,733

		As at 31 December	
		2019	2018
	Note	***RMB'000***	*RMB'000*
LIABILITIES			
Non-current liabilities			
Lease liabilities		**14**	—
Current liabilities			
Accruals and other payables	12	**316,384**	303,208
Contract liabilities		**45,956**	49,941
Current income tax liabilities		**49,004**	61,027
Lease liabilities		**393**	—
		411,737	414,176
Total liabilities		**411,751**	414,176
Total equity and liabilities		**1,417,795**	1,410,909

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

		Attributable to equity holders of the Company				
	Note	Ordinary shares *RMB'000*	Reserves *RMB'000*	Subtotal *RMB'000*	Non-controlling interests *RMB'000*	Total equity *RMB'000*
Balance at 1 January 2018		10,491	969,918	980,409	—	980,409
Comprehensive income						
Profit for the year		—	132,747	132,747	566	133,313
Other comprehensive income		—	9,088	9,088	—	9,088
Total comprehensive income		—	141,835	141,835	566	142,401
Transactions with shareholders						
Cash dividends relating to 2017	9	—	(127,577)	(127,577)	—	(127,577)
Capital injection from non-controlling shareholders		—	—	—	1,500	1,500
Balance at 31 December 2018		10,491	984,176	994,667	2,066	996,733
Comprehensive income						
Profit for the year		—	153,124	153,124	1,556	154,680
Other comprehensive income		—	7,244	7,244	—	7,244
Total comprehensive income		—	160,368	160,368	1,556	161,924
Transactions with shareholders						
Cash dividends relating to 2018	9	—	(153,133)	(153,133)	—	(153,133)
Share Award Scheme — value of employee services		—	520	520	—	520
Balance at 31 December 2019		10,491	991,931	1,002,422	3,622	1,006,044

CONSOLIDATED STATEMENT OF CASH FLOWS

		Year ended 31 December	
		2019	2018
	Note	***RMB'000***	*RMB'000*
Cash flows from operating activities			
Cash generated from operations		**165,111**	173,643
Income tax paid		**(42,578)**	(40,227)
Net cash generated from operating activities		**122,533**	133,416
Cash flows from investing activities			
Placement of short-term bank deposits with original terms of over three months		**(4,350)**	(53,200)
Receipt from maturity of short-term bank deposits with original terms of over three months		**53,000**	4,969
Interest received		**7,164**	7,728
Purchase of property and equipment		**(7,158)**	(5,881)
Disposals of property and equipment		**545**	602
Purchase of intangible assets		**(738)**	(123)
Dividends received		**729**	696
Net cash generated from/(used in) investing activities		**49,192**	(45,209)
Cash flows from financing activities			
Cash dividends paid	9	**(153,133)**	(127,577)
Lease payments		**(407)**	—
Capital injection from non-controlling shareholders		**—**	1,500
Net cash used in financing activities		**(153,540)**	(126,077)
Net increase/(decrease) in cash and cash equivalents		**18,185**	(37,870)
Cash and cash equivalents at beginning of year		**408,191**	442,561
Exchange (losses)/gains on cash and cash equivalents		**(434)**	3,500
Cash and cash equivalents at end of year		**425,942**	408,191

NOTES:

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 P.O. Box 10008, Willow House, Cricket Square, Grand Cayman KY1-1001, 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 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 of directors (the "Board") of the Company on 30 March 2020.

2. BASIS OF PREPARATION

(i) Compliance with Hong Kong Financial Reporting Standards ("HKFRSs") and Hong Kong Companies Ordinance (Cap. 622)

The consolidated financial statements of the Group have been prepared in accordance with HKFRSs and the disclosure requirements of the Hong Kong Companies Ordinance (Cap. 622).

(ii) Historical cost convention

The consolidated financial statements have been prepared under the historical cost convention, except for investment in equity fund, which is measured at fair value.

