PACIFIC ONLINE LIMITED
太 平 洋 網 絡 有 限 公 司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 543)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2018

The board of directors (the "Board") of Pacific Online Limited (the "Company") announces the unaudited condensed consolidated results of the Company and its subsidiaries (collectively the "Group") for the six months ended 30 June 2018 together with the comparative figures for the corresponding period of last year, as follows:

CONDENSED CONSOLIDATED INTERIM INCOME STATEMENT
For the six months ended 30 June 2018

		Unaudited	
		Six months ended 30 June	
		2018	2017
	Note	***RMB'000***	*RMB'000*
Revenue	4	**459,331**	445,723
Cost of revenue		**(210,251)**	(184,055)
Gross profit		**249,080**	261,668
Selling and marketing costs		**(128,072)**	(113,395)
Administrative expenses		**(34,656)**	(48,737)
Product development expenses		**(36,333)**	(35,700)
Other income	5	**8,418**	9,189
Operating profit		**58,437**	73,025
Finance income	6	**6,415**	2,737
Finance cost	6	**—**	(1,675)
Finance income — net	6	**6,415**	1,062

		Unaudited	
		Six months ended 30 June	
		2018	2017
	Note	***RMB'000***	*RMB'000*
Share of net loss of an associate accounted for using the equity method	13	**(1,270)**	—
Profit before income tax		**63,582**	74,087
Income tax expense	7	**(11,574)**	(14,286)
Profit for the period		**52,008**	59,801
Attributable to:			
— Equity holders of the Company		**53,508**	59,801
— Non-controlling interests		**(1,500)**	—
		52,008	59,801
Earnings per share for profit attributable to equity holders of the Company for the period			
— Basic *(RMB)*	8	**4.76 cents**	5.28 cents
— Diluted *(RMB)*	8	**4.76 cents**	5.28 cents

CONDENSED CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME
For the six months ended 30 June 2018

	Unaudited Six months ended 30 June	
	2018	2017
	RMB'000	*RMB'000*
Profit for the period	**52,008**	59,801
Items that may be reclassified to profit or loss		
Changes in value of investment in equity fund	—	400
Items that will not be reclassified to profit or loss		
Changes in value of investment in equity fund	**9,978**	—
Other comprehensive income for the period, net of tax	**9,978**	400
Total comprehensive income for the period	**61,986**	60,201
Attributable to:		
— Equity holders of the Company	**63,486**	60,201
— Non-controlling interests	**(1,500)**	—
	61,986	60,201

CONDENSED CONSOLIDATED INTERIM BALANCE SHEET

As at 30 June 2018

	Note	**Unaudited 30 June 2018 *RMB'000***	Audited 31 December 2017 *RMB'000*
ASSETS			
Non-current assets			
Lease prepayment		**15,856**	16,020
Property and equipment	10	**222,359**	236,079
Investment property	10	**7,014**	—
Intangible assets	10	**8,800**	8,826
Deferred income tax assets	11	**47,249**	47,185
Investment in an associate	13	**12,934**	14,204
Investment in equity fund	14	**46,522**	36,544
		360,734	358,858
Current assets			
Trade and other receivables and prepayments	12	**583,565**	593,310
Short-term bank deposits with original terms of over three months		**2,450**	2,519
Cash and cash equivalents		**334,188**	442,561
		920,203	1,038,390
Total assets		**1,280,937**	1,397,248

	Note	Unaudited 30 June 2018 RMB'000	Audited 31 December 2017 RMB'000
EQUITY			
Capital and reserves attributable to equity holders of the Company			
Ordinary shares	15	**10,491**	10,491
Reserves		**905,827**	969,918
		916,318	980,409
Non-controlling interests		**—**	—
Total equity		**916,318**	980,409
LIABILITIES			
Non-current liabilities			
Deferred income tax liabilities	11	**2,900**	—
Current liabilities			
Accruals and other payables	16	**250,615**	288,260
Contract liabilities	3	**58,013**	—
Prepaid advertising subscriptions from customers	3	**—**	61,106
Current income tax liabilities		**53,091**	67,473
		361,719	416,839
Total liabilities		**364,619**	416,839
Total equity and liabilities		**1,280,937**	1,397,248

CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2018

		Unaudited										
		Attributable to equity holders of the Company										
	Note	**Ordinary shares** *RMB'000*	**Share premium** *RMB'000*	**Merger reserve** *RMB'000*	**Capital redemption reserve** *RMB'000*	**Shares held for share award scheme** *RMB'000*	**Statutory reserve funds** *RMB'000*	**Investment in equity fund** *RMB'000*	**Retained earnings** *RMB'000*	**Subtotal** *RMB'000*	**Non-controlling interests** *RMB'000*	**Total** *RMB'000*
Six months ended 30 June 2018												
Balance at 1 January 2018		**10,491**	**399,201**	**4**	**306**	**(10,749)**	**43,250**	**5,347**	**532,559**	**980,409**	**—**	**980,409**
Comprehensive income												
Profit for the period		—	—	—	—	—	—	—	**53,508**	**53,508**	**(1,500)**	**52,008**
Other comprehensive income												
— changes in value of investment in equity fund	14	—	—	—	—	—	—	**9,978**	—	**9,978**	—	**9,978**
Total comprehensive income		—	—	—	—	—	—	**9,978**	**53,508**	**63,486**	**(1,500)**	**61,986**
Transactions with equity holders												
Capital injection from non-controlling shareholders		—	—	—	—	—	—	—	—	—	**1,500**	**1,500**
Cash dividends relating to 2017	9	—	—	—	—	—	—	—	**(127,577)**	**(127,577)**	—	**(127,577)**
Balance at 30 June 2018		**10,491**	**399,201**	**4**	**306**	**(10,749)**	**43,250**	**15,325**	**458,490**	**916,318**	**—**	**916,318**

		Unaudited									
		Attributable to equity holders of the Company									
	Note	Ordinary shares *RMB'000*	Share premium *RMB'000*	Merger reserve *RMB'000*	Capital redemption reserve *RMB'000*	Share-based compensation reserve *RMB'000*	Shares held for share award scheme *RMB'000*	Statutory reserve funds *RMB'000*	Investment in equity fund *RMB'000*	Retained earnings *RMB'000*	Total *RMB'000*
Six months ended 30 June 2017											
Balance at 1 January 2017		10,477	394,752	4	306	2,566	776	43,250	3,985	555,895	1,012,011
Comprehensive income											
Profit for the period		—	—	—	—	—	—	—	—	59,801	59,801
Other comprehensive income											
— changes in value of investment in equity fund	14	—	—	—	—	—	—	—	400	—	400
Total comprehensive income		—	—	—	—	—	—	—	400	59,801	60,201
Transactions with equity holders											
Cash dividends relating to 2016	9	—	—	—	—	—	—	—	—	(128,653)	(128,653)
Employees share option schemes											
— proceeds from shares issued		10	1,273	—	—	—	—	—	—	—	1,283
— transfer upon exercise of share options		—	572	—	—	(572)	—	—	—	—	—
Balance at 30 June 2017		10,487	396,597	4	306	1,994	776	43,250	4,385	487,043	944,842

CONDENSED CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS

For the six months ended 30 June 2018

		Unaudited	
		Six months ended 30 June	
		2018	2017
	Note	***RMB'000***	*RMB'000*
Cash flows from operating activities			
Cash generated from operations		**34,134**	23,785
Income tax paid		**(23,120)**	(22,658)
Net cash generated from operating activities		**11,014**	1,127
Cash flows from investing activities			
Purchase of property and equipment		**(1,574)**	(1,674)
Disposals of property and equipment		**548**	677
Placement of short-term bank deposits with original terms of over three months		**(2,450)**	(2,500)
Receipt from maturity of short-term bank deposits with original terms of over three months		**2,519**	3,677
Interests received		**5,586**	2,527
Maturity of certificates of deposit		**—**	15,000
Redemption of held-to-maturity financial assets		**—**	20,000
Receipt from repayment of loan to a key management personnel		**—**	2,693
Proceeds related to business disposal		**—**	850
Net cash generated from investing activities		**4,629**	41,250
Cash flows from financing activities			
Cash dividends paid to the Company's shareholders	9	**(127,577)**	(128,653)
Proceeds from issuance of ordinary shares		**—**	1,283
Capital injection from non-controlling shareholders		**1,500**	—
Net cash used in financing activities		**(126,077)**	(127,370)
Net decrease in cash and cash equivalents		**(110,434)**	(84,993)
Cash and cash equivalents at beginning of period		**442,561**	392,316
Exchange gains/(losses) on cash and cash equivalents		**2,061**	(1,675)
Cash and cash equivalents at end of period		**334,188**	305,648

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 (the "Stock Exchange") since 18 December 2007.

This condensed consolidated interim financial information (the "Interim Financial Information") is presented in Renminbi ("RMB"), unless otherwise stated. The Interim Financial Information has been approved by the Board of the Company on 27 August 2018.

