



Pacific Online Limited
太平洋網絡有限公司

INTERIM REPORT 2017

Incorporated in the Cayman
Islands with limited liability

Stock Code : **543**





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CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Dr. Lam Wai Yan
(Chairman and Chief Executive Officer)
Mr. Ho Kam Wah
Mr. Wang Ta-Hsing
Ms. Zhang Cong Min

Independent Non-executive Directors

Mr. Tsui Yiu Wa, Alec
Mr. Thaddeus Thomas Beczak
Mr. Chan Chi Mong, Hopkins

COMPANY SECRETARY

Mr. Wong Huk Yung, Hudson

AUTHORISED REPRESENTATIVES

Mr. Wang Ta-Hsing
Mr. Wong Huk Yung, Hudson

AUDIT COMMITTEE

Mr. Tsui Yiu Wa, Alec *(Chairman)*
Mr. Thaddeus Thomas Beczak
Mr. Chan Chi Mong, Hopkins

REMUNERATION COMMITTEE

Mr. Tsui Yiu Wa, Alec *(Chairman)*
Mr. Thaddeus Thomas Beczak
Mr. Chan Chi Mong, Hopkins

NOMINATION COMMITTEE

Dr. Lam Wai Yan *(Chairman)*
Mr. Tsui Yiu Wa, Alec
Mr. Thaddeus Thomas Beczak

PRINCIPAL BANKERS

Bank of China
China Construction Bank
OCBC Wing Hang Bank

AUDITOR

PricewaterhouseCoopers
Certified Public Accountants

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Services (Cayman Islands) Limited
P.O. Box 10008, Willow House
Cricket Square
Grand Cayman KY1-1001
Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Investor Services Limited
Level 22, Hopewell Centre
183 Queen's Road East
Hong Kong

REGISTERED OFFICE

P.O. Box 10008, Willow House
Cricket Square
Grand Cayman KY1-1001
Cayman Islands

PRINCIPAL PLACE OF BUSINESS

115 Gaopu Road
Tianhe, Guangzhou
PRC
Postcode: 510663

PLACE OF BUSINESS IN HONG KONG

Portion of Unit 807, Tower 2
Lippo Centre, 89 Queensway
Hong Kong

GROUP'S PORTAL ADDRESSES

www.pconline.com.cn
www.pcauto.com.cn
www.pclady.com.cn
www.pcbaby.com.cn
www.pchouse.com.cn

WEBSITE ADDRESS

corp.pconline.com.cn

STOCK CODE

543

CONDENSED CONSOLIDATED INTERIM RESULTS

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

	Note	Unaudited Six months ended 30 June	
		2017 RMB'000	2016 RMB'000
Revenue	6	445,723	471,448
Cost of revenue		(184,055)	(163,624)
Gross profit		261,668	307,824
Selling and marketing costs		(113,395)	(124,642)
Administrative expenses		(48,737)	(63,193)
Product development expenses		(35,700)	(39,026)
Other income	7	9,189	6,922
Operating profit		73,025	87,885
Finance income	8	2,737	5,599
Finance cost	8	(1,675)	—
Finance income — net	8	1,062	5,599
Profit before income tax		74,087	93,484
Income tax expense	9	(14,286)	(19,424)
Profit for the period		59,801	74,060
Attributable to:			
Equity holders of the Company		59,801	74,060
Earnings per share for profit attributable to equity holders of the Company			
— basic (RMB)	10	5.28 cents	6.55 cents
— diluted (RMB)	10	5.28 cents	6.54 cents

The notes on pages 9 to 30 form an integral part of this condensed consolidated interim financial information.



CONDENSED CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME FOR THE SIX MONTHS ENDED 30 JUNE 2017

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

The notes on pages 9 to 30 form an integral part of this condensed consolidated interim financial information.

CONDENSED CONSOLIDATED INTERIM BALANCE SHEET

AS AT 30 JUNE 2017

	Note	Unaudited 30 June 2017 RMB'000	Audited 31 December 2016 RMB'000
ASSETS			
Non-current assets			
Lease prepayment		16,181	16,344
Property and equipment	12	241,416	248,557
Intangible assets	12	8,921	9,292
Deferred income tax assets	13	38,555	31,987
Investment in equity fund	16	35,582	35,182
		340,655	341,362
Current assets			
Inventories	14	914	—
Trade and other receivables and prepayments	15	607,632	601,002
Held-to-maturity financial assets	17	8,128	28,193
Short-term bank deposits with original terms of over three months		2,500	3,677
Cash and cash equivalents		305,648	392,316
		924,822	1,025,188
Total assets		1,265,477	1,366,550
EQUITY			
Capital and reserves attributable to equity holders of the Company			
Ordinary shares	18	10,487	10,477
Reserves		934,355	1,001,534
Total equity		944,842	1,012,011

