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 2018

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 2018, together with the comparative figures for the year ended 31 December 2017, as follows:

CONSOLIDATED INCOME STATEMENT

		Year ended 31 December	
		2018	2017
	Note	***RMB'000***	*RMB'000*
Revenue	3	**1,022,699**	963,599
Cost of revenue	4	**(441,576)**	(404,411)
Gross profit		**581,123**	559,188
Selling and marketing costs	4	**(268,282)**	(271,588)
Administrative expenses	4	**(76,531)**	(70,283)
Product development expenses	4	**(74,251)**	(75,217)
Net impairment losses on financial assets		**(20,671)**	(25,320)
Other income	5	**11,774**	10,306
Operating profit		**153,162**	127,086
Finance income		**10,419**	4,605
Finance cost		**—**	(2,972)
Finance income — net	6	**10,419**	1,633
Share of net losses of an associate accounted for using the equity method		**(2,324)**	(796)
Profit before income tax		**161,257**	127,923
Income tax expense	7	**(27,944)**	(22,606)
Profit for the year		**133,313**	105,317
Attributable to:			
— Equity holders of the Company		**132,747**	105,317
— Non-controlling interests		**566**	—
		133,313	105,317
Earnings per share for profit attributable to equity holders of the Company for the year			
— Basic *(RMB)*	8	**11.81 cents**	9.29 cents
— Diluted *(RMB)*	8	**11.81 cents**	9.28 cents

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Year ended 31 December	
	2018	2017
	RMB'000	*RMB'000*
Profit for the year	**133,313**	105,317
Items that may be reclassified to profit or loss		
Changes in value of investment in equity fund	**—**	1,362
Items that will not be reclassified to profit or loss		
Changes in value of investment in equity fund	**9,088**	—
Other comprehensive income for the year, net of tax	**9,088**	1,362
Total comprehensive income for the year	**142,401**	106,679
Attributable to:		
— Equity holders of the Company	**141,835**	106,679
— Non-controlling interests	**566**	—
	142,401	106,679

CONSOLIDATED BALANCE SHEET

	Note	As at 31 December **2018** *RMB'000*	**2017** *RMB'000*
ASSETS			
Non-current assets			
Lease prepayment		**15,696**	16,020
Property and equipment		**180,976**	236,079
Investment properties		**44,471**	—
Intangible assets		**8,893**	8,826
Deferred income tax assets		**53,022**	47,185
Investment in an associate		**1,387**	14,204
Investment in equity fund	11	**45,632**	36,544
		350,077	358,858
Current assets			
Trade and other receivables and prepayments	10	**601,891**	593,310
Short-term bank deposits with original terms of over three months		**50,750**	2,519
Cash and cash equivalents		**408,191**	442,561
		1,060,832	1,038,390
Total assets		**1,410,909**	1,397,248
EQUITY			
Equity attributable to equity holders of the Company			
Ordinary shares		**10,491**	10,491
Reserves		**984,176**	969,918
		994,667	980,409
Non-controlling interests		**2,066**	—
Total equity		**996,733**	980,409
LIABILITIES			
Current liabilities			
Accruals and other payables	12	**303,208**	288,260
Contract liabilities		**49,941**	—
Prepaid advertising subscriptions from customers		—	61,106
Current income tax liabilities		**61,027**	67,473
Total liabilities		**414,176**	416,839
Total equity and liabilities		**1,410,909**	1,397,248

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

		Attributable to equity holders of the Company				
		Ordinary shares	Reserves	Subtotal	Non-controlling interests	Total equity
	Note	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Balance at 1 January 2017		10,477	1,001,534	1,012,011	—	1,012,011
Comprehensive income						
Profit for the year		—	105,317	105,317	—	105,317
Other comprehensive income		—	1,362	1,362	—	1,362
Total comprehensive income		—	106,679	106,679	—	106,679
Transactions with shareholders						
Cash dividends relating to 2016	9	—	(128,653)	(128,653)	—	(128,653)
Share Award Scheme						
— purchase of shares held for Share Award Scheme		—	(11,525)	(11,525)	—	(11,525)
Employees share option schemes						
— proceeds from shares issued		14	1,883	1,897	—	1,897
Balance at 31 December 2017		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