(iii) New and amended standards adopted by the Group

The Group has applied the following standards and amendments for the first time for their annual reporting period commencing 1 January 2019:

- HKFRS 16 "Leases"
- Amendments to HKFRS 9 "Prepayment Features with Negative Compensation"
- Amendments to HKAS 28 "Long-term Interests in Associates and Joint Ventures"
- Annual Improvements to HKFRS Standards 2015–2017 Cycle
- Amendments to HKAS 19 "Plan Amendment, Curtailment or Settlement"
- Interpretation 23 "Uncertainty over Income Tax Treatments"

The Group had to change its accounting policies as a result of adopting HKFRS 16. The Group elected to apply the simplified transition approach and has not restated comparatives for the 2018 reporting period. This is disclosed in Note 2(v). The other amendments listed above did not have any impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future periods.

(iv) New standards, amendments to standards and interpretations not yet adopted

The following new standards, amendments to standards and interpretations have been published that are not mandatory for 31 December 2019 reporting period and have not been early adopted by the Group:

		Effective for annual periods beginning on or after
Amendments to HKAS 1 and HKAS 8	Definition of material	1 January 2020
Amendments to HKFRS 3	Definition of a business	1 January 2020
HKFRS 17	Insurance contracts	1 January 2023
Amendments to HKFRS 10 and HKAS 28	Sale or contribution of assets between an investor and its associate or joint venture	To be determined
Conceptual Framework for Financial Reporting 2018	Revised conceptual framework for financial reporting	1 January 2020

None of these is expected to be relevant or have material impact to the consolidated financial statements of the Group.

(v) Changes in accounting policies

This note explains the impact of the adoption of HKFRS 16 Leases on the group's financial statements.

As indicated in Note 2 (iii) above, the Group has adopted HKFRS 16 from 1 January 2019, applied the simplified transition approach and has not restated comparatives for the 2018 reporting period, as permitted under the specific transition provision in the standard. Right-of-use assets were measured at the amount of the lease liabilities on adoption. There was no impact to the opening retained earnings. The reclassifications and the adjustments arising from the new leasing rules are therefore recognised in the opening balance sheet on 1 January 2019.

On adoption of HKFRS 16, the Group recognised lease liabilities in relation to leases which had previously been classified as "operating leases" under the principles of HKAS 17 Leases. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 January 2019.

(a) Practical expedients applied

In applying HKFRS 16 for the first time, the Group has used the following practical expedients permitted by the standard:

- applying a single discount rate to a portfolio of leases with reasonably similar characteristics
- relying on previous assessments on whether leases are onerous as an alternative to performing an impairment review — there were no onerous contracts as at 1 January 2019
- accounting for operating leases with a remaining lease term of less than 12 months as at 1 January 2019 as short-term leases
- excluding initial direct costs for the measurement of the right-of-use asset at the date of initial application, and
- using hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

The Group has also elected not to reassess whether a contract is, or contains a lease at the date of initial application. Instead, for contracts entered into before the transition date the Group relied on its assessment made by applying HKAS 17 and Interpretation 4 Determining whether an Arrangement contains a Lease.

(b) Measurement of lease liabilities

	2019 ***RMB'000***
Operating lease commitments disclosed as at 31 December 2018	1,514
Discounted using the lessee's incremental borrowing rate at the date of initial application	1,497
Less: short-term leases and low-value leases recognised on a straight-line basis as expense	(1,273)
Lease liability recognised as at 1 January 2019	224
Of which are:	
Current lease liabilities	224
Non-current lease liabilities	—
	224

(c) ***Measurement of right-of-use assets***

Under the simplified transition approach, the associated right-of-use assets were measured at the amount equal to the lease liability, adjusted by the amount of prepaid or accrued lease payments relating to that lease recognised in the consolidated balance sheet as at 31 December 2018, if any. There were no onerous lease contracts that would have required an adjustment to the right-of-use assets at the date of initial application.

The lease prepayment (land used rights) was reclassified to right-of-use assets as of 31 December 2019 and 1 January 2019.

The recognised right-of-use assets mainly relate to properties and land used rights.

