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**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 2017**

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 2017 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 2017*

		<b>Unaudited</b>	
		<b>Six months ended 30 June</b>	
	<i>Note</i>	<b>2017</b>	<b>2016</b>
		<b>RMB'000</b>	<b>RMB'000</b>
<b>Revenue</b>	4	<b>445,723</b>	471,448
Cost of revenue		<b>(184,055)</b>	(163,624)
<b>Gross profit</b>		<b>261,668</b>	307,824
Selling and marketing costs		<b>(113,395)</b>	(124,642)
Administrative expenses		<b>(48,737)</b>	(63,193)
Product development expenses		<b>(35,700)</b>	(39,026)
Other income	5	<b>9,189</b>	6,922
<b>Operating profit</b>		<b>73,025</b>	87,885
Finance income	6	<b>2,737</b>	5,599
Finance cost	6	<b>(1,675)</b>	—
Finance income — net	6	<b>1,062</b>	5,599
<b>Profit before income tax</b>		<b>74,087</b>	93,484
Income tax expense	7	<b>(14,286)</b>	(19,424)
<b>Profit for the period</b>		<b>59,801</b>	74,060

		<b>Unaudited</b>	
		<b>Six months ended 30 June</b>	
		<b>2017</b>	<b>2016</b>
	<i>Note</i>	<b><i>RMB'000</i></b>	<b><i>RMB'000</i></b>
<b>Attributable to:</b>			
Equity holders of the Company		<b><u>59,801</u></b>	<b><u>74,060</u></b>
<b>Earnings per share for profit attributable to equity holders of the Company</b>			
— basic (RMB)	8(a)	<b><u>5.28 cents</u></b>	<b><u>6.55 cents</u></b>
— diluted (RMB)	8(b)	<b><u>5.28 cents</u></b>	<b><u>6.54 cents</u></b>

**CONDENSED CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME**  
*For the six months ended 30 June 2017*

	<b>Unaudited</b>	
	<b>Six months ended 30 June</b>	
	<b>2017</b>	<b>2016</b>
	<b><i>RMB'000</i></b>	<b><i>RMB'000</i></b>
<b>Profit for the period</b>	<u><b>59,801</b></u>	<u>74,060</u>
<i>Items that may be reclassified to profit or loss</i>		
Changes in value of investment in equity fund	<u><b>400</b></u>	<u>1,266</u>
<b>Other comprehensive income for the period, net of tax</b>	<u><b>400</b></u>	<u>1,266</u>
<b>Total comprehensive income for the period</b>	<u><u><b>60,201</b></u></u>	<u><u>75,326</u></u>
<b>Attributable to:</b>		
Equity holders of the Company	<u><u><b>60,201</b></u></u>	<u><u>75,326</u></u>

**CONDENSED CONSOLIDATED INTERIM BALANCE SHEET***As at 30 June 2017*

		<b>Unaudited</b>	Audited
		<b>30 June</b>	31 December
		<b>2017</b>	2016
	<i>Note</i>	<b>RMB'000</b>	<b>RMB'000</b>
<b>ASSETS</b>			
<b>Non-current assets</b>			
Lease prepayment		<b>16,181</b>	16,344
Property and equipment	10	<b>241,416</b>	248,557
Intangible assets	10	<b>8,921</b>	9,292
Deferred income tax assets	11	<b>38,555</b>	31,987
Investment in equity fund	13	<b>35,582</b>	35,182
		<hr/> <b>340,655</b>	<hr/> 341,362
<b>Current assets</b>			
Inventories		<b>914</b>	—
Trade and other receivables and prepayments	12	<b>607,632</b>	601,002
Held-to-maturity financial assets	14	<b>8,128</b>	28,193
Short-term bank deposits with original terms of over three months		<b>2,500</b>	3,677
Cash and cash equivalents		<b>305,648</b>	392,316
		<hr/> <b>924,822</b>	<hr/> 1,025,188
<b>Total assets</b>		<hr/> <b>1,265,477</b>	<hr/> <b>1,366,550</b>

