

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



**PACIFIC ONLINE LIMITED**

**太平洋網絡有限公司**

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 543)**

**INTERIM RESULTS ANNOUNCEMENT  
FOR THE SIX MONTHS ENDED 30 JUNE 2016**

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 2016 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 2016*

		<b>Unaudited</b>	
		<b>Six months ended 30 June</b>	
		<b>2016</b>	<b>2015</b>
	<i>Note</i>	<i>RMB'000</i>	<i>RMB'000</i>
<b>Revenue</b>	4	<b>471,448</b>	491,245
Cost of revenue		<b>(163,624)</b>	(170,202)
<b>Gross profit</b>		<b>307,824</b>	321,043
Selling and marketing costs		<b>(124,642)</b>	(135,118)
Administrative expenses		<b>(63,193)</b>	(48,131)
Product development expenses		<b>(39,026)</b>	(36,278)
Other income	5	<b>6,922</b>	1,415
<b>Operating profit</b>		<b>87,885</b>	102,931
Finance income	6	<b>5,599</b>	2,464
Finance cost	6	<b>—</b>	(2,581)
Finance income/(cost) — net	6	<b>5,599</b>	(117)
<b>Profit before income tax</b>		<b>93,484</b>	102,814
Income tax expense	7	<b>(19,424)</b>	(22,236)
<b>Profit for the period</b>		<b>74,060</b>	80,578

		<b>Unaudited</b>	
		<b>Six months ended 30 June</b>	
		<b>2016</b>	<b>2015</b>
	<i>Note</i>	<i>RMB'000</i>	<i>RMB'000</i>
<b>Attributable to:</b>			
Equity holders of the Company		<u><u>74,060</u></u>	<u><u>80,578</u></u>
<b>Earnings per share for profit attributable to equity holders of the Company</b>			
— basic ( <i>RMB</i> )	8(a)	<u><u>6.55 cents</u></u>	<u><u>7.23 cents</u></u>
— diluted ( <i>RMB</i> )	8(b)	<u><u>6.54 cents</u></u>	<u><u>7.15 cents</u></u>

**CONDENSED CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME**  
*For the six months ended 30 June 2016*

	<b>Unaudited</b>	
	<b>Six months ended 30 June</b>	
	<b>2016</b>	<b>2015</b>
	<i>RMB'000</i>	<i>RMB'000</i>
<b>Profit for the period</b>	<b>74,060</b>	80,578
<i>Items that may be reclassified to profit or loss</i>		
Change in value of investment in equity fund	<u>1,266</u>	<u>3,696</u>
<b>Other comprehensive income for the period, net of tax</b>	<u>1,266</u>	<u>3,696</u>
<b>Total comprehensive income for the period</b>	<u><u>75,326</u></u>	<u><u>84,274</u></u>
<b>Attributable to:</b>		
Equity holders of the Company	<u><u>75,326</u></u>	<u><u>84,274</u></u>

# CONDENSED CONSOLIDATED INTERIM BALANCE SHEET

As at 30 June 2016

		Unaudited 30 June 2016 RMB'000	Audited 31 December 2015 RMB'000
	<i>Note</i>		
<b>ASSETS</b>			
<b>Non-current assets</b>			
Lease prepayment		16,506	16,668
Property and equipment	10	254,667	260,112
Intangible assets	10	9,333	11,535
Deferred income tax assets	11	29,515	24,989
Investment in equity fund	13	34,295	33,029
Held-to-maturity financial assets	14	8,231	28,207
Other receivables and prepayments	12	2,564	—
		<u>355,111</u>	<u>374,540</u>
<b>Current assets</b>			
Inventories		—	948
Trade and other receivables and prepayments	12	618,263	578,694
Held-to-maturity financial assets	14	22,199	21,264
Short-term bank deposits with original terms of over three months		62,460	2,610
Cash and cash equivalents		168,937	410,849
		<u>871,859</u>	<u>1,014,365</u>
<b>Total assets</b>		<u><u>1,226,970</u></u>	<u><u>1,388,905</u></u>
<b>EQUITY</b>			
<b>Capital and reserves attributable to equity holders of the Company</b>			
Ordinary shares	15	10,469	10,468
Reserves		922,421	1,004,222
<b>Total equity</b>		<u><u>932,890</u></u>	<u><u>1,014,690</u></u>

		<b>Unaudited</b>	Audited
		<b>30 June</b>	31 December
		<b>2016</b>	2015
	<i>Note</i>	<b>RMB'000</b>	<b>RMB'000</b>
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Deferred income tax liabilities	11	<u>4,600</u>	<u>515</u>
<b>Current liabilities</b>			
Accruals and other payables	16	<b>197,022</b>	281,765
Prepaid advertising subscriptions from customers and deferred revenue		<b>27,617</b>	25,115
Current income tax liabilities		<u>64,841</u>	<u>66,820</u>
		<u>289,480</u>	<u>373,700</u>
<b>Total liabilities</b>		<u>294,080</u>	<u>374,215</u>
<b>Total equity and liabilities</b>		<u>1,226,970</u>	<u>1,388,905</u>

# CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2016

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 Schemes I		Statutory reserve funds RMB'000	Investment in equity fund RMB'000	Retained earnings RMB'000	Total RMB'000
						RMB'000	RMB'000				
<b>Six months ended 30 June 2016</b>											
	<b>Balance at 1 January 2016</b>	10,468	391,556	4	306	4,180	776	43,250	1,832	562,318	1,014,690
<b>Comprehensive income</b>											
	Profit for the period	—	—	—	—	—	—	—	—	74,060	74,060
	Other comprehensive income										
	— change in value of investment in equity fund	13	—	—	—	—	—	—	1,266	—	1,266
	<b>Total comprehensive income</b>	—	—	—	—	—	—	—	1,266	74,060	75,326
	Cash dividends relating to 2015, paid in 2016	9	—	—	—	—	—	—	—	(157,617)	(157,617)
	Employees share option schemes										
	— value of employee services	17(a)	—	—	—	160	—	—	—	—	160
	— proceeds from shares issued	15(a)	1	330	—	—	—	—	—	—	331
	— transfer upon exercise of share options		—	178	—	(178)	—	—	—	—	—
	<b>Balance at 30 June 2016</b>	<b>10,469</b>	<b>392,064</b>	<b>4</b>	<b>306</b>	<b>4,162</b>	<b>776</b>	<b>43,250</b>	<b>3,098</b>	<b>478,761</b>	<b>932,890</b>
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 Schemes I		Statutory reserve funds RMB'000	Investment in equity fund RMB'000	Retained earnings RMB'000	Total RMB'000
						RMB'000	RMB'000				
<b>Six months ended 30 June 2015</b>											
	<b>Balance at 1 January 2015</b>	10,312	328,343	4	306	45,201	(4,087)	43,250	(2,243)	537,504	958,590
<b>Comprehensive income</b>											
	Profit for the period	—	—	—	—	—	—	—	—	80,578	80,578
	Other comprehensive income										
	— change in value of investment in equity fund	13	—	—	—	—	—	—	3,696	—	3,696
	<b>Total comprehensive income</b>	—	—	—	—	—	—	—	3,696	80,578	84,274
	Cash dividends relating to 2014, paid in 2015	9	—	—	—	—	—	—	—	(155,017)	(155,017)
	Share Award Scheme I										
	— purchase of shares		—	—	—	—	(1,224)	—	—	—	(1,224)
	— value of employee services		—	—	—	2,241	—	—	—	—	2,241
	— vesting of Awarded Shares		(913)	—	—	—	913	—	—	—	—
	Share Award Scheme II										
	— value of employee services		—	—	—	160	—	—	—	—	160
	Employees share option schemes										
	— proceeds from shares issued	15(a)	148	25,175	—	—	—	—	—	—	25,323
	<b>Balance at 30 June 2015</b>	<b>10,460</b>	<b>352,605</b>	<b>4</b>	<b>306</b>	<b>47,602</b>	<b>(4,398)</b>	<b>43,250</b>	<b>1,453</b>	<b>463,065</b>	<b>914,347</b>

## CONDENSED CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS

For the six months ended 30 June 2016

	Note	Unaudited	
		Six months ended 30 June 2016	2015
		RMB'000	RMB'000
<b>Cash flows from operating activities</b>			
Cash (used in)/generated from operations		(750)	9,279
Income tax paid		(21,844)	(33,431)
Net cash used in operating activities		(22,594)	(24,152)
<b>Cash flows from investing activities</b>			
Purchase of property and equipment		(3,480)	(8,483)
Disposals of property and equipment		253	103
Purchase of intangible assets		(197)	(247)
Purchase of certificates of deposit		(20,137)	—
Redemption of held-to-maturity financial assets	14	19,000	—
Loan to a key management personnel		(2,564)	—
Expenditure related to business disposal		(989)	—
Placement of short-term bank deposits with original terms of over three months		(62,460)	(2,578)
Receipt from maturity of short-term bank deposits with original terms of over three months		2,610	2,539
Acquisition of a subsidiary, net of cash acquired		—	219
Interest received		5,429	3,373
Net cash used in investing activities		(62,535)	(5,074)
<b>Cash flows from financing activities</b>			
Purchase of shares held for Share Award Scheme I		—	(1,224)
Cash dividends paid	9	(157,617)	(155,017)
Proceeds from issuance of ordinary shares	15(a)	331	25,323
Net cash used in financing activities		(157,286)	(130,918)
<b>Net decrease in cash and cash equivalents</b>			
Cash and cash equivalents at beginning of period		410,849	392,295
Exchange gains/(losses) on cash and cash equivalents		503	(2,549)
<b>Cash and cash equivalents at end of period</b>		<b>168,937</b>	<b>229,602</b>

## **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 Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands.

The Group is principally engaged in the provision of internet advertising services in the People's Republic of China ("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 26 August 2016.

