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 2019

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 2019 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 2019

		Unaudited	
		Six months ended 30 June	
		2019	2018
	Note	***RMB'000***	*RMB'000*
Revenue	4	**500,937**	459,331
Cost of revenue		**(209,890)**	(210,251)
Gross profit		**291,047**	249,080
Selling and marketing costs		**(122,605)**	(128,072)
Administrative expenses		**(35,457)**	(32,261)
Net impairment losses on financial assets		**(8,940)**	(2,395)
Product development expenses		**(37,882)**	(36,333)
Other income	5	**4,873**	8,418
Operating profit		**91,036**	58,437
Finance income		**3,972**	6,415
Finance cost		**(848)**	—
Finance income — net	6	**3,124**	6,415

		Unaudited	
		Six months ended 30 June	
		2019	2018
	Note	***RMB'000***	*RMB'000*
Share of net losses of an associate accounted for using the equity method		**(356)**	(1,270)
Profit before income tax		**93,804**	63,582
Income tax expense	7	**(17,117)**	(11,574)
Profit for the period		**76,687**	52,008
Attributable to:			
— Equity holders of the Company		**76,024**	53,508
— Non-controlling interests		**663**	(1,500)
		76,687	52,008
Earnings per share for profit attributable to equity holders of the Company for the period	8		
— Basic *(RMB)*		**6.76 cents**	4.76 cents
— Diluted *(RMB)*		**6.76 cents**	4.76 cents

CONDENSED CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME
For the six months ended 30 June 2019

	Unaudited Six months ended 30 June	
	2019	2018
	RMB'000	*RMB'000*
Profit for the period	**76,687**	52,008
Items that will not be reclassified to profit or loss		
Changes in value of investment in equity fund	**19,869**	9,978
Other comprehensive income for the period, net of tax	**19,869**	9,978
Total comprehensive income for the period	**96,556**	61,986
Attributable to:		
— Equity holders of the Company	**95,893**	63,486
— Non-controlling interests	**663**	(1,500)
	96,556	61,986

CONDENSED CONSOLIDATED INTERIM BALANCE SHEET

As at 30 June 2019

	Note	**Unaudited 30 June 2019** *RMB'000*	Audited 31 December 2018 *RMB'000*
ASSETS			
Non-current assets			
Right-of-use assets	10	**16,243**	—
Lease prepayment		—	15,696
Property and equipment	10	**175,890**	180,976
Investment property	10	**43,915**	44,471
Intangible assets	10	**8,865**	8,893
Deferred income tax assets	11	**59,491**	53,022
Investment in an associate		—	1,387
Investment in equity fund	13	**65,501**	45,632
		369,905	350,077
Current assets			
Trade and other receivables and prepayments	12	**657,136**	601,891
Short-term bank deposits with original terms of over three months		**2,250**	50,750
Cash and cash equivalents		**298,209**	408,191
		957,595	1,060,832
Total assets		**1,327,500**	1,410,909

	Note	Unaudited 30 June 2019 RMB'000	Audited 31 December 2018 RMB'000
EQUITY			
Capital and reserves attributable to equity holders of the Company			
Ordinary shares	14	**10,491**	10,491
Reserves		**927,456**	984,176
		937,947	994,667
Non-controlling interests		**2,729**	2,066
Total equity		**940,676**	996,733
LIABILITIES			
Non-current liabilities			
Lease liabilities		**239**	—
Deferred income tax liabilities	11	**4,950**	—
		5,189	—
Current liabilities			
Accruals and other payables	15	**285,388**	303,208
Contract liabilities		**46,599**	49,941
Current income tax liabilities		**49,165**	61,027
Lease liabilities		**483**	—
		381,635	414,176
Total liabilities		**386,824**	414,176
Total equity and liabilities		**1,327,500**	1,410,909

CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2019

		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 2019												
Balance at 1 January 2019		**10,491**	**399,201**	**4**	**306**	**(10,749)**	**43,418**	**14,435**	**537,561**	**994,667**	**2,066**	**996,733**
Comprehensive income												
Profit for the period		—	—	—	—	—	—	—	**76,024**	**76,024**	**663**	**76,687**
Other comprehensive income — changes in value of investment in equity fund	13	—	—	—	—	—	—	**19,869**	—	**19,869**	—	**19,869**
Total comprehensive income		—	—	—	—	—	—	**19,869**	**76,024**	**95,893**	**663**	**96,556**
Transactions with equity holders												
Share Award Scheme — value of employee services		—	—	—	—	**520**	—	—	—	**520**	—	**520**
Cash dividends relating to 2018	9	—	—	—	—	—	—	—	**(153,133)**	**(153,133)**	—	**(153,133)**
Balance at 30 June 2019		**10,491**	**399,201**	**4**	**306**	**(10,229)**	**43,418**	**34,304**	**460,452**	**937,947**	**2,729**	**940,676**

		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	13	—	—	—	—	—	—	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

CONDENSED CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS
For the six months ended 30 June 2019

		Unaudited	
		Six months ended 30 June	
		2019	2018
	Note	***RMB'000***	*RMB'000*
Cash flows from operating activities			
Cash generated from operations		**24,297**	34,134
Income tax paid		**(30,498)**	(23,120)
Net cash (used in)/generated from operating activities		**(6,201)**	11,014
Cash flows from investing activities			
Purchase of property and equipment		**(2,149)**	(1,574)
Disposals of property and equipment		**85**	548
Placement of short-term bank deposits with original terms of over three months		**(2,250)**	(2,450)
Receipt from maturity of short-term bank deposits with original terms of over three months		**50,750**	2,519
Interest received		**3,972**	5,586
Net cash generated from investing activities		**50,408**	4,629
Cash flows from financing activities			
Cash dividends paid to the Company's shareholders	9	**(153,133)**	(127,577)
Repayment of lease liabilities		**(208)**	—
Capital injection from non-controlling shareholders		**—**	1,500
Net cash used in financing activities		**(153,341)**	(126,077)
Net decrease in cash and cash equivalents		**(109,134)**	(110,434)
Cash and cash equivalents at beginning of period		**408,191**	442,561
Exchange (losses)/gains on cash and cash equivalents		**(848)**	2,061
Cash and cash equivalents at end of period		**298,209**	334,188

1. GENERAL INFORMATION

Pacific Online Limited (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 Company and its subsidiaries (together, the "Group") are 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 directors (the "Board") of the Company on 26 August 2019.

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 2018 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.

3. CHANGES IN ACCOUNTING POLICIES

This note explains the impact of the adoption of HKFRS 16 "Lease" on the Group's financial statements and also discloses the new accounting policies that have been applied from 1 January 2019, where it is different to that applied in prior periods.

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. Right-of-use assets were measured at the amount of the lease liabilities on adoption. There was no impact to the opening retain earnings. The reclassifications and the adjustments arising from the new leasing rules are therefore recognised in the opening balance sheet on 1 January 2019.

(a) Adjustments recognised on adoption of HKFRS 16

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 estimated borrowing rate as of 1 January 2019.

	2019
	RMB'000
Operating lease commitments disclosed as at 31 December 2018	**1,514**
Discounted using the lessee's estimated 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**

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, if any, relating to that lease recognised in the consolidated balance sheet as at 31 December 2018. 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) are reclassified to right-of-use assets as of 30 June 2019 and 31 December 2018, respectively.

The recognised right-of-use assets mainly relate to properties and lease prepayments.

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)	—

No significant impact on the Group's net profit after tax for the six months ended 30 June 2019 as a result of adoption of HKFRS 16.