(d) ***Adjustments recognised in the balance sheet on 1 January 2019***

The change in accounting policy affected the following items in the balance sheet on 1 January 2019:

Consolidated balance sheet (extract)	**31 December 2018 As originally Presented**	**Impact of HKFRS 16**	**1 January 2019 Restated**
	RMB'000	*RMB'000*	*RMB'000*
Right-of-use assets	—	15,920	15,920
Lease liabilities	—	224	224
Lease prepayment	15,696	(15,696)	—

(e) ***Lessor accounting***

The Group did not need to make any adjustments to the accounting for assets held as lessor under operating leases as a result of the adoption of HKFRS 16.

3. SEGMENT INFORMATION

The chief operating decision-makers have been identified as the executive directors who make strategic decisions.

The Group is principally engaged in the provision of 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 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 revenues generated. The reportable operating segments are grouped into PCauto, PConline and others. 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 baby and home products and other services.

There were no inter-segment sales for the year ended 31 December 2019 (2018: 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**	**Others**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
For the year ended 31 December 2019				
Timing of revenue recognition				
— Over time	727,401	127,852	76,566	931,819
— At a point in time	48,882	4,915	5,207	59,004
Revenue	776,283	132,767	81,773	990,823
For the year ended 31 December 2018				
Timing of revenue recognition				
— Over time	701,943	145,460	93,825	941,228
— At a point in time	51,586	4,947	24,938	81,471
Revenue	753,529	150,407	118,763	1,022,699

Though the Company is domiciled in the Cayman Islands, for the year ended 31 December 2019, all revenues of the Group were derived from external customers and they were all generated from the PRC (2018: same).

As at 31 December 2019, other than club membership included in the intangible assets and investment in equity fund, majority of other non-current assets of the Group were located in the PRC (31 December 2018: same).

For the year ended 31 December 2019, there was no revenue derived from a single external customer accounting for ten percent or more of the Group's revenues (2018: same).

The Group does not disclose information about remaining unsatisfied performance obligations year as permitted under the practical expedient in accordance with HKFRS 15 as their original expected duration is less than one year.

4. EXPENSES BY NATURE

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

	2019	2018
	RMB'000	*RMB'000*
Employee benefit expenses	**284,014**	275,990
Service commission to advertising agencies	**152,704**	167,586
Advertising expenses	**134,487**	146,454
Outsourcing production cost	**86,205**	120,711
Other taxes and surcharge	**29,529**	38,588
Technology service fees	**25,990**	26,234
Bandwidth and server custody fees	**17,889**	18,687
Travelling and entertainment expenses	**14,304**	16,890
Depreciation and amortisation expenses		
— Depreciation of property and equipment	**14,206**	14,719
— Amortisation of intangible assets	**154**	56
— Amortisation of right-of-use assets	**709**	324
Conference and office expenses	**5,827**	7,291
Expenses related to short term leases	**3,623**	3,895
Impairment charge of investment in an associate	**1,031**	8,390
Auditors' remuneration		
— Audit services	**3,670**	3,596
— Non-audit services	**515**	540
Professional fees	**1,453**	1,627
Other expenses	**10,329**	9,062
Total cost of revenue, selling and marketing costs, administrative expenses and product development expenses	**786,639**	860,640

Product development expenses are mainly included in employee benefit expenses and depreciation of property and equipment and amortisation of intangible assets. No product development expenses were capitalised for the year ended 31 December 2019 (2018: same).

5. OTHER INCOME

	2019	2018
	RMB'000	*RMB'000*
Government grants (i)	**6,151**	9,219
Rental income — net	**2,814**	1,859
Dividend income on investment in equity fund	**729**	696
	9,694	11,774

(i) There are no unfulfilled conditions or other contingencies attaching to these grants.

6. FINANCE INCOME — NET

	2019	2018
	RMB'000	*RMB'000*
Finance income		
— Interest income	**7,164**	6,919
— Net foreign exchange gains	**—**	3,500
	7,164	10,419
Finance cost		
— Interest expense on lease liabilities	**(27)**	—
— Net foreign exchange losses	**(434)**	—
	(461)	—
Finance income — net	**6,703**	10,419

7. INCOME TAX EXPENSE

	2019	2018
	RMB'000	*RMB'000*
PRC current tax	**30,555**	33,781
Deferred taxation	**2,533**	(5,837)
	33,088	27,944

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 2019 (2018: same).