		<b>Unaudited</b>	Audited
		<b>30 June</b>	31 December
		<b>2017</b>	2016
	<i>Note</i>	<b>RMB'000</b>	<b>RMB'000</b>
<b>EQUITY</b>			
<b>Capital and reserves attributable to equity holders of the Company</b>			
Ordinary shares	15	<b>10,487</b>	10,477
Reserves		<b>934,355</b>	1,001,534
		<hr/>	<hr/>
<b>Total equity</b>		<b>944,842</b>	1,012,011
		<hr/>	<hr/>
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Deferred income tax liabilities	11	<b>4,550</b>	—
		<hr/>	<hr/>
<b>Current liabilities</b>			
Other payables and accruals	16	<b>223,275</b>	259,547
Prepaid advertising subscriptions from customers		<b>33,033</b>	28,861
Current income tax liabilities		<b>59,777</b>	66,131
		<hr/>	<hr/>
		<b>316,085</b>	354,539
		<hr/>	<hr/>
<b>Total liabilities</b>		<b>320,635</b>	354,539
		<hr/>	<hr/>
<b>Total equity and liabilities</b>		<b>1,265,477</b>	1,366,550
		<hr/> <hr/>	<hr/> <hr/>

# CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2017

Unaudited										
Attributable to equity holders of the Company										
	Ordinary shares	Share premium	Merger reserve	Capital redemption reserve	Share-based compensation reserve	Shares held for Share Award Scheme	Statutory reserve funds	Investment in equity fund	Retained earnings	Total
Note	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
<b>Six months ended 30 June 2017</b>										
<b>Balance at 1 January 2017</b>	<b>10,477</b>	<b>394,752</b>	<b>4</b>	<b>306</b>	<b>2,566</b>	<b>776</b>	<b>43,250</b>	<b>3,985</b>	<b>555,895</b>	<b>1,012,011</b>
<b>Comprehensive income</b>										
Profit for the period	—	—	—	—	—	—	—	—	59,801	59,801
Other comprehensive income										
— change in value of investment in equity fund	13	—	—	—	—	—	—	400	—	400
<b>Total comprehensive income</b>		—	—	—	—	—	—	400	59,801	60,201
Cash dividends relating to 2016, paid in 2017	9	—	—	—	—	—	—	—	(128,653)	(128,653)
Employees share option schemes										
— proceeds from shares issued	15(a)	10	1,273	—	—	—	—	—	—	1,283
— transfer upon exercise of share options		—	572	—	(572)	—	—	—	—	—
<b>Balance at 30 June 2017</b>	<b>10,487</b>	<b>396,597</b>	<b>4</b>	<b>306</b>	<b>1,994</b>	<b>776</b>	<b>43,250</b>	<b>4,385</b>	<b>487,043</b>	<b>944,842</b>
Unaudited										
Attributable to equity holders of the Company										
	Ordinary shares	Share premium	Merger reserve	Capital redemption reserve	Share-based compensation reserve	Shares held for Share Award Scheme	Statutory reserve funds	Investment in equity fund	Retained earnings	Total
Note	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
<b>Six months ended 30 June 2016</b>										
<b>Balance at 1 January 2016</b>	<b>10,468</b>	<b>391,556</b>	<b>4</b>	<b>306</b>	<b>4,180</b>	<b>776</b>	<b>43,250</b>	<b>1,832</b>	<b>562,318</b>	<b>1,014,690</b>
<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		—	—	—	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>