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES

The Interim Financial Information has been prepared in accordance with Hong Kong Accounting Standard 34 "Interim financial reporting". The Interim Financial Information does not include all the notes of the type normally included in an annual financial report. Accordingly, the Interim Financial Information is to be read in conjunction with the annual report for the year ended 31 December 2017 and any public announcements made by the Company during the interim reporting period.

The accounting policies applied are consistent with those of the previous financial year and corresponding interim reporting period, except for the estimation of income tax using the tax rate that would be applicable to expected total annual earnings and the adoption of new and amended Hong Kong Financial Reporting Standards ("HKFRS") as set out below in Note 3.

3. CHANGES IN ACCOUNTING POLICIES

This note explains the impact of the adoption of HKFRS 9 "Financial Instruments" and HKFRS 15 "Revenue from Contracts with Customers" on the Group's financial statements and also discloses the new accounting policies that have been applied from 1 January 2018, where they are different to those applied in prior periods.

3.1 Impact on the financial statements

As explained in Note 3.2 and 3.3 below, HKFRS 9 and HKFRS 15 were generally adopted without restating comparative information. Certain reclassifications and adjustments are not restated to the consolidated balance sheet as at 31 December 2017, but are recognised in the opening balance sheet on 1 January 2018.

The following tables show the adjustments recognised for each individual line item. Line items that were not affected by the changes have not been included. The adjustments are explained in more detail by standard below.

Condensed consolidated interim balance sheet (extract)	31 December 2017 As originally presented RMB'000	Impact HKFRS 9 RMB'000	HKFRS 15 RMB'000	1 January 2018 Restated RMB'000
Investment in equity fund (Financial assets at fair value through other comprehensive income ("FVOCI"))	—	36,544	—	36,544
Investment in equity fund (Available-for-sale financial assets)	36,544	(36,544)	—	—
Contract liabilities	—	—	61,106	61,106
Prepaid advertising subscriptions from customers	61,106	—	(61,106)	—

3.2 Adoption of HKFRS 9

3.2.1 HKFRS 9 — impact of adoption

HKFRS 9 addresses the recognition, classification and measurement of financial assets and financial liabilities and derecognition of financial instruments, introduces new rules for hedge accounting and a new impairment model for financial assets. The adoption of HKFRS 9 has resulted in changes in the Group's accounting policies for recognition, classification and measurement of financial assets and financial liabilities and impairment of financial assets. The new accounting policies are set out in Note 3.2.2 below.

(a) Reclassification from available-for-sale financial assets to financial assets at FVOCI

The Group classified the investment in equity fund (Note 14) as available-for-sale financial assets under previous standard HKAS 39. With the adoption of HKFRS 9, this equity investment was classified as financial assets measured at fair value and the Group elected to present any changes in the fair value in other comprehensive income because the investment is held as a long-term strategic investment that are not expected to be sold in the short to medium term. Hence, no change was expected for the measurement for the investment in equity fund except that gains or losses realised on the sale of the financial assets at FVOCI will no longer be transferred to profit or loss, but instead, will be reclassified from other reserve to retained earnings.

Other than that, there were no changes to the classification of financial instruments.

(b) *Impairment of financial assets*

The new impairment model requires the recognition of impairment provisions based on expected credit losses rather than only incurred credit losses as is the case under HKAS 39. The Group's trade and other receivables are subject to impairment under the new expected credit losses model.

The Group is required to revise its impairment methodology under HKFRS 9 for trade and other receivables. The Group applies the HKFRS 9 simplified approach to measuring expected credit losses which uses a expected lifetime loss allowance for trade receivables. Impairment on other receivables is measured as either 12-month expected credit losses or lifetime expected credit losses, depending on whether there has been a significant increase in credit risk since initial recognition.

The Group established expected credit losses model based on historical settlement records, past experience and available forward-looking information. The Group has concluded that the impact of expected credit losses on financial assets is insignificant as at 1 January 2018.

3.2.2 HKFRS 9 — accounting policies applied from 1 January 2018

The following describes the Group's updated financial instruments policy to reflect the adoption of HKFRS 9:

(a) *Classification*

From 1 January 2018, the Group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through other comprehensive income, or through profit or loss), and

- those to be measured at amortised cost.

The classification depends on the Group's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or other comprehensive income. For investments in equity instruments that are not held for trading, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at FVOCI.

The Group reclassifies debt investments when and only when its business model for managing those assets changes.

(b) *Recognition and measurement*

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss ("FVPL"), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss.

Debt instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset.