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

Pursuant to the PRC Corporate Income Tax Law ("CIT Law"), the CIT rate for domestic enterprises and foreign invested enterprises is 25%. In addition, the CIT Law provides for, among others, a preferential tax rate of 15% for enterprises qualified as High and New Technology Enterprises ("HNTE"). Guangzhou Pacific Computer Information Consulting Co., Ltd. (廣州太平洋電腦信息諮詢有限公司, "GZP Computer") and Guangdong Pacific Internet Information 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, successfully renewed the certificate of HNTE in 2017. Therefore, the applicable income tax rate is 15% for the three years from 2017 to 2019. Guangzhou Yurui Information Technology Co., Ltd. (廣州裕睿信息科技有限公司, "GZ Yurui"), a PRC operating subsidiary of the Company, was formally designated as HNTE in 2019 and the applicable income tax rate is 15% for the three years from 2019 to 2021. Assuming that there is no change to the relevant laws and regulations, the directors consider that these three subsidiaries will 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.

According to CIT Law, a withholding income tax of 10% will be levied on the immediate holding companies outside the PRC when their PRC subsidiaries declare dividends out of profits earned after 1 January 2008. A lower 5% withholding income tax rate may be applied when the immediate holding companies of the PRC subsidiaries are established in Hong Kong and fulfil requirements under the tax treaty agreements between the relevant authorities of the PRC and Hong Kong. Hence, the Group used 5% as its withholding tax rate for certain Hong Kong intermediate holding companies which are expected to fulfill the aforesaid conditions.

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:

	2019	2018
	RMB'000	*RMB'000*
Profit before income tax expense	**187,768**	161,257
Tax calculated at the statutory tax rate of 25% (2018: 25%)	**46,942**	40,314
Tax effects of		
— Tax concessions available to certain PRC subsidiaries (a)	**(23,857)**	(19,439)
— Income not subject to tax	**(908)**	(2,167)
— Expenses not deductible for tax purposes (b)	**4,730**	5,228
— Unrecognised tax losses	**6,447**	4,670
— Additional deduction on product development expenses	**(9,266)**	(7,962)
Withholding tax on the earnings to be remitted by PRC subsidiaries	**9,000**	7,300
Income tax expense	**33,088**	27,944

(a) It represented the preferential tax treatments relating to HNTE enjoyed by certain PRC subsidiaries of the Group.

(b) Expenses not deductible for tax purposes mainly included 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.

	2019	2018
Profit attributable to equity holders of the Company *(RMB'000)*	**153,124**	132,747
Weighted average number of ordinary shares for basic earnings per share *(thousand shares)*	**1,124,230**	1,124,022
Basic earnings per share *(RMB)*	**13.62 cents**	11.81 cents

(b) Diluted

Diluted earnings per share equals to basic earnings per share as there were no potential diluted shares outstanding for the year ended 31 December 2019 (2018: same).

9. DIVIDENDS

A final dividend in respect of the year ended 31 December 2018 of RMB13.62 cents per ordinary share (final dividend in respect of the year ended 31 December 2017: RMB11.35 cents per ordinary share) was approved by the shareholders at the annual general meeting in May 2019. Such final dividend for 2018 totalling RMB153,133,000 was paid in 2019, which has already excluded the dividend related to the ordinary shares held for the Share Award Scheme of RMB1,325,000 (final dividend for 2017 excluding the dividend related to the ordinary shares held for the Share Award Scheme of RMB1,138,000: RMB127,577,000).

The directors recommended the payment of a final dividend of RMB10.80 cents per ordinary share in cash for the year ended 31 December 2019, totalling RMB122,478,000 based on the ordinary shares in issue as of 31 December 2019. Such final dividend is to be approved by the shareholders at the annual general meeting of the Company to be held in May 2020. These consolidated financial statements do not reflect this dividend payable.