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

- the use of a single discount rate to a portfolio of leases with reasonably similar characteristics
- reliance on previous assessments on whether leases are onerous
- the accounting for operating leases with a remaining lease term of less than 12 months as at 1 January 2019 as short-term leases

- the exclusion of initial direct costs for the measurement of the right-of-use asset at the date of initial application, and

- the use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

The Group has also selected 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 applying HKAS 17 and HKFRIC 4 Determining whether an arrangement contains a Lease.

(b) The Group's leasing activities and how these are accounted for

The Group leases offices. Rental contracts are typically made for fixed periods of 1 to 2 years with no extension options. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants, but leased assets may not be used as security for borrowing purposes.

Until the 2018 financial year, leases of property, plant and equipment were classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) were charged to profit or loss on a straight-line basis over the period of the lease.

From 1 January 2019, leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable

- variable lease payment that are based on an index or a rate

- amounts expected to be payable by the lessee under residual value guarantees

- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option, and

- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be determined, the lessee's incremental borrowing rate is used, being the rate that the lessee would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability

- any lease payments made at or before the commencement date less any lease incentives received

- any initial direct costs, and

- restoration costs.

Payments associated with short-term leases and leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less.

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 internet 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 internet 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 lady and fashion, baby and home products and other services.

There were no inter-segment sales for the six months ended 30 June 2019 (six months ended 30 June 2018: 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 *RMB'000* (Unaudited)	**PConline** *RMB'000* (Unaudited)	**Others** *RMB'000* (Unaudited)	**Group** *RMB'000* (Unaudited)
For the six months ended 30 June 2019				
Timing of revenue recognition				
— Over time	**361,998**	**65,719**	**43,519**	**471,236**
— At a point in time	**25,670**	**1,964**	**2,067**	**29,701**
Revenue	**387,668**	**67,683**	**45,586**	**500,937**
For the six months ended 30 June 2018				
Timing of revenue recognition				
— Over time	300,145	66,170	52,683	418,998
— At a point in time	25,586	2,456	12,291	40,333
Revenue	325,731	68,626	64,974	459,331

Though the Company is domiciled in the Cayman Islands, for the six months ended 30 June 2019 all revenues of the Group were derived from external customers and they were all generated from the PRC (six months ended 30 June 2018: same).

As at 30 June 2019, 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 2018: same).

For the six months ended 30 June 2019, except for one customer accounted for 11% (six months ended 30 June 2018: Nil) of the Group's revenue, no other customers individually accounted for more than 10% of the Group's revenue.

5. OTHER INCOME

	Unaudited Six months ended 30 June	
	2019 *RMB'000*	2018 *RMB'000*
Government grants	**3,550**	7,710
Rental income	**1,323**	708
	4,873	8,418

6. FINANCE INCOME — NET

	Unaudited Six months ended 30 June 2019 *RMB'000*	2018 *RMB'000*
Finance income		
— Interest income	**3,972**	4,354
— Net foreign exchange gains	**—**	2,061
	3,972	6,415
Finance cost		
— Net foreign exchange losses	**(848)**	—
	3,124	6,415

7. INCOME TAX EXPENSE

	Unaudited Six months ended 30 June 2019 *RMB'000*	2018 *RMB'000*
PRC current tax	**18,636**	8,738
Deferred taxation	**(1,519)**	2,836
	17,117	11,574

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 2019 (six months ended 30 June 2018: 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 the relevant laws and regulations, the directors consider that these 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	
	2019	2018
Profit attributable to equity holders of the Company *(RMB'000)*	**76,024**	53,508
Weighted average number of ordinary shares for basic earnings per share *(thousand shares)*	**1,124,136**	1,124,022
Basic earnings per share *(RMB)*	**6.76 cents**	4.76 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.

No dilutive potential ordinary share was outstanding for the six months ended 30 June 2019 (six months ended 30 June 2018: same). Therefore, the diluted earnings per share is equal to the basic earnings per share (six months ended 30 June 2018: same).