Trade and other receivables that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gains or losses arising on derecognition is recognised directly in profit or loss and presented in other gains/(losses) (if any), together with foreign exchange gains and losses.

Equity instruments

The Group subsequently measures all equity investments at fair value. Where the Group's management has elected to present fair value gains and losses on equity investments in other comprehensive income, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognised in profit or loss as other income when the Group's right to receive payments is established.

Changes in the fair value of financial assets at FVPL are recognised in other gains/(losses) in the income statement as applicable. Impairment losses (and reversal of impairment losses) on equity investments measured at FVOCI are not reported separately from other changes in fair value.

(c) Impairment

From 1 January 2018, the Group assesses on a forward-looking basis the expected credit losses associated with its debt instruments carried at amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade receivables, the Group applies the simplified approach permitted by HKFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables. Impairment on other receivables is measured as either 12-month expected losses or lifetime expected losses. If a significant increase in credit risk of a receivable occurred since initial recognition, then impairment is measured as lifetime expected credit losses.

3.3 Adoption of HKFRS 15

3.3.1 HKFRS 15 — impact of adoption

The Group adopted the standard using the modified retrospective approach which means that the cumulative impact of the adoption will be recognised in retained earnings as of 1 January 2018 and that comparatives will not be restated.

The Group's advertising services are within the scope of the standard.

The Group has assessed its performance obligations under its arrangements pursuant to HKFRS 15 and has concluded that there are no significant differences between the performance obligations required to be units of account under HKFRS 15 and the deliverables considered to be units of account under HKAS 18 and the consideration is allocated to its performance obligations based on the relative fair value of each deliverables both under HKFRS 15 and HKAS 18.

The Group has concluded that there is no significant impact of HKFRS 15 on revenue recognition as at 1 January 2018 and the six months ended 30 June 2018, except for the reclassification from the prepaid advertising subscriptions from customers to the contract liabilities as presented in Note 3.1.

There is no material change of accounting policy for advertising revenue with the adoption of HKFRS 15.

4. 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, PClady 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 six months ended 30 June 2018 (six months ended 30 June 2017: same). The revenue from external parties reported to the chief operating decision-makers is measured in a manner consistent with that in the condensed consolidated interim income statement.

	PCauto	**PConline**	**PClady**	**Others**	**Group**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
For the six months ended 30 June 2018					
Timing of revenue recognition					
Over time	**300,145**	**66,170**	**9,517**	**43,166**	**418,998**
At a point in time	**25,586**	**2,456**	**1,457**	**10,834**	**40,333**
Revenue	**325,731**	**68,626**	**10,974**	**54,000**	**459,331**
For the six months ended 30 June 2017					
Timing of revenue recognition					
Over time	304,114	63,644	7,470	42,629	417,857
At a point in time	16,759	1,875	434	8,798	27,866
Revenue	320,873	65,519	7,904	51,427	445,723

Though the Company is domiciled in the Cayman Islands, for the six months ended 30 June 2018, all revenues of the Group were derived from external customers and they were all generated from the PRC (six months ended 30 June 2017: same).

As at 30 June 2018, other than club membership included in the intangible assets and investment in equity fund, majority of the other non-current assets of the Group were located in the PRC (31 December 2017: same).

For the six months ended 30 June 2018, there was no revenue derived from a single external customer accounting for ten percent or more of the Group's revenues (six months ended 30 June 2017: same).

5. OTHER INCOME

	Unaudited	
	Six months ended 30 June	
	2018	2017
	RMB'000	*RMB'000*
Government grants	**7,710**	8,769
Rental income	**708**	—
Investment income on held-to-maturity financial assets	**—**	420
	8,418	9,189

6. FINANCE INCOME — NET

	Unaudited Six months ended 30 June 2018 RMB'000	2017 RMB'000
Finance income		
— Interest income	**4,354**	2,737
— Net foreign exchange gains	**2,061**	—
	6,415	2,737
Finance cost		
— Net foreign exchange losses	**—**	(1,675)
	6,415	1,062

7. INCOME TAX EXPENSE

	Unaudited Six months ended 30 June 2018 RMB'000	2017 RMB'000
PRC current tax	**8,738**	16,304
Deferred taxation	**2,836**	(2,018)
	11,574	14,286

Income tax expense is recognised based on management's best estimate of the projected full year annual effective income tax rate.

The Company, which is a Cayman Islands corporation, was 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 six months ended 30 June 2018 (six months ended 30 June 2017: same).