10. TRADE AND OTHER RECEIVABLES AND PREPAYMENTS

	At 31 December	
	2019	2018
	RMB'000	*RMB'000*
Trade receivables, net of impairment provision (a)	**622,965**	579,687
Other receivables (b)	**19,308**	18,633
Prepayments	**1,730**	3,571
Notes receivable	**469**	—
	644,472	601,891

As of 31 December 2019, trade and other receivables were all denominated in RMB (31 December 2018: same).

(a) Trade receivables, net of impairment provision

Credit terms granted by the Group are generally within a period of three months to one year. The ageing analysis of the trade receivables (net of impairment provision of RMB108,427,000 (31 December 2018: RMB78,763,000)) is as follows:

	At 31 December	
	2019	2018
	RMB'000	*RMB'000*
Current to 6 months	**347,183**	379,809
6 months to 1 year	**203,797**	131,813
1 year to 2 years	**60,985**	57,065
Above 2 years	**11,000**	11,000
	622,965	579,687

As at 31 December 2019, trade receivables of RMB104,641,000 (31 December 2018: RMB97,784,000) were past due but not impaired. These related to a number of independent customers and debtors for whom there was no recent history of default and has good financial position. The ageing analysis of these trade receivables was as follows:

	At 31 December	
	2019	2018
	RMB'000	*RMB'000*
Current to 6 months	**5,296**	7,816
6 months to 1 year	**27,360**	21,903
1 year to 2 years	**60,985**	57,065
Above 2 years	**11,000**	11,000
	104,641	97,784

(b) Other receivables

	At 31 December	
	2019	2018
	RMB'000	*RMB'000*
Input value added tax deductible	**8,998**	7,140
Advance to employees	**4,424**	3,837
Rental receivable	**1,190**	1,567
Others	**4,696**	6,089
	19,308	18,633

The maximum exposure to credit risk at the reporting date is the carrying value of each class of receivables mentioned above. The Group does not hold any collateral as security.

11. INVESTMENT IN EQUITY FUND

	2019	2018
	RMB'000	*RMB'000*
At beginning of the year	**45,632**	36,544
Changes in fair value	**7,244**	9,088
At end of the year	**52,876**	45,632

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 financial assets at fair value through other comprehensive income ("FVOCI"). As at 31 December 2019, the Group held around 44% (31 December 2018: 48%) interests in the Fund.

The Fund invested in shares of listed companies and private companies which mainly engaged in Internet business. The fair value of investment in equity fund is 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 recent trading price of the shares of the unlisted entities invested by the Fund.

12. ACCRUALS AND OTHER PAYABLES

	At 31 December	
	2019	2018
	RMB'000	*RMB'000*
Accrued expenses (a)	**252,733**	236,112
Salaries payable	**44,746**	44,090
Other tax payable	**5,518**	10,690
Other payables (b)	**13,387**	12,316
	316,384	303,208

(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.

13. SUBSEQUENT EVENT

Since early 2020, the epidemic of Coronavirus Disease 2019 (the "COVID-19 outbreak") has spread across China and other countries. As a result, a series of precautionary and control measures have been and continued to be implemented. In light of the negative impact brought upon by the COVID-19 outbreak in short term, it has lead to decrease of contract amounts signed between the Group and its customers as a result of postponement of work resumption, as well as decrease in the fair value of investment in equity fund as a result of the fluctuation in the value of the shares in the listed and private companies after year end.

The Group is not yet able to quantify the aforesaid influence due to the COVID-19 outbreak. However, the Group will pay close attention to the development of the COVID-19 outbreak and its impact and will continue to perform relevant assessments and take proactive measures as appropriate.

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

For the whole of 2019, the Company's revenue was RMB990.8 million, a decrease of 3.1% from last year. The profit attributable to equity holders was RMB153.1 million, a year-on-year increase of 15.4%. The Company's continued organizational restructuring and cost optimization has also improved the company's competitiveness and organizational efficiency.