## CONDENSED CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS

For the six months ended 30 June 2017

		<b>Unaudited</b>	
		<b>Six months ended 30 June</b>	
		<b>2017</b>	<b>2016</b>
	<i>Note</i>	<b>RMB'000</b>	<b>RMB'000</b>
<b>Cash flows from operating activities</b>			
Cash generated from/(used in) operations		23,785	(750)
Income tax paid		<u>(22,658)</u>	<u>(21,844)</u>
Net cash generated from/(used in) operating activities		<u>1,127</u>	<u>(22,594)</u>
<b>Cash flows from investing activities</b>			
Purchase of property and equipment		(1,674)	(3,480)
Disposals of property and equipment		677	253
Purchase of intangible assets		—	(197)
Purchase of certificates of deposit		—	(20,137)
Maturity of certificates of deposit		15,000	—
Redemption of held-to-maturity financial assets		20,000	19,000
Loan to a key management personnel		—	(2,564)
Receipt from repayment of loan to a key management personnel		2,693	—
Proceeds/(expenditure) related to business disposal		850	(989)
Placement of short-term bank deposits with original terms of over three months		(2,500)	(62,460)
Receipt from maturity of short-term bank deposits with original terms of over three months		3,677	2,610
Interest received		<u>2,527</u>	<u>5,429</u>
Net cash generated from/(used in) investing activities		<u>41,250</u>	<u>(62,535)</u>
<b>Cash flows from financing activities</b>			
Cash dividends paid	9	(128,653)	(157,617)
Proceeds from issuance of ordinary shares	15(a)	<u>1,283</u>	<u>331</u>
Net cash used in financing activities		<u>(127,370)</u>	<u>(157,286)</u>
<b>Net decrease in cash and cash equivalents</b>			
Cash and cash equivalents at beginning of period		392,316	410,849
Exchange (losses)/gains on cash and cash equivalents		<u>(1,675)</u>	<u>503</u>
<b>Cash and cash equivalents at end of period</b>		<u><u>305,648</u></u>	<u><u>168,937</u></u>

## **1. GENERAL INFORMATION**

The Company was incorporated on 27 August 2007 as an exempted company with limited liability under the Company Law, Cap.22 (Law 3 of 1961, as combined and revised) of the Cayman Islands. The address of its registered office is P.O. Box 10008, Willow House, Cricket Square, Grand Cayman KY1-1001, Cayman Islands.

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

The Company has its shares listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") since 18 December 2007.

This condensed consolidated interim financial information (the "Interim Financial Information") is presented in Renminbi ("RMB"), unless otherwise stated. The Interim Financial Information has been approved by the Board of the Company on 25 August 2017.

## **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 for the year ended 31 December 2016, 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 2016, as described in those annual financial statements, except for the estimation of income tax using the tax rate that would be applicable to expected total annual earnings and the adoption of amendments to HKFRS effective for the financial year ending 31 December 2017.

Amendments to HKFRS effective for the financial year ending 31 December 2017 do not have a material impact on the Group.

## **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, 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 2017 (six months ended 30 June 2016: 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 2017</b>					
Revenue	<u>320,873</u>	<u>65,519</u>	<u>7,904</u>	<u>51,427</u>	<u>445,723</u>
<b>For the six months ended 30 June 2016</b>					
Revenue	<u>331,059</u>	<u>65,915</u>	<u>27,141</u>	<u>47,333</u>	<u>471,448</u>

Though the Company is domiciled in the Cayman Islands, for the six months ended 30 June 2017 all revenues of the Group were derived from external customers and they were all generated from the PRC (six months ended 30 June 2016: same).

As at 30 June 2017, other than club membership included in the intangible assets, investment in equity fund and held-to-maturity financial assets, majority of the other non-current assets of the Group were located in the PRC (31 December 2016: same).

For the six months ended 30 June 2017, 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 2016: same).