Current taxation primarily represented the provision for the 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. and Guangdong Pacific Internet Information Service Co., Ltd. are the principal operating subsidiaries of the Company. These companies successfully renewed the certificate of HNTE through application in 2017. Therefore the applicable income tax rate of these companies is 15% for the three years from

2017 to 2019. Moreover, Guangzhou Fengwang Technology Co., Ltd., a PRC operating subsidiary of the Company, was formally designated as HNTE in 2016 and the applicable income tax rate is 15% for the three years from 2016 to 2018. Assuming that there is no change to relevant laws and regulations, the directors consider that these three 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 the CIT Law.

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 period (excluding the ordinary shares purchased by the Group and held for the share award scheme).

	Unaudited Six months ended 30 June	
	2018	2017
Profit attributable to equity holders of the Company *(RMB'000)*	**53,508**	59,801
Weighted average number of ordinary shares for basic earnings per share *(thousand shares)*	**1,124,022**	1,132,814
Basic earnings per share *(RMB)*	**4.76 cents**	5.28 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 granted by the Company (collectively forming the denominator for computing diluted earnings per share). No adjustment is made to earnings (numerator).

	Unaudited Six months ended 30 June	
	2018	2017
Profit attributable to equity holders of the Company *(RMB'000)*	**53,508**	59,801
Weighted average number of ordinary shares for diluted earnings per share *(thousand shares)*	**1,124,022**	1,133,533
— Weighted average number of ordinary shares for basic earnings per share *(thousand shares)*	**1,124,022**	1,132,814
— Adjustment for share options *(thousand shares)*	**—**	719
Diluted earnings per share *(RMB)*	**4.76 cents**	5.28 cents

9. DIVIDENDS

A final dividend in respect of the year ended 31 December 2017 of RMB11.35 cents per ordinary share (final dividend in respect of the year ended 31 December 2016: RMB11.35 cents per ordinary share) was approved by the shareholders at the annual general meeting in May 2018. Such final dividend for 2017 totalling RMB127,577,000 (final dividend for 2016: RMB128,653,000) was paid during the six months ended 30 June 2018, which has already excluded the dividend related to the ordinary shares held for the share award scheme of RMB1,138,000 (six months ended 30 June 2017: RMB4,000).

The directors did not recommend any interim dividend for the six months ended 30 June 2018 (six months ended 30 June 2017: same).

10. PROPERTY AND EQUIPMENT, INVESTMENT PROPERTY AND INTANGIBLE ASSETS

	Property and equipment *RMB'000* (Unaudited)	**Investment property** *RMB'000* (Unaudited)	**Intangible assets** *RMB'000* (Unaudited)
Six months ended 30 June 2018			
Net book amount as at 1 January 2018	**236,079**	**—**	**8,826**
Additions	**1,574**	**—**	**—**
Disposals	**(489)**	**—**	**—**
Transfers *(Note (a))*	**(7,100)**	**7,100**	**—**
Depreciation and amortisation	**(7,705)**	**(86)**	**(26)**
Net book amount as at 30 June 2018	**222,359**	**7,014**	**8,800**
Six months ended 30 June 2017			
Net book amount as at 1 January 2017	248,557	—	9,292
Additions	1,674	—	—
Disposals	(717)	—	—
Depreciation and amortisation	(8,098)	—	(371)
Net book amount as at 30 June 2017	241,416	—	8,921

(a) During the period, certain buildings have been leased to tenants with rentals payable monthly and were reclassified to investment property. The relevant rental income is recognised on a straight-line basis over the lease term.

11. DEFERRED INCOME TAX

Deferred income taxes are calculated in full on temporary differences under the liability method using the tax rates, which are enacted or substantively enacted and expected to apply to the period when the assets are realised or the liabilities are settled.

Deferred income tax assets

	Unaudited As at 30 June 2018 *RMB'000*	Audited As at 31 December 2017 *RMB'000*
Deferred income tax assets:		
— to be recovered after more than 12 months	**41,619**	38,676
— to be recovered within 12 months	**5,630**	8,509
	47,249	47,185

The movement in deferred income tax assets during the period was as follows:

	Advertising expenses in excess of allowance *RMB'000* (Unaudited)	**Provision for impairment of trade receivables** *RMB'000* (Unaudited)	**Accruals** *RMB'000* (Unaudited)	**Tax losses** *RMB'000* (Unaudited)	**Total** *RMB'000* (Unaudited)
At 1 January 2018	**18,283**	**16,073**	**6,629**	**6,200**	**47,185**
Credited/(Charged) to the income statement	**1,574**	**856**	**(1,137)**	**(1,229)**	**64**
At 30 June 2018	**19,857**	**16,929**	**5,492**	**4,971**	**47,249**
At 1 January 2017	12,764	11,139	3,484	4,600	31,987
Credited to the income statement	600	4,201	975	792	6,568
At 30 June 2017	13,364	15,340	4,459	5,392	38,555