CONSOLIDATED STATEMENT OF CASH FLOWS

		Year ended 31 December	
		2018	2017
	Note	***RMB'000***	*RMB'000*
Cash flows from operating activities			
Cash generated from operations		**173,643**	193,943
Income tax paid		**(40,227)**	(36,462)
Net cash generated from operating activities		**133,416**	157,481
Cash flows from investing activities			
Placement of short-term bank deposits with original terms of over three months		**(53,200)**	(5,019)
Receipt from maturity of short-term bank deposits with original terms of over three months		**4,969**	6,177
Interest received		**7,728**	4,668
Purchase of property and equipment		**(5,881)**	(4,128)
Disposals of property and equipment		**602**	332
Purchase of intangible assets		**(123)**	(6)
Dividends received		**696**	—
Capital injection into an associate		**—**	(15,000)
Proceeds from business disposal		**—**	1,300
Redemption of held-to-maturity financial assets		**—**	28,000
Maturity of certificates of deposit		**—**	15,000
Repayment of loan from a key management personnel		**—**	2,693
Net cash (used in)/generated from investing activities		**(45,209)**	34,017
Cash flows from financing activities			
Cash dividends paid	9	**(127,577)**	(128,653)
Capital injection from non-controlling shareholders		**1,500**	—
Purchase of shares held for Share Award Scheme		**—**	(11,525)
Proceeds from issuance of ordinary shares		**—**	1,897
Net cash used in financing activities		**(126,077)**	(138,281)
Net (decrease)/increase in cash and cash equivalents		**(37,870)**	53,217
Cash and cash equivalents at beginning of year		**442,561**	392,316
Exchange gains/(losses) on cash and cash equivalents		**3,500**	(2,972)
Cash and cash equivalents at end of year		**408,191**	442,561

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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 the Company on 25 March 2019.

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 2018:

- HKFRS 9 "Financial instruments"
- HKFRS 15 "Revenue from contracts with customers"
- Amendments to HKFRS 2 "Classification and measurement of share-based payment transactions"
- Annual improvements 2014–2016 cycle
- Amendments to HKAS 40 "Transfers to investment property"
- Interpretation 22 "Foreign currency transactions and advance consideration"

The Group had to change its accounting policies and make certain adjustments following the adoption of HKFRS 9 and HKFRS 15. Most of 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 2018 reporting periods and have not been early adopted by the Group:

		Effective for annual periods beginning on or after
HKFRS 16	Leases	1 January 2019
HK (IFRIC) 23	Uncertainty over income tax treatments	1 January 2019
Amendments to HKFRS 9	Prepayment features with negative compensation	1 January 2019
Amendments to HKAS 28	Long-term interests in associates and joint ventures	1 January 2019
Amendments to HKAS 19	Plan amendment, curtailment or settlement	1 January 2019
Annual Improvements to HKFRS Standards 2015–2017 Cycle	Improvements to HKFRS 3, HKFRS 11, HKAS 12 and HKAS 23	1 January 2019
HKFRS 17	Insurance contracts	1 January 2021
Amendments to HKFRS 10 and HKAS 28	Sale or contribution of assets between an investor and its associate or joint venture	To be determined

None of these is expected to be relevant or have material impact to the consolidated financial statements of the Group, except for HKFRS 16 as disclosed below:

HKFRS 16 Leases

Nature of change

HKFRS 16 was issued in January 2016. It will result in almost all leases being recognised on the balance sheet by lessees, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short-term and low-value leases.

The accounting for lessors will not significantly change.