## **2. BASIS OF PREPARATION**

The Interim Financial Information has been prepared in accordance with Hong Kong Accounting Standard 34, 'Interim financial reporting'. The Interim Financial Information should be read in conjunction with the annual financial statements of the Group for the year ended 31 December 2015, which have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS").

## **3. ACCOUNTING POLICIES**

The accounting policies applied are consistent with those of the annual financial statements for the year ended 31 December 2015, as described in those annual financial statements except for the adoption of amendments to HKFRS effective for the financial year ending 31 December 2016.

Amendments to HKFRS effective for the financial year ending 31 December 2016 do not have a material impact on the Group.

Taxes on income in the interim periods are accrued using the tax rates that would be applicable to expected total annual earnings.

## **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 business from the performance of the internet advertising generated from different internet portals the Group 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 derived from different internet portals. The reportable operating segments are grouped into PCauto, POnline, 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 2016 (six months ended 30 June 2015: 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.

	<b>PCauto</b> <i>RMB'000</i> (Unaudited)	<b>PConline</b> <i>RMB'000</i> (Unaudited)	<b>PClady</b> <i>RMB'000</i> (Unaudited)	<b>Others</b> <i>RMB'000</i> (Unaudited)	<b>Group</b> <i>RMB'000</i> (Unaudited)
<b>For the six months ended 30 June 2016</b>					
Revenue	<u><b>331,059</b></u>	<u><b>65,915</b></u>	<u><b>27,141</b></u>	<u><b>47,333</b></u>	<u><b>471,448</b></u>
<b>For the six months ended 30 June 2015</b>					
Revenue	<u>324,016</u>	<u>81,822</u>	<u>34,589</u>	<u>50,818</u>	<u>491,245</u>

Though the Company is domiciled in the Cayman Islands, for the six months ended 30 June 2016 all revenues of the Group were generated from the PRC and derived from external customers (six months ended 30 June 2015: same).

As at 30 June 2016, other than club membership included in the intangible assets, investment in equity fund and held-to-maturity financial assets, majority of other non-current assets of the Group were located in the PRC (31 December 2015: same).

For the six months ended 30 June 2016, 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 2015: same).

## 5. OTHER INCOME

	<b>Unaudited</b> <b>Six months ended 30 June</b>	
	<b>2016</b>	<b>2015</b>
	<i>RMB'000</i>	<i>RMB'000</i>
Government grants	<b>6,051</b>	552
Investment income on held-to-maturity financial assets	<b>871</b>	863
	<u><b>6,922</b></u>	<u>1,415</u>

## 6. FINANCE INCOME/(COST) — NET

	<b>Unaudited</b> <b>Six months ended 30 June</b>	
	<b>2016</b>	<b>2015</b>
	<i>RMB'000</i>	<i>RMB'000</i>
Finance income		
— Interest income	<b>5,100</b>	2,464
— Net foreign exchange gains	<b>499</b>	—
	<u><b>5,599</b></u>	<u>2,464</u>
Finance cost		
— Net foreign exchange losses	—	(2,581)
	<u><b>5,599</b></u>	<u>(117)</u>

## 7. INCOME TAX EXPENSE

	Unaudited	
	Six months ended 30 June	
	2016	2015
	RMB'000	RMB'000
PRC current tax	19,865	20,881
Deferred taxation	(441)	1,355
	<u>19,424</u>	<u>22,236</u>

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, 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 six months ended 30 June 2016 (six months ended 30 June 2015: 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. and Guangdong Pacific Internet Information Service Co., Ltd., the principal operating subsidiaries of the Company, were formally designated as HNTE in 2014 and the applicable income tax rate is 15% for the three years from 2014 to 2016. Assuming that there is no change to the relevant laws and regulations, the directors consider that these two 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 I).

	Unaudited	
	Six months ended 30 June	
	2016	2015
Profit attributable to equity holders of the Company (RMB'000)	<u>74,060</u>	<u>80,578</u>
Weighted average number of ordinary shares for basic earnings per share (thousand shares)	<u>1,131,421</u>	<u>1,113,762</u>
Basic earnings per share (RMB)	<u>6.55 cents</u>	<u>7.23 cents</u>

(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 and awarded shares granted by the Company (collectively forming the denominator for computing diluted earnings per share). No adjustment is made to earnings (numerator).

	<b>Unaudited</b>	
	<b>Six months ended 30 June</b>	
	<b>2016</b>	<b>2015</b>
Profit attributable to equity holders of the Company ( <i>RMB'000</i> )	<u>74,060</u>	<u>80,578</u>
Weighted average number of ordinary shares for diluted earnings per share ( <i>thousand shares</i> )	<b>1,133,150</b>	1,127,562
— Weighted average number of ordinary shares for basic earnings per share ( <i>thousand shares</i> )	<b>1,131,421</b>	1,113,762
— Adjustment for share options and awarded shares ( <i>thousand shares</i> )	<b>1,729</b>	13,800
Diluted earnings per share ( <i>RMB</i> )	<u><b>6.54 cents</b></u>	<u>7.15 cents</u>

**9. DIVIDENDS**

The directors did not recommend the payment of interim dividend for the six months ended 30 June 2016 (six months ended 30 June 2015: same).