Deferred income tax liabilities

	Unaudited As at 30 June 2018 *RMB'000*	Audited As at 31 December 2017 *RMB'000*
Deferred income tax liabilities:		
— to be recovered within 12 months	**2,900**	—

The movement in deferred income tax liabilities during the period was as follows:

	Withholding tax on the earnings anticipated to be remitted by PRC subsidiaries *RMB'000* (Unaudited)
At 1 January 2018	**—**
Charged to the income statement	**2,900**
At 30 June 2018	**2,900**
At 1 January 2017	—
Charged to the income statement	4,550
At 30 June 2017	4,550

According to the applicable PRC tax regulations, dividends distributed by a company established in the PRC to a foreign investor with respect to profits derived after 1 January 2008 are generally subject to a 10% withholding tax. If a foreign investor is incorporated in Hong Kong and meets the conditions or requirements under the double taxation arrangement entered into between the PRC and Hong Kong, the relevant withholding tax rate will be reduced from 10% to 5%.

12. TRADE AND OTHER RECEIVABLES AND PREPAYMENTS

(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. As at 30 June 2018, the ageing analysis of the trade receivables (net of impairment provision of RMB71,985,000 (31 December 2017: RMB69,602,000)) was as follows:

	Unaudited As at 30 June 2018 *RMB'000*	Audited As at 31 December 2017 *RMB'000*
Current to 6 months	**372,917**	360,048
6 months to 1 year	**89,476**	143,787
1 year to 2 years	**71,453**	61,808
above 2 years	**11,400**	—
	545,246	565,643

For the six months ended 30 June 2018, net impairment losses on trade receivables amounted to RMB2,383,000 (six months ended 30 June 2017: RMB15,510,000) was recognised in profit or loss.

(b) Other receivables and prepayments

	Unaudited As at 30 June 2018 *RMB'000*	Audited As at 31 December 2017 *RMB'000*
Prepayments	**17,433**	13,780
Advances to employees	**5,521**	2,929
Input value added tax deductible	**5,368**	5,743
Others	**9,997**	5,215
	38,319	27,667

13. INVESTMENT IN AN ASSOCIATE

The movement of investment in an associate is as follows:

	RMB'000 (Unaudited)
At 1 January 2018	**14,204**
Share of loss — net	**(1,270)**
At 30 June 2018	**12,934**

This investment represented the Group's 15% equity interest in Guangdong EJauto Information Technology Co., Ltd..

14. INVESTMENT IN EQUITY FUND

	Unaudited Six moths ended 30 June	
	2018	2017
	RMB'000	*RMB'000*
At the beginning of the period	**36,544**	35,182
Changes in fair value	**9,978**	400
At the end of the period	**46,522**	35,582

15. ORDINARY SHARES

	Authorised ordinary shares		
	Number of shares ('000)	*HKD'000*	*RMB'000*
At 31 December 2017 and 30 June 2018	100,000,000	1,000,000	969,200

	Issued and fully paid up		
	Number of shares ('000) (Unaudited)	*HKD'000* (Unaudited)	*RMB'000* (Unaudited)
At 1 January 2018 and 30 June 2018	1,134,055	11,341	10,491
At 1 January 2017	1,132,405	11,324	10,477
Share Option Plans — issued shares	1,100	11	10
At 30 June 2017	1,133,505	11,335	10,487

As at 30 June 2018, the total number of issued ordinary shares of the Company was 1,134,055,000 shares which included 10,033,000 shares held under the share award scheme (31 December 2017: same).

16. ACCRUALS AND OTHER PAYABLES

	Unaudited As at 30 June 2018 *RMB'000*	Audited As at 31 December 2017 *RMB'000*
Accrued expenses (a)	**191,165**	217,951
Salaries payable	**38,333**	47,771
Other tax payables	**6,364**	8,862
Other payables (b)	**14,753**	13,676
	250,615	288,260

(a) Accrued expenses mainly represented accrued service commission fees payable to advertising agencies and accrued advertising expenses.

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

CHAIRMAN'S STATEMENT

On behalf of the Board, I would like to present the performance of the Company for the first half of 2018.