## 5. OTHER INCOME

	<b>Unaudited</b>	
	<b>Six months ended 30 June</b>	
	<b>2017</b>	<b>2016</b>
	<b><i>RMB'000</i></b>	<b><i>RMB'000</i></b>
Government grants	8,769	6,051
Investment income on held-to-maturity financial assets	<u>420</u>	<u>871</u>
	<u><b>9,189</b></u>	<u><b>6,922</b></u>

## 6. FINANCE INCOME — NET

	<b>Unaudited</b>	
	<b>Six months ended 30 June</b>	
	<b>2017</b>	<b>2016</b>
	<b><i>RMB'000</i></b>	<b><i>RMB'000</i></b>
Finance income		
— Interest income	2,737	5,100
— Net foreign exchange gains	<u>—</u>	<u>499</u>
	<u><b>2,737</b></u>	<u><b>5,599</b></u>
Finance cost		
— Net foreign exchange losses	<u>(1,675)</u>	<u>—</u>
	<u><b>1,062</b></u>	<u><b>5,599</b></u>

## 7. INCOME TAX EXPENSE

	Unaudited	
	Six months ended 30 June	
	2017	2016
	<i>RMB'000</i>	<i>RMB'000</i>
PRC current tax	16,304	19,865
Deferred taxation	(2,018)	(441)
	<u>14,286</u>	<u>19,424</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, 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 2017 (six months ended 30 June 2016: 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. ("GZP Computer") and Guangdong Pacific Internet Information Service Co., Ltd. ("GDP Internet"), 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. 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 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 current income tax of GZP Computer and GDP Internet for the six months ended 30 June 2017 and the deferred income tax for above three subsidiaries.

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	
	2017	2016
Profit attributable to equity holders of the Company ( <i>RMB'000</i> )	<u>59,801</u>	<u>74,060</u>
Weighted average number of ordinary shares for basic earnings per share ( <i>thousand shares</i> )	<u>1,132,814</u>	<u>1,131,421</u>
Basic earnings per share ( <i>RMB</i> )	<u>5.28 cents</u>	<u>6.55 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 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>2017</b>	<b>2016</b>
Profit attributable to equity holders of the Company ( <i>RMB'000</i> )	<u>59,801</u>	<u>74,060</u>
Weighted average number of ordinary shares for diluted earnings per share ( <i>thousand shares</i> )	<b>1,133,533</b>	1,133,150
— Weighted average number of ordinary shares for basic earnings per share ( <i>thousand shares</i> )	<b>1,132,814</b>	1,131,421
— Adjustment for share options ( <i>thousand shares</i> )	<b>719</b>	1,729
Diluted earnings per share ( <i>RMB</i> )	<u><b>5.28 cents</b></u>	<u>6.54 cents</u>

**9. DIVIDENDS**

A final dividend in respect of the year ended 31 December 2016 of RMB11.35 cents per ordinary share (final dividend in respect of the year ended 31 December 2015: RMB13.93 cents per ordinary share) was approved by the shareholders at the annual general meeting in May 2017. Such final dividend for 2016 totalling RMB128,653,000 (final dividend for 2015: RMB157,617,000) was paid during the six months ended 30 June 2017, which has already excluded the dividend related to the ordinary shares held for the Share Award Scheme of RMB4,000 (six months ended 30 June 2016: RMB6,000).

The directors did not recommend any interim dividend for the six months ended 30 June 2017 (six months ended 30 June 2016: same).

**10. PROPERTY AND EQUIPMENT AND INTANGIBLE ASSETS**

	<b>Property and equipment</b>	<b>Intangible assets</b>
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
<b>Six months ended 30 June 2017</b>		
Net book amount as at 1 January 2017	<b>248,557</b>	<b>9,292</b>
Additions	<b>1,674</b>	—
Disposals	<b>(717)</b>	—
Depreciation and amortisation	<b>(8,098)</b>	<b>(371)</b>
Net book amount as at 30 June 2017	<u><b>241,416</b></u>	<u><b>8,921</b></u>
<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	—	(1,900)
Disposals	(310)	—
Depreciation and amortisation	<b>(8,615)</b>	<b>(499)</b>
Net book amount as at 30 June 2016	<u>254,667</u>	<u>9,333</u>