Impact

The Group is a lessee of certain offices and buses which are currently classified as operating leases. The Group's current accounting policy for such leases is to record the operating lease expenses in the Group's consolidated income statement for the current year with the disclosure of related operating lease commitments. The new standard will result in a derecognition of prepaid operating leases, increase in right-of-use assets and increase in lease liabilities in the consolidated balance sheet. In the consolidated income statement, as a result, the annual operating lease expenses under otherwise identical circumstances will decrease, while depreciation of right-of-use of assets and interest expense arising from the lease liabilities will increase.

The directors consider that the adoption of the new standard will not have material impact on the financial position and financial performance of the Group because the Group's total non-cancellable operating lease commitments as at 31 December 2018 amounted to RMB1,514,000, most of which are short-term leases, and will be exempted from reporting obligation under HKFRS 16.

Date of adoption

HKFRS 16 is mandatory for financial years commencing on or after 1 January 2019. At this stage, the Group does not intend to adopt the standard before its effective date. The Group intends to apply the simplified transition approach and will not restate comparative amounts for the year prior to first adoption.

(v) 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 consolidated financial statements.

(a) Impact on the financial statements

As explained in Note 2(v)(b) and Note 2(v)(c) below, HKFRS 9 and HKFRS 15 were generally adopted without restating comparative information. Certain reclassifications and adjustments are not restated to the 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 below.

Consolidated 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)	—

(b) HKFRS 9 Financial Instruments

HKFRS 9 replaces the provisions of HKAS 39 that relate to the recognition, classification and measurement of financial assets and financial liabilities, derecognition of financial instruments, impairment of financial assets and hedge accounting.

The adoption of HKFRS 9 Financial Instruments from 1 January 2018 resulted in changes in accounting policies and adjustments to the amounts recognised in the financial statements. In accordance with the transitional provisions in HKFRS 9, comparative figures have not been restated by the Group.

(i) Classification and measurement

On 1 January 2018, the Group's management has assessed which business models apply to the financial assets held by the Group and has classified its financial instruments into the appropriate HKFRS 9 categories. Except for reclassification as disclosed below, management has found no other impact on classification and measurement of financial instruments from the adoption of HKFRS 9.

The Group classified the investment in equity fund as available-for-sale financial asset under previous standard HKAS 39. With the adoption of HKFRS 9, this equity investment was classified as financial asset 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. No other 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.

(ii) Impairment of financial assets

The Group's trade and other receivables are subject to impairment under the new expected credit losses model. While cash and cash equivalents and deposits are also subject to the impairment requirements under HKFRS 9, the identified impairment loss was immaterial.

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 has assessed the impact of expected credit losses on financial assets and concluded that the impact is insignificant as at 1 January 2018 and during current reporting period.

(c) *HKFRS 15 Revenue from Contracts with Customers*

The Group has adopted HKFRS 15 Revenue from Contracts with Customers which resulted in changes in accounting policies and adjustments to the amounts recognised in financial statements. By using the modified retrospective approach in accordance with the transition provisions in HKFRS 15, the comparatives have not been restated by the Group.

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 the Group's financial statements as at 1 January 2018 and for the year ended 31 December 2018, except for the reclassification from the prepaid advertising subscriptions from customers to the contract liabilities presented in Note 2(v)(a).

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, 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 year ended 31 December 2018 (2017: same). The revenue from external parties reported to the chief operating decision-makers is measured in a manner consistent with that in the consolidated income statement.

	PCauto	PConline	PClady	Others	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
For the year ended 31 December 2018					
Timing of revenue recognition					
Over time	**701,943**	**145,460**	**19,407**	**74,418**	**941,228**
At a point in time	**51,586**	**4,947**	**4,298**	**20,640**	**81,471**
Revenue	**753,529**	**150,407**	**23,705**	**95,058**	**1,022,699**
For the year ended 31 December 2017					
Timing of revenue recognition					
Over time	643,045	141,296	18,527	81,974	884,842
At a point in time	55,457	4,315	688	18,297	78,757
Revenue	698,502	145,611	19,215	100,271	963,599

Though the Company is domiciled in the Cayman Islands, for the year ended 31 December 2018, all revenues of the Group were derived from external customers and they were all generated from the PRC (2017: same).