PCauto has faced a number of challenges in the past year. The introduction of stricter nationwide emission standards from the "China V" to "China VI" standard in addition to already slowing sales in the auto industry in the second half of the year resulted in China's overall car sales falling by 8.2% in 2019. This has resulted in a lower than anticipated growth rate in PCauto. PCauto's "Cool Car Project", through a collaboration with Alipay, has continued to develop new marketing products and develop the aftersales market collaborating with brands such as Bridgestone and Double Star. PCauto's Auto Merchant+ strategy continues to remain unchanged and will continue to invest in and develop new products for both dealers and customers. Considering the unexpected Novel Coronavirus global epidemic, PCauto will seek to strengthen content innovation and development with upcoming products in the e-commerce, VR, and video content space.

In the latter half of 2019, the trade war tensions continued to seriously affect China's private businesses, with electronics, chemical, textile, and building materials industries being the hardest hit, the impact of which has affected almost all consumers in the PConline, PClady, PChouse, and PCbaby categories. Despite the tensions, PConline has managed to establish itself in a leading position within the industry.

Through the continued restructuring and integration of the four websites outside of PCauto, we are better poised to identify new business opportunities and increase competitiveness. New channel marketing strategies, an enhanced commitment to identifying customer needs, and further development of our online-to-offline services will help to strengthen the Group's competitive advantage.

Looking ahead towards 2020, the Company maintains a cautious view of the impact from the Novel Coronavirus pandemic (COVID-19) on revenue. We will continue to closely observe the global developments and monitor the impact it will have on our related industries. The Company has been proactive in ensuring that operational capabilities remain minimally affected during these times. This includes enhancing our 'work-from-home' procedures and capabilities and increasing adoption of digital collaborative tools. We have also implemented a number of precautionary measures at the Company to maintain a safe working environment that are in line with advisories by the authorities in addition to providing employees with up-to-date relevant information to reassure them during this time.

The Company will continue to focus on new product development, team integration and organizational restructuring to strengthen the effectiveness of operational efficiency and cost optimization during these uncertain times. Therefore, we remain cautious about the prospects of our Company.

Revenue

Revenue decreased 3.1% from RMB1,022.7 million for the year ended 31 December 2018 to RMB990.8 million for the year ended 31 December 2019.

Revenue for PCauto, the Group's automobile portal, increased 3.0% from RMB753.5 million for the year ended 31 December 2018 to RMB776.3 million during the year ended 31 December 2019. The increase in revenue for PCauto was primarily due to increased spending from both auto manufacturers and dealership customers. As a percentage of revenue, PCauto accounted for 73.7% during the year ended 31 December 2018 and 78.3% during the year ended 31 December 2019.

Revenue for PConline, the Group's IT and consumer electronics portal, decreased 11.7% from RMB150.4 million during the year ended 31 December 2018 to RMB132.8 million during the year ended 31 December 2019. The decrease was due to decline in demand from consumer electronics manufacturers. As a percentage of revenue, PConline accounted for 14.7% during the year ended 31 December 2018 and 13.4% during the year ended 31 December 2019.

Revenue from other operations, including PClady, PCbaby and PChouse portals, decreased by 31.1% from RMB118.8 million during the year ended 31 December 2018 to RMB81.8 million during the year ended 31 December 2019. The decrease was mainly due to the slowdown in advertising demand from these general consumer markets. As a percentage of revenue, revenue from other operations accounted for 11.6% during the year ended 31 December 2018 and 8.3% during the year ended 31 December 2019.

Cost of Revenue

Cost of revenue decreased 13.1% from RMB441.6 million during the year ended 31 December 2018 to RMB383.5 million during the year ended 31 December 2019. Gross profit margin was 56.8% during the year ended 31 December 2018 and 61.3% during the year ended 31 December 2019.

The decrease in cost of revenue was mainly due to decrease in commission to advertising agents, outsourcing production costs and taxes and surcharges.

Selling and Marketing Costs

Selling and marketing costs decreased 4.0% from RMB268.3 million during the year ended 31 December 2018 to RMB257.7 million during the year ended 31 December 2019. The decrease in selling and marketing expenses was mainly due to the decrease in advertising expenses.

Administrative Expenses and Net Impairment losses on Financial Assets

Administrative expenses and net impairment losses on financial assets increased by 3.0% from RMB97.2 million during the year ended 31 December 2018 to RMB100.1 million during the year ended 31 December 2019, mainly due to increase in impair charge of receivables during the year.