CONDENSED CONSOLIDATED INTERIM BALANCE SHEET

AS AT 30 JUNE 2017

	Note	Unaudited 30 June 2017 RMB'000	Audited 31 December 2016 RMB'000
LIABILITIES			
Non-current liabilities			
Deferred income tax liabilities	13	4,550	—
Current liabilities			
Accruals and other payables	19	223,275	259,547
Prepaid advertising subscriptions from customers		33,033	28,861
Current income tax liabilities		59,777	66,131
		316,085	354,539
Total liabilities		320,635	354,539
Total equity and liabilities		1,265,477	1,366,550

Lam Wai Yan
Director

Wang Ta-Hsing
Director

The notes on pages 9 to 30 form an integral part of this condensed consolidated interim financial information.

CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30 JUNE 2017



		Unaudited									
		Attributable to equity holders of the Company									
		Shares held									
		Ordinary	Share	Merger	Capital	Share-based	for Share	Statutory	Investment	Retained	Total
Note		shares	premium	reserve	redemption	compensation	Award	reserve	in equity	earnings	RMB'000
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	Scheme	funds	fund	RMB'000	RMB'000
Six months ended 30 June 2017											
	Balance at 1 January 2017	10,477	394,752	4	306	2,566	776	43,250	3,985	555,895	1,012,011
Comprehensive income											
	Profit for the period	—	—	—	—	—	—	—	—	59,801	59,801
	Other comprehensive income										
	— change in value of investment in equity fund	—	—	—	—	—	—	—	400	—	400
16											
	Total comprehensive income	—	—	—	—	—	—	—	400	59,801	60,201
	Cash dividends relating to 2016, paid in 2017	—	—	—	—	—	—	—	—	(128,653)	(128,653)
11											
	Employees share option schemes										
	— proceeds from shares issued	10	1,273	—	—	—	—	—	—	—	1,283
18(a)											
	— transfer upon exercise of share options	—	572	—	—	(572)	—	—	—	—	—
	Balance at 30 June 2017	10,487	396,597	4	306	1,994	776	43,250	4,385	487,043	944,842

		Unaudited									
		Attributable to equity holders of the Company									
		Shares held									
		Ordinary	Share	Merger	Capital	Share-based	for Share	Statutory	Investment	Retained	Total
Note		shares	premium	reserve	redemption	compensation	Award	reserve	in equity	earnings	RMB'000
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	Scheme	funds	fund	RMB'000	RMB'000
Six months ended 30 June 2016											
	Balance at 1 January 2016	10,468	391,556	4	306	4,180	776	43,250	1,832	562,318	1,014,690
Comprehensive income											
	Profit for the period	—	—	—	—	—	—	—	—	74,060	74,060
	Other comprehensive income										
	— change in value of investment in equity fund	—	—	—	—	—	—	—	1,266	—	1,266
16											
	Total comprehensive income	—	—	—	—	—	—	—	1,266	74,060	75,326
	Cash dividends relating to 2015, paid in 2016	—	—	—	—	—	—	—	—	(157,617)	(157,617)
11											
	Employees share option schemes										
	— value of employee services	—	—	—	—	160	—	—	—	—	160
18(a)											
	— proceeds from shares issued	1	330	—	—	—	—	—	—	—	331
	— transfer upon exercise of share options	—	178	—	—	(178)	—	—	—	—	—
	Balance at 30 June 2016	10,469	392,064	4	306	4,162	776	43,250	3,098	478,761	932,890

The notes on pages 9 to 30 form an integral part of this condensed consolidated interim financial information.

CONDENSED CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS

FOR THE SIX MONTHS ENDED 30 JUNE 2017

	Note	Unaudited	
		Six months ended 30 June	
		2017	2016
		RMB'000	RMB'000
Cash flows from operating activities			
Cash generated from/(used in) operations		23,785	(750)
Income tax paid		(22,658)	(21,844)
Net cash generated from/(used in) operating activities		1,127	(22,594)
Cash flows from investing activities			
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		2,527	5,429
Net cash generated from/(used in) investing activities		41,250	(62,535)
Cash flows from financing activities			
Cash dividends paid	11	(128,653)	(157,617)
Proceeds from issuance of ordinary shares	18(a)	1,283	331
Net cash used in financing activities		(127,370)	(157,286)
Net decrease in cash and cash equivalents			
Cash and cash equivalents at beginning of period		392,316	410,849
Exchange (losses)/gains on cash and cash equivalents		(1,675)	503
Cash and cash equivalents at end of period		305,648	168,937

The notes on pages 9 to 30 form an integral part of this condensed consolidated interim financial information.