As at 31 December 2018, 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 (2017: same).

For the year ended 31 December 2018, there was no revenue derived from a single external customer accounting for ten percent or more of the Group's revenues (2017: same).

4. EXPENSES BY NATURE

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

	2018	2017
	RMB'000	*RMB'000*
Employee benefit expenses	**275,990**	284,359
Service commission to advertising agencies	**167,586**	139,114
Advertising expenses	**146,454**	144,587
Outsourcing production cost	**120,711**	112,404
Other taxes and surcharge	**38,588**	38,617
Technology service fees	**26,234**	21,757
Travelling and entertainment expenses	**24,181**	25,498
Bandwidth and server custody fees	**18,687**	18,614
Depreciation and amortisation expenses		
— Depreciation of property and equipment	**14,719**	16,102
— Amortisation of intangible assets	**56**	472
— Amortisation of lease prepayment	**324**	324
Impairment charge of investment in an associate	**8,390**	—
Rental expenses	**3,895**	6,623
Auditors' remuneration		
— Audit services	**3,596**	3,625
— Non-audit services	**140**	459
Professional fees	**1,627**	845
Other expenses	**9,462**	8,099
Total cost of revenue, selling and marketing costs, administrative expenses and product development expenses	**860,640**	821,499

Product development expenses are mainly included in employee benefit expenses and depreciation and amortisation expenses. No product development expenses were capitalised for the year ended 31 December 2018 (2017: same).

5. OTHER INCOME

	2018	2017
	RMB'000	*RMB'000*
Government grants *(i)*	**9,219**	9,563
Rental income — net	**1,859**	—
Dividend income on investment in equity fund	**696**	322
Investment income on held-to-maturity financial assets	**—**	421
	11,774	10,306

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

6. FINANCE INCOME — NET

	2018	2017
	RMB'000	*RMB'000*
Finance income		
— Interest income	**6,919**	4,605
— Net foreign exchange gains	**3,500**	—
	10,419	4,605
Finance cost		
— Net foreign exchange losses	**—**	(2,972)
Finance income — net	**10,419**	1,633

7. INCOME TAX EXPENSE

	2018	2017
	RMB'000	*RMB'000*
PRC current tax	**33,781**	37,804
Deferred taxation	**(5,837)**	(15,198)
	27,944	22,606

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 2018 (2017: 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 Fengwang Technology Co., Ltd. (廣州鋒網信息科技有限公司, "GZ Fengwang"), 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 the 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 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.

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:

	2018	2017
	RMB'000	*RMB'000*
Profit before income tax expense	**161,257**	127,923
Tax calculated at the statutory tax rate of 25% (2017: 25%)	**40,314**	31,981
Tax effects of		
— Tax concessions available to certain PRC subsidiaries *(a)*	**(19,439)**	(17,440)
— Income not subject to tax	**(2,167)**	(489)
— Expenses not deductible for tax purposes *(b)*	**5,228**	4,958
— Unrecognised tax losses	**4,670**	2,415
— Additional deduction on product development expenses	**(7,962)**	(5,169)
Withholding tax on the earnings to be remitted by PRC subsidiaries	**7,300**	6,350
Income tax expense	**27,944**	22,606

(a) The preferential tax treatments relating to HNTE were enjoyed by GZP Computer, GDP Internet and GZ Fengwang for the year ended 31 December 2018 (2017: same).

(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).