The dividends paid in the six months ended 30 June 2016 included the 2015 final cash dividend of RMB13.93 cents (six months ended 30 June 2015: 2014 final cash dividend of RMB13.93 cents) per ordinary share out of the retained earnings, totalling RMB157,617,000 (six months ended 30 June 2015: RMB155,017,000), which has already excluded the dividends related to the ordinary shares held for the Share Award Scheme I of RMB6,000 (six months ended 30 June 2015: RMB44,000).

## 10. PROPERTY AND EQUIPMENT, INTANGIBLE ASSETS AND GOODWILL

	<b>Property and equipment</b> <i>RMB'000</i> (Unaudited)	<b>Intangible assets</b> <i>RMB'000</i> (Unaudited)	<b>Goodwill</b> <i>RMB'000</i> (Unaudited)
<b>Six months ended 30 June 2016</b>			
Net book amount as at 1 January 2016	260,112	11,535	—
Additions	3,480	197	—
Impairment (a)	—	(1,900)	—
Disposals	(310)	—	—
Depreciation and amortisation	(8,615)	(499)	—
	<u>254,667</u>	<u>9,333</u>	<u>—</u>
Net book amount as at 30 June 2016	<u>254,667</u>	<u>9,333</u>	<u>—</u>
<b>Six months ended 30 June 2015</b>			
Net book amount as at 1 January 2015	264,736	9,689	—
Additions	8,483	247	—
Acquisition of a subsidiary	122	2,300	4,622
Disposals	(86)	—	—
Depreciation and amortisation	(8,330)	(498)	—
	<u>264,925</u>	<u>11,738</u>	<u>4,622</u>
Net book amount as at 30 June 2015	<u>264,925</u>	<u>11,738</u>	<u>4,622</u>

(a) The impairment charge of RMB1,900,000 during the six months ended 30 June 2016 was related to the brand and technology.

## 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.

### Deferred income tax assets

	<b>Unaudited</b> <b>As at</b> <b>30 June</b> <b>2016</b> <i>RMB'000</i>	<b>Audited</b> <b>As at</b> <b>31 December</b> <b>2015</b> <i>RMB'000</i>
Deferred income tax assets:		
— to be recovered after more than 12 months	11,412	6,981
— to be recovered within 12 months	18,103	18,008
	<u>29,515</u>	<u>24,989</u>

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

	Advertising expenses in excess of allowance <i>RMB'000</i> (Unaudited)	Provision for impairment of trade receivables <i>RMB'000</i> (Unaudited)	Accruals <i>RMB'000</i> (Unaudited)	Accrued salary expense <i>RMB'000</i> (Unaudited)	Tax losses <i>RMB'000</i> (Unaudited)	Total <i>RMB'000</i> (Unaudited)
At 1 January 2016	11,480	6,981	6,528	—	—	24,989
Credited/(Charged) to the income statement	156	4,431	(5,205)	—	5,144	4,526
At 30 June 2016	<u>11,636</u>	<u>11,412</u>	<u>1,323</u>	<u>—</u>	<u>5,144</u>	<u>29,515</u>
At 1 January 2015	—	4,957	3,521	7,015	—	15,493
Credited/(Charged) to the income statement	4,004	1,142	(300)	(2,021)	—	2,825
At 30 June 2015	<u>4,004</u>	<u>6,099</u>	<u>3,221</u>	<u>4,994</u>	<u>—</u>	<u>18,318</u>

#### Deferred income tax liabilities

	Unaudited As at 30 June 2016 <i>RMB'000</i>	Audited As at 31 December 2015 <i>RMB'000</i>
Deferred income tax liabilities:		
— to be recovered after more than 12 months	—	435
— to be recovered within 12 months	4,600	80
	<u>4,600</u>	<u>515</u>

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 <i>RMB'000</i> (Unaudited)	Intangible assets acquired in business combination at fair value <i>RMB'000</i> (Unaudited)	Total <i>RMB'000</i> (Unaudited)
At 1 January 2016	—	515	515
Charged/(credited) to the income statement	4,600	(515)	4,085
At 30 June 2016	<u>4,600</u>	<u>—</u>	<u>4,600</u>
At 1 January 2015	—	—	—
Acquisition of a subsidiary	—	575	575
Charged/(credited) to the income statement	4,200	(20)	4,180
At 30 June 2015	<u>4,200</u>	<u>555</u>	<u>4,755</u>

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 2016, the ageing analysis of the trade receivables (net of impairment provision of RMB50,239,000 (31 December 2015: RMB31,860,000)) was as follows:

	Unaudited As at 30 June 2016 RMB'000	Audited As at 31 December 2015 RMB'000
Current to 6 months	445,970	415,890
6 months to 1 year	88,945	114,137
1 year to 2 years	24,345	23,645
	<u>559,260</u>	<u>553,672</u>