9. DIVIDENDS

A final dividend in respect of the year ended 31 December 2018 of RMB13.62 cents per ordinary share (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 (final dividend for 2017: RMB127,577,000) was paid during the six months ended 30 June 2019, which has already excluded the dividends related to the ordinary shares held for the Share Award Scheme of RMB1,325,000 (six months ended 30 June 2018: RMB1,138,000).

The directors did not recommend any interim dividend for the six months ended 30 June 2019 (six months ended 30 June 2018: same).

10. PROPERTY AND EQUIPMENT, INVESTMENT PROPERTY, INTANGIBLE ASSETS AND RIGHT-OF-USE ASSETS

	Property and equipment *RMB'000* (Unaudited)	Investment property *RMB'000* (Unaudited)	Intangible assets *RMB'000* (Unaudited)	Right-of-use Assets — land use rights and properties *RMB'000* (Unaudited)
Six months ended 30 June 2019				
Net book amount as at 31 December 2018	**180,976**	**44,471**	**8,893**	**—**
Adoption of HKFRS 16	**—**	**—**	**—**	**15,920**
Net book amount as at 31 January 2019	**180,976**	**44,471**	**8,893**	**15,920**
Additions	**2,149**	**—**	**—**	**762**
Disposals	**(85)**	**—**	**—**	**—**
Depreciation and amortisation	**(7,150)**	**(556)**	**(28)**	**(439)**
Net book amount as at 30 June 2019	**175,890**	**43,915**	**8,865**	**16,243**
Six months ended 30 June 2018				
Net book amount as at 1 January 2018	236,079	—	8,826	16,020
Additions	1,574	—	—	—
Disposals	(489)	—	—	—
Transfers	(7,100)	7,100	—	—
Depreciation and amortisation	(7,705)	(86)	(26)	(164)
Net book amount as at 30 June 2018	222,359	7,014	8,800	15,856

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 2019 *RMB'000*	Audited As at 31 December 2018 *RMB'000*
Deferred income tax assets:		
— to be recovered after more than 12 months	**49,560**	47,285
— to be recovered within 12 months	**9,931**	5,737
	59,491	53,022

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 2019	**18,844**	**18,493**	**6,920**	**8,765**	**53,022**
Credited to the income statement	**385**	**2,003**	**1,877**	**2,204**	**6,469**
At 30 June 2019	**19,229**	**20,496**	**8,797**	**10,969**	**59,491**
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

Deferred income tax liabilities

	Unaudited As at 30 June 2019 *RMB'000*	Audited As at 31 December 2018 *RMB'000*
Deferred income tax liabilities:		
— to be recovered within 12 months	**4,950**	—

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 2019	**—**
Charged to the income statement	**4,950**
At 30 June 2019	**4,950**
At 1 January 2018	—
Charged to the income statement	2,900
At 30 June 2018	2,900

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

	Unaudited As at 30 June 2019 ***RMB'000***	Audited As at 31 December 2018 *RMB'000*
Trade receivables, net of impairment provision (a)	**597,523**	579,687
Other receivables (b)	**26,059**	18,633
Notes receivable	**15,151**	—
Prepayments	**18,403**	3,571
	657,136	601,891

(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 2019, the ageing analysis of the trade receivables (net of impairment provision of RMB87,703,000 (31 December 2018: RMB78,763,000)) was as follows:

	Unaudited As at 30 June 2019 *RMB'000*	Audited As at 31 December 2018 *RMB'000*
Current to 6 months	**424,531**	379,809
6 months to 1 year	**110,310**	131,813
1 year to 2 years	**51,682**	57,065
above 2 years	**11,000**	11,000
	597,523	579,687

(b) Other receivables

	Unaudited As at 30 June 2019 *RMB'000*	Audited As at 31 December 2018 *RMB'000*
Deductible input value added tax	**5,107**	3,837
Advances to employees	**12,719**	7,140
Rental receivables	**1,433**	1,567
Others	**6,800**	6,089
	26,059	18,633