	2018	2017
Profit attributable to equity holders of the Company *(RMB'000)*	**132,747**	105,317
Weighted average number of ordinary shares for basic earnings per share *(thousand shares)*	**1,124,022**	1,134,072
Basic earnings per share *(RMB)*	**11.81 cents**	9.29 cents

(b) Diluted

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares, and the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

	2018	2017
Profit attributable to equity holders of the Company *(RMB'000)*	**132,747**	105,317
Weighted average number of ordinary shares for diluted earnings per share *(thousand shares)*	**1,124,022**	1,134,325
— Weighted average number of ordinary shares for basic earnings per share *(thousand shares)*	**1,124,022**	1,134,072
— Adjustment for share options and awarded shares *(thousand shares)*	**—**	253
Diluted earnings per share *(RMB)*	**11.81 cents**	9.28 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 in 2018, which has already excluded the dividend related to the ordinary shares held for the Share Award Scheme of RMB1,138,000 (2017: RMB4,000).

The directors recommended the payment of a final dividend of RMB13.62 cents per ordinary share in cash for the year ended 31 December 2018, totalling RMB154,458,000 based on the ordinary shares in issue as of 31 December 2018. Such final dividend is to be approved by the shareholders at the annual general meeting of the Company to be held in May 2019. These consolidated financial statements do not reflect this dividend payable.

10. TRADE AND OTHER RECEIVABLES AND PREPAYMENTS

	At 31 December	
	2018	2017
	RMB'000	*RMB'000*
Trade receivables, net of impairment provision *(a)*	**579,687**	565,643
Other receivables *(b)*	**18,633**	13,887
Prepayments	**3,571**	13,780
	601,891	593,310

As of 31 December 2018, trade and other receivables were all denominated in RMB (2017: 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 RMB78,763,000 (2017: RMB69,602,000)) was as follows:

	At 31 December	
	2018	2017
	RMB'000	*RMB'000*
Current to 6 months	**379,809**	360,048
6 months to 1 year	**131,813**	143,787
1 year to 2 years	**57,065**	61,808
Above 2 years	**11,000**	—
	579,687	565,643

As of 31 December 2018, trade receivables of RMB97,784,000 (2017: RMB36,856,000) 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	
	2018	2017
	RMB'000	*RMB'000*
Current to 6 months	**7,816**	5,930
6 months to 1 year	**21,903**	21,704
1 year to 2 years	**57,065**	9,222
Above 2 years	**11,000**	—
	97,784	36,856

(b) Other receivables

	At 31 December	
	2018	2017
	RMB'000	*RMB'000*
Input value added tax deductible	**7,140**	5,743
Advance to employees	**3,837**	2,929
Rental receivable	**1,567**	—
Others	**6,089**	5,215
	18,633	13,887

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

	2018	2017
	RMB'000	*RMB'000*
At beginning of the year	**36,544**	35,182
Changes in fair value	**9,088**	1,362
At end of the year	**45,632**	36,544

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 US dollar ("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. As of 31 December 2018, the Group held around 48% (2017: 48%) interests in the fund.

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	
	2018	2017
	RMB'000	*RMB'000*
Accrued expenses *(a)*	**236,112**	217,951
Salaries payable	**44,090**	47,771
Other tax payable	**10,690**	8,862
Other payables *(b)*	**12,316**	13,676
	303,208	288,260

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

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

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

For the whole of 2018, the Company's revenue was RMB1,022.7 million, an increase of 6.1% from last year. The net profit attributable to equity holders was RMB132.7 million, a year-on-year growth of 26.0%. China's overall domestic economic growth was relatively slow over the course of 2018. The past two years have seen the Company benefit from the maturation of its products. During the same period, the Company has improved its overall efficiency and competitiveness by streamlining and optimizing company structure. Going forward, we will continue to optimize the Company's organizational structure, increase our number of highly-qualified staff, and increase our focus on research and development as well as investment in new products.