### (b) Other receivables and prepayments

	Unaudited As at 30 June 2016 RMB'000	Audited As at 31 December 2015 RMB'000
Certificates of deposit (i)	20,265	—
Prepayments	17,841	6,286
Advances to employees	6,424	4,816
Loan to a key management personnel (ii)	2,274	—
Prepaid employee benefits	290	—
Others	14,473	13,920
	<u>61,567</u>	<u>25,022</u>
Less non-current portion:		
Loan to a key management personnel (ii)	(2,274)	—
Prepaid employee benefits	(290)	—
<b>Current portion</b>	<u>59,003</u>	<u>25,022</u>

- (i) The range of coupon rate of the certificates of deposit is 2.30% to 4.28% per annum.
- (ii) On 1 February 2016, the Group lent a loan amounting to HKD3,000,000 (equivalent to RMB2,564,000) to a key management personnel, which is interest-free and due on the earlier of the cessation date of employment and 31 January 2019. As at 30 June 2016, the fair value of the loan to a key management personnel is RMB2,274,000, which is based on cash flows discounted using a rate based on the borrowing rate of 4.75%. The fair value is within level 3 of the fair value hierarchy.

### 13. INVESTMENT IN EQUITY FUND

	<i>RMB'000</i> (Unaudited)
At 1 January 2016	33,029
Change in fair value	<u>1,266</u>
At 30 June 2016	<u><u>34,295</u></u>
	<i>RMB'000</i> (Unaudited)
At 1 January 2015	28,954
Change in fair value	<u>3,696</u>
At 30 June 2015	<u><u>32,650</u></u>

- (a) In June 2014, a subsidiary of the Group invested as a limited partner in an unlisted equity fund (the “Fund”) established and managed by an independent third party partner. The investment is denominated in USD with an initial cost of USD5,000,000. The Group does not have control or significant influence in the Fund. The directors classified the investment as available-for-sale financial assets.

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 cash flows discounted using a rate based on the market interest rate and the risk premium specific to the unlisted equity investments.

### 14. HELD-TO-MATURITY FINANCIAL ASSETS

	Unaudited As at 30 June 2016 <i>RMB'000</i>	Audited As at 31 December 2015 <i>RMB'000</i>
Bonds		
— Listed in Hong Kong	12,391	16,226
— Listed outside Hong Kong	<u>18,039</u>	<u>33,245</u>
	<u><u>30,430</u></u>	<u><u>49,471</u></u>

All the held-to-maturity financial assets are denominated in RMB.

The movement in held-to-maturity financial assets during the period was as follows:

	<i>RMB'000</i> (Unaudited)
At 1 January 2016	49,471
Amortised interest ( <i>Note 5</i> )	871
Interest received	(912)
Redemption	<u>(19,000)</u>
At 30 June 2016	<u><u>30,430</u></u>

	<i>RMB'000</i> (Unaudited)
At 1 January 2015	49,553
Amortised interest ( <i>Note 5</i> )	863
Interest received	(905)
	<hr/>
At 30 June 2015	<u>49,511</u>

The terms of maturity of the held-to-maturity financial assets are summarised as follow:

	<b>Unaudited</b> <b>As at</b> <b>30 June</b> <b>2016</b> <i>RMB'000</i>	Audited As at 31 December 2015 <i>RMB'000</i>
<b>Current</b>		
Less than 1 year	<u>22,199</u>	<u>21,264</u>
<b>Non-current</b>		
Between 1 and 2 years	<u>8,231</u>	<u>28,207</u>
	<u>30,430</u>	<u>49,471</u>

The coupon rate of the bonds is 3.25% to 4.50% per annum.

The maximum exposure to credit risk at the reporting date is the carrying amount of held-to-maturity financial assets.

## 15. ORDINARY SHARES

	<b>Authorised ordinary shares</b>		
	<i>Number of</i> <i>shares ('000)</i>	<i>HKD'000</i>	<i>RMB'000</i>
At 31 December 2015 and 30 June 2016	<u>100,000,000</u>	<u>1,000,000</u>	<u>969,200</u>
	<b>Issued and fully paid up</b>		
	<i>Number of</i> <i>shares ('000)</i> (Unaudited)	<i>HKD'000</i> (Unaudited)	<i>RMB'000</i> (Unaudited)
<b>At 1 January 2016</b>	<b>1,131,342</b>	<b>11,314</b>	<b>10,468</b>
Share Option Plans			
— issued shares (a)	<u>203</u>	<u>2</u>	<u>1</u>
<b>At 30 June 2016</b>	<u>1,131,545</u>	<u>11,316</u>	<u>10,469</u>
<b>At 1 January 2015</b>	1,111,687	11,117	10,312
Share Option Plans			
— issued shares (a)	<u>18,861</u>	<u>189</u>	<u>148</u>
<b>At 30 June 2015</b>	<u>1,130,548</u>	<u>11,306</u>	<u>10,460</u>



- (a) Share options exercised during the six months ended 30 June 2016 resulted in 203,000 shares being issued (six months ended 30 June 2015: 18,861,000 shares) with exercise proceeds of RMB331,000 (six months ended 30 June 2015: RMB25,323,000). The nominal value of these shares of RMB1,000 (six months ended 30 June 2015: RMB148,000) and the premium of RMB330,000 (six months ended 30 June 2015: RMB25,175,000) had been credited to ordinary shares and share premium accounts, respectively. The related weighted average share price at the time of exercise was HKD2.11 per share (six months ended 30 June 2015: HKD3.56 per share).