## 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 2017 <i>RMB'000</i>	Audited As at 31 December 2016 <i>RMB'000</i>
Deferred income tax assets:		
— to be recovered after more than 12 months	28,704	23,903
— to be recovered within 12 months	9,851	8,084
	<u>38,555</u>	<u>31,987</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)	Tax losses <i>RMB'000</i> (Unaudited)	Total <i>RMB'000</i> (Unaudited)
At 1 January 2017	12,764	11,139	3,484	4,600	31,987
Credited to the income statement	600	4,201	975	792	6,568
At 30 June 2017	<u>13,364</u>	<u>15,340</u>	<u>4,459</u>	<u>5,392</u>	<u>38,555</u>
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>5,144</u>	<u>29,515</u>

### Deferred income tax liabilities

	Unaudited As at 30 June 2017 <i>RMB'000</i>	Audited As at 31 December 2016 <i>RMB'000</i>
Deferred income tax liabilities:		
— to be recovered within 12 months	4,550	—

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

	<b>Withholding tax on the earnings anticipated to be remitted by PRC subsidiaries RMB'000 (Unaudited)</b>	<b>Intangible assets acquired in business combination at fair value RMB'000 (Unaudited)</b>	<b>Total RMB'000 (Unaudited)</b>
At 1 January 2017	—	—	—
Charged to the income statement	<u>4,550</u>	—	<u>4,550</u>
At 30 June 2017	<u><b>4,550</b></u>	—	<u><b>4,550</b></u>
At 1 January 2016	—	515	515
Charged/(credited) to the income statement	<u>4,600</u>	<u>(515)</u>	<u>4,085</u>
At 30 June 2016	<u><b>4,600</b></u>	—	<u><b>4,600</b></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 2017, the ageing analysis of the trade receivables (net of impairment provision of RMB66,693,000 (31 December 2016: RMB51,183,000)) was as follows:

	<b>Unaudited As at 30 June 2017 RMB'000</b>	<b>Audited As at 31 December 2016 RMB'000</b>
Current to 6 months	405,507	392,715
6 months to 1 year	124,655	143,770
1 year to 2 years	<u>47,214</u>	<u>27,870</u>
	<u><b>577,376</b></u>	<u><b>564,355</b></u>

(b) Other receivables and prepayments

	<b>Unaudited</b>	Audited
	<b>As at</b>	As at
	<b>30 June</b>	31 December
	<b>2017</b>	2016
	<b>RMB'000</b>	<b>RMB'000</b>
Prepayments	<b>16,251</b>	7,191
Advances to employees	<b>3,283</b>	2,485
Certificates of deposit	—	15,517
Loan to a key management personnel	—	2,684
Others	<b>10,722</b>	8,770
	<b>30,256</b>	36,647

13. INVESTMENT IN EQUITY FUND

	<b>RMB'000</b>
	<b>(Unaudited)</b>
At 1 January 2017	<b>35,182</b>
Changes in fair value	<b>400</b>
	<b>35,582</b>
At 30 June 2017	<b>35,582</b>
	<b>RMB'000</b>
	<b>(Unaudited)</b>
At 1 January 2016	33,029
Changes in fair value	1,266
	34,295
At 30 June 2016	34,295

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 is 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

	<b>Unaudited</b> As at <b>30 June</b> <b>2017</b> <i>RMB'000</i>	Audited As at 31 December 2016 <i>RMB'000</i>
Bonds		
— Listed in Hong Kong	8,128	10,169
— Listed outside Hong Kong	—	18,024
	<u>8,128</u>	<u>28,193</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 2017	28,193
Amortised interest ( <i>Note 5</i> )	420
Interest received	(485)
Redemption	(20,000)
At 30 June 2017	<u>8,128</u>
	<i>RMB'000</i> (Unaudited)
At 1 January 2016	49,471
Amortised interest ( <i>Note 5</i> )	871
Interest received	(912)
Redemption	(19,000)
At 30 June 2016	<u>30,430</u>