13. INVESTMENT IN EQUITY FUND

	Unaudited Six moths ended 30 June	
	2019 *RMB'000*	2018 *RMB'000*
At the beginning of the period	**45,632**	36,544
Changes in fair value	**19,869**	9,978
At the end of the period	**65,501**	46,522

14. ORDINARY SHARES

	Authorised ordinary shares		
	Number of shares ('000)	*HKD'000*	*RMB'000*
At 31 December 2018 and 30 June 2019	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 31 December 2018 and 30 June 2019	1,134,055	11,341	10,491

As at 30 June 2019, the total number of issued ordinary shares of the Company was 1,134,055,000 shares which included 9,733,000 shares (31 December 2018: 10,033,000 shares) held under the Share Award Scheme.

15. ACCRUALS AND OTHER PAYABLES

	Unaudited As at 30 June 2019 *RMB'000*	Audited As at 31 December 2018 *RMB'000*
Accrued expenses (a)	**222,951**	236,112
Salaries payable	**40,901**	44,090
Other payables (b)	**13,597**	12,316
Other tax payables	**7,939**	10,690
	285,388	303,208

(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 interim results of the Company for the six months ended 30 June 2019 to our shareholders.

The total revenue for the first half of the year came out to about RMB500.9 million, an increase of 9.1% from the year before. During the reporting period, the global business environment and China's economy has experienced substantial changes. Due to the continuing uncertainty surrounding Sino-US trade relations, growth in a number of industries has slowed and China's domestic consumption has been affected. However, the Company's restructuring has continued to reduce overall operating expenses, mitigating some of the economic impact associated with the Sino-US trade dispute.

PCauto's revenue has increased by 19.0% compared to the year before and accounted for 77.4% of the total revenue of the Company in the first half of 2019. China's automobile industry has continued to experience a decline in the first half of 2019, although we expect enacted policy changes to mitigate some of the impact from the industry decline. In addition to providing automobile industry coverage and solutions to consumers, we continue to strengthen our "Auto Merchant+" strategy in providing a portfolio of sales and marketing solutions products to assist auto distributors. The after-sales platform "Cool Auto Butler" continued to refine and add to the value-added services provided to automobile manufacturers and dealerships through its partnership with Alipay.

PConline's revenue remains consistent when compared to the same period last year. China's consumer electronic market has experienced a decline in the past four years, however we believe that the overall decline of recent years in the consumer electronics market has largely stabilized and that the market will gradually pick up in the future.

Other portals including PClady, PCbaby and PChouse have experienced a decrease in revenue when compared to the same period last year. The decrease in revenue for PClady was due to the continued repositioning of strategies and restructuring of teams, however we expect its performance will gradually recover in the second half of the year. In the first half of 2019, PCbaby partnered with the China Medical Education Association in trialing the launch of "New Mother's Education" mobile app to provide educational and instructional content, as well as digital resources for new mothers. This year, PChouse has partnered with the China Building Decoration Association to provide joint marketing and certification with designers on the Baidu search engine to better engage customers. With the expected maturity of new projects and the continued improvement of internal capabilities to better engage consumers, we expect the performance will recover during the second half of the year.

The first half of 2019's continued restructuring and the associated cost optimization has yielded positive results for the Company. At the same time, we are also expecting our new products to mature to a commercial stage to provide new business opportunities and revenue. We remain cautiously optimistic regarding the Company's prospects in the coming year given the rapidly changing industry and business environment.

MANAGEMENT DISCUSSION AND ANALYSIS

Revenue

Revenue increased 9.1% from RMB459.3 million for the six months ended 30 June 2018 to RMB500.9 million for the six months ended 30 June 2019.

Revenue for PCauto, the Group's automobile portal, increased 19.0% from RMB325.7 million for the six months ended 30 June 2018 to RMB387.7 million during the six months ended 30 June 2019. The increase in revenue for PCauto was mainly due to increased advertising spending from automobile manufacturers. As a percentage of revenue, PCauto accounted for 70.9% during the six months ended 30 June 2018 and 77.4% during the six months ended 30 June 2019.