All the ordinary shares issued during the six months ended 30 June 2016 rank pari passu with the then existing ordinary shares in all respects.

## 16. ACCRUALS AND OTHER PAYABLES

	<b>Unaudited</b>	Audited
	<b>As at</b>	As at
	<b>30 June</b>	31 December
	<b>2016</b>	2015
	<b>RMB'000</b>	RMB'000
Salaries payable	39,356	48,737
Accrued expenses (a)	120,425	192,058
Other tax payable	18,937	21,419
Other payables (b)	18,304	19,551
	<u>197,022</u>	<u>281,765</u>

- (a) Accrued expenses mainly represented accrued sales commission fees payable to advertising agencies and accrued advertising expenses.
- (b) Other payables mainly represented deposits due to third parties.

## 17. SHARE-BASED COMPENSATION COSTS

### (a) Share Option Plan

Options were granted to directors and selected employees according to their contribution to the Group. The Group has no legal or constructive obligation to repurchase or settle the options in cash.

#### (i) Pre-IPO Share Option Plan

On 23 November 2007, the Company granted share options to directors and selected employees under a Pre-IPO Share Option Plan, under which the option holders are entitled to acquire an aggregate of 49,929,000 shares of the Company. All options under the Pre-IPO Share Option Plan had been granted.

#### (ii) Post-IPO Share Option Plan

On 23 November 2007, the Company also adopted a Post-IPO Share Option Plan pursuant to which a total of 95,000,000 unissued shares of the Company were reserved and made available for grant of share options. In 2011, the Company refreshed the limit of the Post-IPO Share Option Plan to 98,130,880 ordinary shares. These shares, reserved for future grant of share options, represented 8.7% of the issued share capital of the Company as of 30 June 2016. The number of shares issued and to be issued in respect of these options granted and may be granted to any individual in any one year is not permitted to exceed 1% of the shares of the Company in issue at any point in time, without prior approval obtained from the Company's shareholders. Options granted to independent non-executive directors and substantial shareholders of the Company in excess of 0.1% of the Company's share capital and with a value in excess of HKD5 million must be approved in advance by the Company's shareholders.

Options granted must be taken up by the option holders within 28 days of the date of offer, upon payment of HKD1 per grant. Options may be exercised at any time during the option period, which should not be more than 10 years from the date of grant. The exercise price is determined by the directors of the

Company, and will not be less than the higher of (i) the closing price of the Company's shares on the date of grant; (ii) the average closing price of the shares for the five business days immediately preceding the date of grant; and (iii) the nominal value of the Company's shares.

On 11 May 2016, the Company granted 3,300,000 share options with exercise price of HKD2.35 to an employee under the Post-IPO Share Option Plan. The exercisable date for the options are as follows:

Vesting period	Number of options (thousands)
1 year from 11 May 2016	1,100
2 years from 11 May 2016	1,100
3 years from 11 May 2016	1,100
	<hr/>
	3,300
	<hr/> <hr/>

(iii) *Movements in share options*

Movements in the number of share options outstanding and their related weighted average exercise prices were as follows:

	Pre-IPO Share Option Plan		Post-IPO Share Option Plan		Total number of options (thousands) (Unaudited)
	Average exercise price (HKD) (Unaudited)	Number of options (thousands) (Unaudited)	Average exercise price (HKD) (Unaudited)	Number of options (thousands) (Unaudited)	
At 1 January 2016	1.67	7,955	—	—	7,955
Granted	—	—	2.35	3,300	3,300
Exercised	1.96	(203)	—	—	(203)
Forfeited	1.96	(52)	—	—	(52)
	<hr/>				
At 30 June 2016	1.66	7,700	2.35	3,300	11,000
	<hr/> <hr/>				
Currently exercisable as at 30 June 2016	1.66	7,700	—	—	7,700
	<hr/> <hr/>				
At 1 January 2015	1.71	27,697	—	—	27,697
Exercised	1.72	(18,861)	—	—	(18,861)
	<hr/>				
At 30 June 2015	1.69	8,836	—	—	8,836
	<hr/> <hr/>				
Currently exercisable as at 30 June 2015	1.69	8,836	—	—	8,836
	<hr/> <hr/>				

(iv) *Outstanding share options*

Share options outstanding at the end of the period have the following expiry dates and exercise prices:

Expiry date	30 June 2016		31 December 2015	
	Exercise price in HKD per share (Unaudited)	Number of options (thousands) (Unaudited)	Exercise price in HKD per share (Audited)	Number of options (thousands) (Audited)
Pre-IPO Share Option Plan				
— 22 November 2017	1.32	2,598	1.32	2,598
— 22 November 2017	1.71	2,703	1.71	2,703
— 22 November 2017	1.96	2,399	1.96	2,654
Post-IPO Share Option Plan				
— 11 May 2020	2.35	3,300	—	—
		<u>11,000</u>		<u>7,955</u>

(v) *Fair value of options*

The fair value of options granted on 11 May 2016 under Post-IPO Share Option Plan was determined using the Trinomial Valuation Model. The expense recognised for employee services received for the six months ended 30 June 2016 was RMB160,000 (six months ended 30 June 2015: nil).