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

	<b>Unaudited</b> As at <b>30 June</b> <b>2017</b> <i>RMB'000</i>	Audited As at 31 December 2016 <i>RMB'000</i>
<b>Current</b>		
Less than 1 year	<u>8,128</u>	<u>28,193</u>

The coupon rate of the bonds is 3.25% 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 shares ('000)</i>	<i>HKD'000</i>	<i>RMB'000</i>
At 31 December 2016 and 30 June 2017	<u>100,000,000</u>	<u>1,000,000</u>	<u>969,200</u>
	<b>Issued and fully paid up</b>		
	<i>Number of shares ('000)</i>	<i>HKD'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)	(Unaudited)
<b>At 1 January 2017</b>	<b>1,132,405</b>	<b>11,324</b>	<b>10,477</b>
Employees share option schemes			
— issued shares (a)	<u>1,100</u>	<u>11</u>	<u>10</u>
<b>At 30 June 2017</b>	<u><b>1,133,505</b></u>	<u><b>11,335</b></u>	<u><b>10,487</b></u>
<b>At 1 January 2016</b>	1,131,342	11,314	10,468
Employees share option schemes			
— issued shares (a)	<u>203</u>	<u>2</u>	<u>1</u>
<b>At 30 June 2016</b>	<u><b>1,131,545</b></u>	<u><b>11,316</b></u>	<u><b>10,469</b></u>

- (a) Share options exercised during the six months ended 30 June 2017 resulted in 1,100,000 shares being issued (six months ended 30 June 2016: 203,000 shares) with exercise proceeds of RMB1,283,000 (six months ended 30 June 2016: RMB331,000). The nominal value of these shares of RMB10,000 (six months ended 30 June 2016: RMB1,000) and the premium of RMB1,273,000 (six months ended 30 June 2016: RMB330,000) had been credited to ordinary shares and share premium accounts, respectively. The related weighted average share price at the time of exercise was HKD1.89 per share (six months ended 30 June 2016: HKD2.11).

All the ordinary shares issued during the six months ended 30 June 2017 rank pari passu with the then existing ordinary shares in all respects.

As at 30 June 2017, the total number of issued ordinary shares of the Company was 1,133,505,000 shares (31 December 2016: 1,132,405,000 shares) which included 33,000 shares (31 December 2016: 33,000 shares) held under the Share Award Scheme.



## 16. OTHER PAYABLES AND ACCRUALS

	Unaudited As at 30 June 2017 RMB'000	Audited As at 31 December 2016 RMB'000
Accrued expenses (a)	163,220	179,751
Salaries payable	36,261	49,364
Other tax payable	12,829	16,567
Other payables (b)	10,965	13,865
	<u>223,275</u>	<u>259,547</u>

- (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.

## 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 ("Post-IPO Share Option Plan I") pursuant to which a total of 95,000,000 unissued shares of the Company were reserved and made available for grant of share options to directors and selected employees. In 2011, the Company refreshed the limit of the Post-IPO Share Option Plan I to 98,130,880 ordinary 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 I, which all forfeited as at 31 December 2016.

The Post-IPO Share Option Plan I has been terminated upon the adoption of the new share option plan (Post-IPO Share Option Plan II) mentioned below.

Pursuant to a shareholder's resolution passed on 19 May 2017, the Company adopted the Post-IPO Share Option Plan II. The maximum number of shares in respect of which options may be granted under the Post-IPO Share Option Plan II was 113,320,566, represented 10% of the total number of issued shares as at the date of passing the resolution.

There is no material difference between the terms of the Post-IPO Share Option Plan I and the terms of the Post-IPO Share Option Plan II, which are set out as below. 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.