PCauto brought in revenue of RMB753.5 million in 2018, an increase of 7.9% over the same period last year. This revenue accounted for 73.7% of the total revenue for the Group. PCauto has restructured and optimized, and its team has improved its overall marketing efficiency. We believe these changes will become apparent in PCauto's future progress. PCauto has also recently launched some exciting new products. Following two years of investment and development, PCauto's "Cool Car Project"（酷車專案）has begun to bring in business towards the latter half of 2018. PCauto's partnership with Alipay and the development of its new automotive marketing platform have resulted in increased marketing effectiveness for our clients. Additionally, this year saw the maturation of Pocket Auto Salesman, PCauto's other mobile marketing management platform. By the end of December, Pocket Auto Salesman included over 12,000 dealers and more than 30,000 automotive sales specialists logged on per day. The strategic direction of PCauto's Auto Merchant+ will remain unchanged and PCauto will continue to invest in and develop new products in order to provide accurate, efficient, and comprehensive marketing services to its dealer customers.

2018 also ushered in another major restructuring of the Company, integrating four websites outside of PCauto into one large consumer segment. This has helped to gradually open up cross-border collaboration amongst the different sites, from marketing to project and technology development. Additionally, this restructuring has led to an increase in sales diversity and resource sharing as well as helped to optimize labor costs. PConline achieved a revenue of RMB150.4 million in 2018, an increase of 3.3% over the same period last year. The consumer electronics industry has remained relatively stable in the past year and we believe 2019 will be a year of healthy development for PConline. PClady has undergone some business adjustments and has begun to pick up in 2018. In 2019, PClady has focused on providing professional-level fashion content and beauty tutorials through the Multi-Channel Network. PClady has been committed to providing customers with accurate marketing services and has attempted to increase sales on e-commerce platform. PChouse has been able to increase its revenue due to its precise services positioning and unique content. The performance of PCbaby has declined slightly in the past year due to business restructuring. The integration of the four website teams will help to leverage sales opportunities of other websites so as to provide greater business opportunities for PCbaby and PChouse and increase their competitiveness.

New product distribution, team integration, and organizational structure optimization have helped to strengthen the Company's effectiveness in terms of operational efficiency and cost optimization. Looking ahead, the Company's business should maintain healthy growth and we therefore will remain cautiously optimistic about the Company's prospects.

Revenue

Revenue increased 6.1% from RMB963.6 million for the year ended 31 December 2017 to RMB1,022.7 million for the year ended 31 December 2018.

Revenue for PCauto, the Group's automobile portal, increased 7.9% from RMB698.5 million for the year ended 31 December 2017 to RMB753.5 million during the year ended 31 December 2018. 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 72.5% during the year ended 31 December 2017 and 73.7% during the year ended 31 December 2018.

Revenue for PConline, the Group's IT and consumer electronics portal, increased 3.3% from RMB145.6 million during the year ended 31 December 2017 to RMB150.4 million during the year ended 31 December 2018. The increase was due to more demand from consumer electronics manufacturers. As a percentage of revenue, PConline accounted for 15.1% during the year ended 31 December 2017 and 14.7% during the year ended 31 December 2018.

Revenue for PClady, the Group's lady and fashion portal, increased 23.4% from RMB19.2 million during the year ended 31 December 2017 to RMB23.7 million during the year ended 31 December 2018. The increase was mainly due to the result of repositioning of strategies. As a percentage of revenue, PClady accounted for 2.0% during the year ended 31 December 2017 and 2.3% during the year ended 31 December 2018.

Revenue from other operations, including PCbaby and PChouse portals, decreased by 5.2% from RMB100.3 million during the year ended 31 December 2017 to RMB95.1 million during the year ended 31 December 2018. The decrease was mainly due to the slowdown of baby related sector. As a percentage of revenue, revenue from other operations accounted for 10.4% during the year ended 31 December 2017 and 9.3% during the year ended 31 December 2018.

Cost of Revenue

Cost of revenue increased 9.2% from RMB404.4 million during the year ended 31 December 2017 to RMB441.6 million during the year ended 31 December 2018. Gross profit margin was 58.0% during the year ended 31 December 2017 and 56.8% during the year ended 31 December 2018.

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

Selling and Marketing Costs

Selling and marketing costs decreased 1.2% from RMB271.6 million during the year ended 31 December 2017 to RMB268.3 million during the year ended 31 December 2018. The decrease in advertising expenses was mainly due to the decrease in employee benefit expenses and other related expenses.