## CHAIRMAN'S STATEMENT

I have pleasure in reporting the six months results of the Group. The reporting period has seen an extremely challenging environment for our sector. In this so called “age of the self-media”, the costs involved in operating as a mini media are so greatly reduced. The market is now littered with people writing articles or otherwise contributing contents that are designed for only one thing: gathering “fans”. They offer alternative ways for advertisers to disseminate product information. This reduces the advertisers’ reliance on quality contents provided by mainstay internet companies. On the other hand, the jittery global economy generally, and in China particularly, makes the manufacturers and distributors much more careful with their marketing budgets. The result for mainstream internet media companies is an uphill battle to earn revenue from the reducing share of a shrinking pie.

With some hard work and remaining focused, we managed to pull in RMB471.4 million for the first six months of the year, 4% lower when compared to the corresponding period last year. Faced with the fast changing operating environment, the Group made a significant effort in developing new products and services on the mobile and new media platforms. Against the continuing trend of rapidly increasing costs associated with the provision of quality contents and services, we recorded a net profit after tax of RMB74.1 million for the six months ended 30 June 2016, 8.1% lower than the corresponding period last year.

We believe the explosive proliferation of small media companies in the market and their ability to raise capital for burning is coming to an end, following the end of era of rapid growth of internet and smart phone users. There is a limit to the number of content providers one can read or follow. Information seekers will return to internet companies that provide quality contents and has the facilities to accumulate useful information for future reference. Guided by these thoughts, the Group is undergoing a re-structuring process and at the same time streamlining its operations to contain costs.

Revenue from PCauto increased modestly by 2.2%, accounting for 70.2% of the Group’s total revenue during the first half of the year. The auto industry in China has been impacted by the gloomy economy outlook. Both auto manufacturers and dealerships run very tight marketing budgets, in anticipation of an even harsher market. We managed to maintain our leadership in the market and, under our “Auto Dealer+” initiative, we provide new and more effective sales and management tools to our partners. During the period, we launched two mobile products: “Pocket Auto Salesman” and “Cool Auto Butler”, which provide the salesmen and after sale service providers respectively with leaping enhancements in their sales and management capabilities. These products are well received by the users. We trust our mobile and new media strategies will bring us avenues for satisfactory growth in the medium term.

The severity of the downturn of the markets for technology products has had its impact on the sales volumes of PConline’s major customers, and thus ourselves. Compared to the corresponding period, the large scale contraction of the market of Notebooks has shown no sign of easing. The earthquake of Kumamoto, Japan interrupted the production of the digital cameras because of the shortage of their key component parts. The sales of a major e-commerce customer were far short of expectation in its 18 June discount promotion event. However, the market has a silver-lining. The dominance of Apple, which is known as a limited user of the media for marketing, is over and thus there are new demands. The development of technology and product innovation, such as the use of Virtual Reality and Augmented Reality, is putting new momentum into the market. We believe the situation has bottomed out and as a leader in this market, PConline is well positioned to take advantage of the new norm.

PClady has had a very tough first six months of this year. The 21.5% drop in revenue was partly due to a business strategic change associated with medical cosmetics. Despite the downturn in sales, the team has been focusing on the delivery of products and contents utilising mobile, video and live broadcast techniques. One of the key new products launched is “Modern Classes” in which young ladies can participate in make-up classes and seminars via their mobile phones. Together with another app, “Choices”, which combines fashion and cosmetic information with a self-media platform, PClady has laid down the foundation to demonstrate its potential.

During the six months ended 30 June 2016, PCbaby has witnessed a significant trend of support and reliance by pregnant women, as a result of innovative ideas and professional baby care contents, some commenced with the acquisition of iCare Newlife Technologies, Inc. This has resulted in increased demand for advertisements of new-born products such as milk powders and diapers. The introduction of new advertising law restricting the advertisement of medical related baby products has, however, delayed the monetisation of this effort. With the second-child policy launched in China, we will continue to invest resources to maintain our leadership in baby care contents, and expect to grow fast in the mobile based pregnant women and new born baby product sector.

PChouse has seen its turnover affected by a number of strong competitors entering the market, especially in the Northern part of China. We have undergone a review of the user requirements and have initiated new products utilising video and conference delivery techniques. These and other improvements in the PChouse magazine will enable a solid growth of our income base in the future.

All in all, without underestimating the difficulties associated with the economy and our markets, we are excited about the new initiatives that the product teams across the board are taking. The team spirit is high and, as a result of streamlining and re-deployment of resources to targeted products, the Group is positive about the prospects ahead of us.