Product Development Expenses

Product development expenses increased by 4.7% from RMB74.3 million during the year ended 31 December 2018 to RMB77.8 million during the year ended 31 December 2019. The increase was due to increase in personnel-related expenses in the Group's research and development team.

Other Income

Other income was RMB9.7 million during the year ended 31 December 2019 and RMB11.8 million during the year ended 31 December 2018. The majority of other income is same as previous years from government grants during the year.

Finance Income — Net

Net finance income decreased 35.7% from RMB10.4 million during the year ended 31 December 2018 to RMB6.7 million during the year ended 31 December 2019. The decrease was mainly due to the losses in foreign exchange in 2019 and gains in foreign exchange in 2018.

Income Tax Expense

Income tax expenses increased 18.4% from RMB27.9 million during the year ended 31 December 2018 to RMB33.1 million during the year ended 31 December 2019.

Profit for the year Attributable to Equity Holders of the Company

Profit attributable to equity holders increased 15.4% from RMB132.7 million during the year ended 31 December 2018 to RMB153.1 million during the year ended 31 December 2019.

Liquidity and Financial Resources

As of 31 December 2019, the Group had short-term deposits and cash totaling RMB428.0 million, compared with RMB458.9 million as of 31 December 2018.

In 2019, net cash generated from operating activities was RMB122.5 million, net cash generated from investing activities was RMB49.2 million, net cash used in financing activities was RMB153.5 million, with a net increase in cash and cash equivalents of RMB18.2 million for year 2019.

In 2018, net cash generated from operating activities was RMB133.4 million, net cash used in investing activities was RMB45.2 million, net cash used in financing activities was RMB126.1 million, with a net decrease in cash and cash equivalents of RMB37.9 million for year 2018.

The Company had no external debt as of 31 December 2018 and 31 December 2019.

Bank Borrowings

As of both 31 December 2019 and 31 December 2018, 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 2019, the Group had no material acquisitions or disposals of subsidiaries and associates.

Charges on Assets

As at 31 December 2019, 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 2019, the Group had 1,212 employees (2018: 1,331). 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 RMB10.80 cents per ordinary share for the year ended 31 December 2019 (the "Proposed Final Dividend"), which compares with RMB13.62 cents for 2018. The final dividend is subject to the shareholders' approval at the Company's forthcoming annual general meeting to be held on Monday, 18 May 2020 (the "2020 AGM"). The Proposed Final Dividend will be paid in cash on Monday, 8 June 2020 to shareholders whose names appear on the register of members of the Company at the close of business on Wednesday, 27 May 2020.

Closure of Register of Members

For determining the entitlement to attend and vote at the 2020 AGM, the register of members of the Company will be closed from Wednesday, 13 May 2020 to Monday, 18 May 2020, 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 2020 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 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, for registration not later than 4:30 p.m. on Tuesday, 12 May 2020.

For determining the entitlement to the Proposed Final Dividend, the register of members of the Company will also be closed from Monday, 25 May 2020 to Wednesday, 27 May 2020, 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, 22 May 2020.

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 2019.

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. Lam Wai Hon, Ambrose, has reviewed the accounting principles and practices adopted by the Group and discussed auditing, risk management and internal control and financial reporting matters, including the review of the annual financial results of the Group for the year ended 31 December 2019.

Scope of work of PricewaterhouseCoopers

The figures in respect of the announcement of the Group's results for the year ended 31 December 2019 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 2019, 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 sincerest gratitude on behalf of the Board to all of my employees and shareholders for their continuous effort and support.

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

Hong Kong, 30 March 2020

As at the date of this announcement, the Board comprises 3 executive directors, namely, Dr. Lam Wai Yan, Mr. Ho Kam Wah and Mr. Wang Ta-Hsing; and 3 independent non-executive directors, namely, Mr. Tsui Yiu Wa, Alec, Mr. Thaddeus Thomas Beczak and Mr. Lam Wai Hon, Ambrose.