**(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 I		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 2017	1.66	6,840	—	—	6,840
Exercised	1.32	(1,100)	—	—	(1,100)
At 30 June 2017	<u>1.72</u>	<u>5,740</u>	<u>—</u>	<u>—</u>	<u>5,740</u>
Currently exercisable as at 30 June 2017	<u>1.72</u>	<u>5,740</u>	<u>—</u>	<u>—</u>	<u>5,740</u>
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)
At 30 June 2016	<u>1.66</u>	<u>7,700</u>	<u>2.35</u>	<u>3,300</u>	<u>11,000</u>
Currently exercisable as at 30 June 2016	<u>1.66</u>	<u>7,700</u>	<u>—</u>	<u>—</u>	<u>7,700</u>

**(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 2017		31 December 2016	
	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	1,098	1.32	2,198
— 22 November 2017	1.71	2,703	1.71	2,703
— 22 November 2017	1.96	1,939	1.96	1,939
		<u>5,740</u>		<u>6,840</u>

## 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 2017 to our shareholders.

The total revenue for the first half of the year came out to about RMB445.7 million, a decrease of 5% from a year before. During the reporting period, the business environment of the domestic internet media industry keeps changing rapidly. The Group has been actively seeking business transformation in certain areas, while maintaining the stability of those sectors with strong performance, by reshaping the organization structure and downsizing teams in some areas. Through doing so, we have created rooms for new business lines to fill that are more productive and with potential to grow quickly. As of the end of June 2017, the employee headcount has dropped over 18% from a year before. As a major factor of the operating expense, in our view the positive impact from the downsize of headcount will gradually appear in the near future.

Revenue from PCauto has accounted for over 70% of the total revenue of the Company. During the reporting period we have strengthened our strategic planning in products: on the aspect of the distributor channels, we keep strengthening our “Auto Merchant+” strategy, and to improve sales efficiency and volume by creating a portfolio of product that can provide comprehensive solution to the need of auto distributors. Among the product portfolio, mobile sales campaign tool “Pocket auto salesman” grow fast during the first half of the year, where more than 5,000 of 4S dealers have tried and about 10,000 salesmen have logged into the system. Our after-sales service platform “Cool Auto Butler” has looped-in Alipay and other value-added services to tighten the interactions between car owners and 4S dealers. In addition to in-house incubated projects, we are now actively seeking outside for companies with synergies to take M&A actions.

PCbaby and PChouse have achieved moderate growth in first half of the year. PConline has maintained stable revenue even the business environment of the consumer electronic industry remains challenging. The significant drop in the revenue from PClady was due to a major restructuring of the teams and repositioning of strategies, however we expect its performance will gradually recover from the second half of the year.

By simplifying the company structure, we will be able to effectively react to changes of the business environment, and along with the development of new products, we could seize new business opportunities and improve the financial performance of the Company. We believe the prospect of the Company remains bright and positive.

## MANAGEMENT DISCUSSION AND ANALYSIS

### Revenue

Revenue decreased 5.5% from RMB471.4 million for the six months ended 30 June 2016 to RMB445.7 million for the six months ended 30 June 2017.

Revenue for PCauto, the Group's automobile portal, decreased 3.1% from RMB331.1 million for the six months ended 30 June 2016 to RMB320.9 million during the six months ended 30 June 2017. The decrease in revenue for PCauto was primarily due to decreased advertising spending from automobile manufacturers. As a percentage of revenue, PCauto accounted for 70.2% during the six months ended 30 June 2016 and 72.0% during the six months ended 30 June 2017.

Revenue for PConline, the Group's IT and consumer electronics portal, decreased 0.6% from RMB65.9 million during the six months ended 30 June 2016 to RMB65.5 million during the six months ended 30 June 2017. The decrease was due to decline in demand from major consumer electronics brands. As a percentage of revenue, PConline accounted for 14.0% during the six months ended 30 June 2016 and 14.7% during the six months ended 30 June 2017.

Revenue for PClady, the Group's lady and fashion portal, decreased 70.9% from RMB27.1 million during the six months ended 30 June 2016 to RMB7.9 million during the six months ended 30 June 2017. The decrease was mainly due to a major restructuring of the teams and repositioning of strategies. As a percentage of revenue, PClady accounted for 5.8% during the six months ended 30 June 2016 and 1.8% during the six months ended 30 June 2017.