Administrative Expenses

Administrative expenses increased by 8.9% from RMB70.3 million during the year ended 31 December 2017 to RMB76.5 million during the year ended 31 December 2018, mainly due to an impairment charge of an investment during the year.

Product Development Expenses

Product development expenses decreased by 1.3% from RMB75.2 million during the year ended 31 December 2017 to RMB74.3 million during the year ended 31 December 2018. The decrease was due to decrease in the number of product development staff and other related expenses.

Other Income

Other income was RMB11.8 million during the year ended 31 December 2018 and RMB10.3 million during the year ended 31 December 2017. Same as previous years, the other income was mainly from government grants during the year.

Finance Income and Cost

Net finance income increased 538.0% from RMB1.6 million during the year ended 31 December 2017 to RMB10.4 million during the year ended 31 December 2018. The increase was mainly due to the gain in foreign exchange in 2018 and loss in foreign exchange in 2017.

Income Tax Expense

Income tax expenses increased 23.6% from RMB22.6 million during the year ended 31 December 2017 to RMB27.9 million during the year ended 31 December 2018.

Net Profit Attributable to Equity Holders

Net profit attributable to equity holders increased 26.0% from RMB105.3 million during the year ended 31 December 2017 to RMB132.7 million during the year ended 31 December 2018.

Liquidity and Financial Resources

As of 31 December 2018, the Group had short-term deposits and cash totaling RMB458.9 million, compared with RMB445.1 million as of 31 December 2017.

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.

In 2017, net cash generated from operating activities was RMB157.5 million, net cash generated from investing activities was RMB34.0 million, net cash used in financing activities was RMB138.3 million, with a net increase in cash and cash equivalents of RMB53.2 million for year 2017.

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

Bank Borrowings

As of both 31 December 2018 and 31 December 2017, 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 2018, the Group had no material acquisitions or disposals of subsidiaries and associates.

Charges on Assets

As at 31 December 2018, 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 2018, the Group had 1,331 employees (2017: 1,369). The Group determines its staff's remuneration based on factors such as qualifications and years of experience.

Proposed Final Dividend

The Board has recommended the payment of a final cash dividend of RMB13.62 cents per ordinary share for the year ended 31 December 2018 (the "Proposed Final Dividend"), which compares with RMB11.35 cents for 2017. The final dividend is subject to the shareholders' approval at the Company's forthcoming annual general meeting to be held on Friday, 17 May 2019 (the "2019 AGM"). The Proposed Final Dividend will be paid in cash on Thursday, 6 June 2019 to shareholders whose names appear on the register of members of the Company at the close of business on Tuesday, 28 May 2019.

Closure of Register of Members

For determining the entitlement to attend and vote at the 2019 AGM, the register of members of the Company will be closed from Tuesday, 14 May 2019 to Friday, 17 May 2019, 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 2019 AGM, unregistered holders of shares of the Company should ensure that all share transfer documents accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, for registration not later than 4:30 p.m. on Friday, 10 May 2019.

For determining the entitlement to the Proposed Final Dividend, the register of members of the Company will also be closed from Friday, 24 May 2019 to Tuesday, 28 May 2019, both days inclusive, during which period no transfer of shares of the Company will be registered. In order to be eligible to receive the Proposed Final Dividend, unregistered holders of shares of the Company should ensure that all share transfer documents accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited, at the above address, for registration not later than 4:30 p.m. on Thursday, 23 May 2019.

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 2018.

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 2018.

Scope of work of PricewaterhouseCoopers

The figures in respect of the announcement of the Group's results for the year ended 31 December 2018 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 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 experiences in the internet industry, the Board believes that this structure provides the Group with strong and consistent leadership and allows for more effective and efficient business planning and decisions as well as execution of long-term business strategies. As such, it is beneficial to the business prospects of the Group.

Appreciation

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

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

Hong Kong, 25 March 2019

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.