For the first six months of this year, the Company's revenue was RMB459.3 million, an increase of 3.1% over the same period last year. The first half of this year has seen great changes in the global trading environment and China's macro economy as a whole. Due to multiple instances of friction in Sino-US trade relations, China's domestic consumption growth has slowed down and different industries have been affected to varying degrees. The Company's restructuring in early 2017 streamlined staff and optimized operating expenses, effectively mitigating the impact of industry changes on company performance and allowing the Company to maintain stable development even in this volatile economic environment.

From a revenue perspective, each website has seen steady growth. PCauto accounted for around 70.9% of the Group's total revenue for the first half of this year. At the dealership level, PCauto has continued to optimize its "Auto Merchant+" platform. "Auto Merchant+" now provides efficient mobile sales management tools and the latest brand marketing tools based on Augmented Reality (AR) technology for our auto dealer customers. After two years of development, our mobile sales management tool "Pocket Auto Salesman" has begun to take shape. "Pocket Auto Salesman" now covers over 15,000 4S stores and sees over 25,000 4S salesman login to use each day. This year, our "Cool Auto Butler" platform worked closely with Alipay.com Co., Ltd.（支付寶（中國）網絡技術有限公司）("Alipay") to build a new generation of automobile brand marketing tools using AR technology. At the end of July, a cooperative framework agreement was reached with Alipay with both sides agreeing to provide comprehensive and valuable products and services to users on both platforms.

PConline's revenue remained consistent when compared to the same period last year. China's consumer smart electronic products have entered a stable period after market saturation and a decline in growth rate, but we expect this market to gradually pick up. Through careful operation and in-depth research into the wants and needs of its users, PConline's team has consistently been able to try out new forms of content while still maintaining the quality of its products. Additionally, new products are currently under development and are slated to be launched in the second half of this year. We are confident that our new product launch will help PConline win a larger share of the market.

PCbaby and PChouse have had stable revenue growth. The new version of PCbaby's mobile APP was launched in June. The APP takes the user's pregnancy timeline as its main focus, and offers a full-range of content and services for expectant mothers through pictures, audio, and video content.

Through past year's team optimization and restructuring, the efficiency and cost optimization of the Company at the operational level has become apparent. At the same time, our new products entering the commercial stage are expected to help create future revenue. As such, we are cautiously optimistic about the Company's prospects in the face of a complicated and changing industry environment.

MANAGEMENT DISCUSSION AND ANALYSIS

Revenue

Revenue increased 3.1% from RMB445.7 million for the six months ended 30 June 2017 to RMB459.3 million for the six months ended 30 June 2018.

Revenue for PCauto, the Group's automobile portal, increased 1.5% from RMB320.9 million for the six months ended 30 June 2017 to RMB325.7 million during the six months ended 30 June 2018. The increase in revenue for PCauto was primarily due to increased advertising spending from automobile manufacturers. As a percentage of revenue, PCauto accounted for 72.0% during the six months ended 30 June 2017 and 70.9% during the six months ended 30 June 2018.

Revenue for PConline, the Group's IT and consumer electronics portal, increased 4.7% from RMB65.5 million during the six months ended 30 June 2017 to RMB68.6 million during the six months ended 30 June 2018. The increase was due to increase in demand from major consumer electronics brands. As a percentage of revenue, PConline accounted for 14.7% during the six months ended 30 June 2017 and 14.9% during the six months ended 30 June 2018.

Revenue for PClady, the Group's lady and fashion portal, increased 38.8% from RMB7.9 million during the six months ended 30 June 2017 to RMB11.0 million during the six months ended 30 June 2018. The increase was mainly due to the general increase in the advertising budgets in the industry. As a percentage of revenue, PClady accounted for 1.8% during the six months ended 30 June 2017 and 2.4% during the six months ended 30 June 2018.

Revenue from other operations, including the PCbaby and PChouse portals, increased by 5.0% from RMB51.4 million during the six months ended 30 June 2017 to RMB54.0 million during the six months ended 30 June 2018. The increase was mainly due to the overall increase in advertising in these sectors. As a percentage of revenue, revenue from other operations accounted for 11.5% during the six months ended 30 June 2017 and 11.8% during the six months ended 30 June 2018.

Cost of Revenue

Cost of revenue increased 14.2% from RMB184.1 million during the six months ended 30 June 2017 to RMB210.3 million during the six months ended 30 June 2018. Gross profit margin was 58.7% during the six months ended 30 June 2017 and 54.2% during the six months ended 30 June 2018.

The increase in cost of revenue was mainly due to increase in outsourcing production cost and higher commission fees to advertising agents.

Selling and Marketing Costs

Selling and marketing costs increased 12.9% from RMB113.4 million during the six months ended 30 June 2017 to RMB128.1 million during the six months ended 30 June 2018. The increase was mainly due to increase in advertising expenses during the period.