## **MANAGEMENT DISCUSSION AND ANALYSIS**

### **Revenue**

Revenue decreased 4.0% from RMB491.2 million for the six months ended 30 June 2015 to RMB471.4 million for the six months ended 30 June 2016.

Revenue for PCauto, the Group’s automobile portal, increased 2.2% from RMB324.0 million for the six months ended 30 June 2015 to RMB331.1 million during the six months ended 30 June 2016. The increase in revenue for PCauto was primarily due to increased advertising spending from automobile manufacturers and dealerships. As a percentage of revenue, PCauto accounted for 66.0% during the six months ended 30 June 2015 and 70.2% during the six months ended 30 June 2016.

Revenue for PConline, the Group’s IT and consumer electronics portal, decreased 19.4% from RMB81.8 million during the six months ended 30 June 2015 to RMB65.9 million during the six months ended 30 June 2016. The decrease was due to decline in demand from major consumer electronics brands. As a percentage of revenue, PConline accounted for 16.7% during the six months ended 30 June 2015 and 14.0% during the six months ended 30 June 2016.

Revenue for PClady, the Group’s lady and fashion portal, decreased 21.5% from RMB34.6 million during the six months ended 30 June 2015 to RMB27.1 million during the six months ended 30 June 2016. The decrease was driven by a slowdown in advertising demand from luxury products and changes in product mix. As a percentage of revenue, PClady accounted for 7.0% during the six months ended 30 June 2015 and 5.8% during the six months ended 30 June 2016.

Revenue from other operations, including the PCbaby and PChouse portals, decreased by 6.9% from RMB50.8 million during the six months ended 30 June 2015 to RMB47.3 million during the six months ended 30 June 2016. The decrease was mainly due to the disposal of PCgames portal in the second half of 2015. As a percentage of revenue, revenue from other operations accounted for 10.3% during the six months ended 30 June 2015 and 10.0% during the six months ended 30 June 2016.

### **Cost of Revenue**

Cost of revenue decreased 3.9% from RMB170.2 million during the six months ended 30 June 2015 to RMB163.6 million during the six months ended 30 June 2016. Gross profit margin was 65.4% during the six months ended 30 June 2015 and 65.3% during the six months ended 30 June 2016.

The decrease in cost of revenue was mainly due to lower costs related to offline marketing activities.

### **Selling and Marketing Costs**

Selling and marketing costs decreased 7.8% from RMB135.1 million during the six months ended 30 June 2015 to RMB124.6 million during the six months ended 30 June 2016. The decrease was mainly due to less marketing expenses and promotion fees during the period.

### **Administrative Expenses**

Administrative expenses increased by 31.3% from RMB48.1 million during the six months ended 30 June 2015 to RMB63.2 million during the six months ended 30 June 2016, due to an increase in impairment charge of receivables during the period.

### **Product Development Expenses**

Product development expenses increased by 7.6% from RMB36.3 million during the six months ended 30 June 2015 to RMB39.0 million during the six months ended 30 June 2016. The increase was primarily due to increases in personnel-related expenses in the Group's research and development team.

### **Operating Profit before Share-based Compensation Expenses (non-GAAP)**

Operating profit before share-based compensation expenses (non-GAAP) was RMB88.0 million during the six months ended 30 June 2016, representing a 16.4% decrease from RMB105.3 million during the six months ended 30 June 2015.

### **Other Income**

Other income was RMB1.4 million during the six months ended 30 June 2015 and was RMB6.9 million during the six months ended 30 June 2016. The increase was due to increase in government grants.

### **Finance Cost and Income**

Net finance cost was RMB0.1 million during the six months ended 30 June 2015 and net finance income was RMB5.6 million during the six months ended 30 June 2016.

### **Income Tax Expense**

Income tax expenses decreased 12.6% from RMB22.2 million during the six months ended 30 June 2015 to RMB19.4 million during the six months ended 30 June 2016.

## **Net Profit**

Net profit decreased 8.1% from RMB80.6 million during the six months ended 30 June 2015 to RMB74.1 million during the six months ended 30 June 2016.

## **Liquidity and Financial Resources**

As of 30 June 2016, the Group had short-term deposits and cash totaling RMB231.4 million, compared with RMB413.5 million as of 31 December 2015. The decline in cash was primarily due to the payment of a cash dividend totaling RMB157.6 million during the six months ended 30 June 2016.

The Company had no external debt as of 31 December 2015 and 30 June 2016.

## **Bank Borrowings**

As of 30 June 2016, 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 2015.

## **Material Acquisitions and Disposal**

During the six months ended 30 June 2016, the Group had no material acquisitions and disposals of subsidiaries and associates.

## **Charges on Assets**

As of 30 June 2016, 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 RMB. Therefore, the overall foreign currency risk was not considered to be significant.

## **Employees and Remuneration Information**

As of 30 June 2016, the Group had 1,653 employees (31 December 2015: 1,759), a decrease of 6.0% from the first half of 2016. 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 2016.



## 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, 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 2016, 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 2016

*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.*