Revenue from other operations, including the PCbaby and PChouse portals, increased by 8.6% from RMB47.3 million during the six months ended 30 June 2016 to RMB51.4 million during the six months ended 30 June 2017. The increase was mainly due to the booming of property sector and home decoration market. As a percentage of revenue, revenue from other operations accounted for 10.0% during the six months ended 30 June 2016 and 11.5% during the six months ended 30 June 2017.

### Cost of Revenue

Cost of revenue increased 12.5% from RMB163.6 million during the six months ended 30 June 2016 to RMB184.1 million during the six months ended 30 June 2017. Gross profit margin was 65.3% during the six months ended 30 June 2016 and 58.7% during the six months ended 30 June 2017.

The increase in cost of revenue was mainly due to increase in outsourcing production cost and higher costs related to offline marketing activities.

### Selling and Marketing Costs

Selling and marketing costs decreased 9.0% from RMB124.6 million during the six months ended 30 June 2016 to RMB113.4 million during the six months ended 30 June 2017. The decrease was mainly due to less marketing expenses and promotion fees during the period.

### Administrative Expenses

Administrative expenses decreased by 22.9% from RMB63.2 million during the six months ended 30 June 2016 to RMB48.7 million during the six months ended 30 June 2017, due to no impairment charges of intangible assets & inventories and less personnel-related expenses during the period.

## **Product Development Expenses**

Product development expenses decreased by 8.5% from RMB39.0 million during the six months ended 30 June 2016 to RMB35.7 million during the six months ended 30 June 2017. The decrease was primarily due to decreases in personnel-related expenses in the Group's research and development team.

## **Other Income**

Other income was RMB6.9 million during the six months ended 30 June 2016 and was RMB9.2 million during the six months ended 30 June 2017. The increase was due to increase in government grants.

## **Finance Income**

Net finance income was RMB5.6 million during the six months ended 30 June 2016 and was RMB1.1 million during the six months ended 30 June 2017. The decrease was due to net foreign exchange losses and less interest income during the six months ended 30 June 2017.

## **Income Tax Expense**

Income tax expenses decreased 26.5% from RMB19.4 million during the six months ended 30 June 2016 to RMB14.3 million during the six months ended 30 June 2017.

## **Net Profit**

Net profit decreased 19.3% from RMB74.1 million during the six months ended 30 June 2016 to RMB59.8 million during the six months ended 30 June 2017.

## **Liquidity and Financial Resources**

As of 30 June 2017, the Group had short-term deposits and cash totaling RMB308.1 million, compared with RMB396.0 million as of 31 December 2016. The decline in cash was primarily due to the payment of a cash dividend totaling RMB128.7 million during the six months ended 30 June 2017.

The Company had no external debt as of 31 December 2016 and 30 June 2017.

## **Bank Borrowings**

As of 30 June 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. The Group also did not have any bank borrowings as of 31 December 2016.

## **Material Acquisitions and Disposal**

During the six months ended 30 June 2017, the Group had no material acquisitions and disposals of subsidiaries and associates.

## **Charges on Assets**

As of 30 June 2017, 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 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 2017, the Group had 1,349 employees (31 December 2016: 1,528). 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 2017.

## **AUDIT COMMITTEE**

The Audit Committee of the Company, which comprises all the three independent non-executive directors of the Company, namely, Mr. Tsui Yiu Wa, Alec (Chairman of the Audit Committee), Mr. Thaddeus Thomas Beczak and Mr. Chan Chi Mong, Hopkins, has reviewed the accounting principles and practices adopted by the Group and discussed auditing, risk management and internal control and financial reporting matters, including the review of these interim results.

## **CORPORATE GOVERNANCE**

The Board is of the view that the Company has met the code provisions set out in the Corporate Governance Code as contained in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange during the six months ended 30 June 2017, 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, 25 August 2017

*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.*