Administrative Expenses

Administrative expenses decreased by 28.9% from RMB48.7 million during the six months ended 30 June 2017 to RMB34.7 million during the six months ended 30 June 2018, due to less impairment charges of receivables during the period.

Product Development Expenses

Product development expenses increased by 1.8% from RMB35.7 million during the period ended 30 June 2017 to RMB36.3 million during the period ended 30 June 2018. The increase was primarily due to slight increase in staff costs in the Group's research and development team.

Other Income

Other income was RMB9.2 million during the six months ended 30 June 2017 and was RMB8.4 million during the six months ended 30 June 2018. The decrease was mainly due to less government grants entitled during the period.

Finance Income

Net finance income was RMB1.1 million during the six months ended 30 June 2017 and was RMB6.4 million during the six months ended 30 June 2018. The increase was due to net foreign exchange gains and more interest income during the period ended 30 June 2018.

Income Tax Expense

Income tax expenses decreased 19.0% from RMB14.3 million during the six months ended 30 June 2017 to RMB11.6 million during the six months ended 30 June 2018.

Net Profit

Net profit decreased 13.0% from RMB59.8 million during the six months ended 30 June 2017 to RMB52.0 million during the six months ended 30 June 2018.

Liquidity and Financial Resources

As of 30 June 2018, the Group had short-term deposits and cash totaling RMB336.6 million, compared with RMB445.1 million as of 31 December 2017. The decline in cash was primarily due to the payment of a cash dividend totaling RMB127.6 million during the six months ended 30 June 2018.

The Company had no external debt as of 31 December 2017 and 30 June 2018.

Bank Borrowings

As of 30 June 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. The Group also did not have any bank borrowings as of 31 December 2017.

Material Acquisitions and Disposal

During the six months ended 30 June 2018, the Group had no material acquisitions and disposals of subsidiaries and associates.

Charges on Assets

As of 30 June 2018, the Group had no bank deposits or other assets pledge to secure its banking facilities.

Foreign Exchange Risk

The Group's operating activities were principally carried out in Mainland China, with most of its transactions denominated and settled in Renminbi. Therefore, the overall foreign currency risk was not considered to be significant.

Employees and Remuneration Information

As of 30 June 2018, the Group had 1,327 employees (31 December 2017: 1,369), a decrease of 3.1% from the first half of 2018. This is the result of the Group's internal re-structuring and streamlining its support operations. The Group determines staff's remuneration based on factors such as performance and years of experience.

Subsequent Event

On 1 August 2018, the PChouse structure contracts (the "PChouse Structure Contracts") were entered into among Guangzhou Yurui Information Technology Co., Ltd. (廣州裕睿信息科技有限公司) ("GZYR Technology"), Guangzhou Yingyou Information Technology Co., Ltd. (廣州英佑信息有限公司) ("GZ Yingyou"), shareholders of GZ Yingyou ("GZ Yingyou Shareholders") and Guangzhou Shangcong Online Technology Co., Ltd. (廣州尚聰網絡技術有限公司) ("GZ Shangcong Online"), pursuant to which the Company will operate its online business relating to the PChouse Portal through GZ Yingyou, GZ Shangcong Online and Guangzhou Shangcong Advertising Co., Ltd. (廣州市上聰廣告有限公司). As a result of the PChouse Structure Contracts, the Group is able to recognize and receive the economic benefit of the business and operations of the domestic entities. The PChouse Structure Contracts are also designed to provide the Company with effective control over and (to the extent permitted by PRC law) the right to acquire the equity interests of GZ Yingyou Shareholders in GZ Yingyou and the equity interests of GZ Yingyou in, or assets of, GZ Shangcong Online. Further details were disclosed in the Company announcement dated 7 August 2018.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

Neither the Company nor its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the six months ended 30 June 2018.

AUDIT COMMITTEE

The Audit Committee of the Company, which comprises all 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, risk management and internal control and financial reporting matters, including the review of these interim results.

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 of the Rules Governing the Listing of Securities on the Stock Exchange during the six months ended 30 June 2018, 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 experience in the internet industry, the Board believes that this structure provides the Group with strong and consistent leadership and allows for more effective and efficient business planning and decisions as well as execution of long-term business strategies. As such, it is beneficial to the business prospects of the Group.

APPRECIATION

I would like to take this opportunity to express my gratitude, on behalf of the Board, to all our employees for their contribution and to all our shareholders for their continuous support of our Group.

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

Hong Kong, 27 August 2018

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.