Revenue for PConline, the Group's IT and consumer electronics portal, decreased 1.4% from RMB68.6 million during the six months ended 30 June 2018 to RMB67.7 million during the six months ended 30 June 2019. The decrease was due to decline in demand from consumer electronics manufacturers. As a percentage of revenue, PConline accounted for 14.9% during the six months ended 30 June 2018 and 13.5% during the six months ended 30 June 2019.

Revenue from other operations, including the PClady, PCbaby and PChouse portals, decreased by 29.8% from RMB65.0 million during the six months ended 30 June 2018 to RMB45.6 million during the six months ended 30 June 2019. The decrease was mainly due to decline in demand from major brands. As a percentage of revenue, revenue from other operations accounted for 14.1% during the six months ended 30 June 2018 and 9.1% during the six months ended 30 June 2019.

Cost of Revenue

Cost of revenue decreased 0.2% from RMB210.3 million during the six months ended 30 June 2018 to RMB209.9 million during the six months ended 30 June 2019. Gross profit margin was 54.2% during the six months ended 30 June 2018 and 58.1% during the six months ended 30 June 2019.

The rather stable in cost of revenue was due to decrease in outsourcing production cost offsetting increase in service commission to advertising agencies and technology service fees during the period.

Selling and Marketing Costs

Selling and marketing costs decreased 4.3% from RMB128.1 million during the six months ended 30 June 2018 to RMB122.6 million during the six months ended 30 June 2019. The decrease was mainly due to less advertising expenses during the period.

Administrative Expenses

Administrative expenses increased by 9.9% from RMB32.3 million during the six months ended 30 June 2018 to RMB35.5 million during the six months ended 30 June 2019, mainly due to increase in staff costs during the period.

Net Impairment Losses on Financial Assets

Net impairment losses on financial assets was RMB2.4 million during the six months ended 30 June 2018 and was RMB8.9 million during the six months ended 30 June 2019. The increase was due to longer receivable period.

Product Development Expenses

Product development expenses increased by 4.3% from RMB36.3 million during the six months ended 30 June 2018 to RMB37.9 million during the six months ended 30 June 2019. The increase was primarily due to slightly increase in personnel-related expenses in the Group's research and development team.

Other Income

Other income was RMB8.4 million during the six months ended 30 June 2018 and was RMB4.9 million during the six months ended 30 June 2019. The decrease was mainly due to less government grant received during the period.

Finance Income

Net finance income was RMB6.4 million during the six months ended 30 June 2018 and was RMB3.1 million during the six months ended 30 June 2019. The decrease was due to net foreign exchange losses and less interest income during the period ended 30 June 2019.

Income Tax Expense

Income tax expense increased by 47.9% from RMB11.6 million during the six months ended 30 June 2018 to RMB17.1 million during the six months ended 30 June 2019.

Net Profit Attributable to Equity Holders

Net profit attributable to equity holders increased by 42.1% from RMB53.5 million during the six months ended 30 June 2018 to RMB76.0 million during the six months ended 30 June 2019.

Liquidity and Financial Resources

As of 30 June 2019, the Group had short-term deposits and cash totaling RMB300.5 million, compared with RMB458.9 million as of 31 December 2018. The decline in cash was primarily due to the payment of a cash dividend totaling RMB153.1 million during the six months ended 30 June 2019.

The Company had no external debt as of 31 December 2018 and 30 June 2019.

Bank Borrowings

As of 30 June 2019, 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 2018.

Material Acquisitions and Disposal

During the six months ended 30 June 2019, the Group had no material acquisitions and disposals of subsidiaries and associates.

Charges on Assets

As of 30 June 2019, 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 2019, the Group had 1,254 employees (31 December 2018: 1,331), a decrease of 5.8% from the first half of 2019. 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.

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 2019.

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. 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 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 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 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, 26 August 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.