NOTES TO THE INTERIM FINANCIAL INFORMATION

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. ESTIMATES

The preparation of the Interim Financial Information requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing the Interim Financial Information, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 31 December 2016.



NOTES TO THE INTERIM FINANCIAL INFORMATION

5. FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS

5.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: foreign exchange risk, price risk, liquidity risk and credit risk.

The Interim Financial Information does not include all financial risk management information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements for the year ended 31 December 2016.

There have been no changes in the risk management policies since year end.

5.2 Foreign exchange risk

The Group mainly operates in the PRC and most of the Group's transactions, assets and liabilities are denominated in RMB. Therefore, to maintain the flexibility in the Company and Hong Kong subsidiaries' payment of daily operation, the Group holds certain monetary assets denominated in US dollar ("USD") or Hong Kong dollar ("HKD") subject to certain thresholds stated in its treasury mandate. This exposes the Group to foreign exchange risk.

At 30 June 2017, if RMB had strengthened/weakened by 0.5% against the HKD/USD with all other variables held constant, post tax profit for the period would have been RMB157,000 (six months ended 30 June 2016: RMB390,000) lower/higher, mainly as a result of net foreign exchange losses/gains in HKD/USD denominated cash at bank. Similarly, the impact on equity would have been RMB178,000 lower/higher coming from USD denominated investment in equity fund classified as available-for-sale financial assets as at 30 June 2017 (six months ended 30 June 2016: RMB171,000).

5.3 Price risk

The Group is exposed to price risk because of investments held by the Group and classified on the condensed consolidated interim balance sheet as investment in equity fund.

Investment in equity fund is held for strategic rather than trading purposes. The Group does not actively trade these investments.

The sensitivity analysis is determined based on the exposure to equity price risks of underlying investments related to investment in equity fund at the end of the reporting period. If equity prices of the respective underlying investments held by the Group had been 5% higher/lower as at 30 June 2017, the other comprehensive income would have been approximately RMB1,779,000 (six months end 30 June 2016: RMB1,715,000) higher/lower.



NOTES TO THE INTERIM FINANCIAL INFORMATION

5. FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS (CONTINUED)

5.4 Liquidity risk

The Group aims to finance its operations with its own capital and earnings. It did not have any borrowings or credit facilities committed/utilised during the six months ended 30 June 2017. Management considers that the Group does not have significant liquidity risk.

5.5 Credit risk

The Group is exposed to credit risk in relation to its cash and cash equivalents, deposits with banks, trade and other receivables, as well as held-to-maturity financial assets. The carrying amount of these balances in the Interim Financial Information represents the Group's maximum exposure to credit risk in relation to its financial assets.

To manage this risk, deposits are mainly placed with state-owned financial institutions in the PRC and international financial institutions outside the PRC of high credit quality. There was no recent history of default from these financial institutions.

For trade receivables, since the online advertising services revenues were derived from advertising customers, if they experience financial difficulties in settling the outstanding amount due to the Group, the Group's online advertising services might be adversely affected in terms of recoverability of receivables. To manage this risk, the Group assesses the credit quality of the advertising customers, taking into account their financial position, past experience and other factors. Further quantitative disclosures in respect of trade receivables are set out in Note 15.

Other receivables are mainly advances to employees. The directors are of the opinion that no significant credit risk exists. Held-to-maturity financial assets are investments in listed securities. The Group assesses the risk by reference to external credit ratings and considers that there is no significant credit risk.

NOTES TO THE INTERIM FINANCIAL INFORMATION

5. FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS (CONTINUED)

5.6 Fair value estimation

The table below analyses the Group's financial instruments carried at fair value as at 30 June 2017 by level of the inputs to valuation techniques used to measure fair value. Such inputs are categorised into three levels within a fair value hierarchy as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Assets				
Available-for-sale financial assets				
— Investment in equity fund				
30 June 2017	—	—	35,582	35,582
31 December 2016	—	—	35,182	35,182

There were no changes in valuation techniques during the period.

The changes in level 3 instruments for the six months period ended 30 June 2017 are presented in Note 16.

The Group determines the fair value of the Group's financial instrument carried at fair value in level 3 at each reporting date.

NOTES TO THE INTERIM FINANCIAL INFORMATION

5. FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS (CONTINUED)

5.7 Fair value of financial assets and liabilities measured at amortised cost

The fair value of held-to-maturity investments are as follows:

	Fair value	
	Unaudited	Audited
	As at	As at
	30 June	31 December
	2017	2016
	RMB'000	RMB'000
Current	8,107	28,388

For the six months ended 30 June 2017, there were no reclassifications of financial assets. The carrying amounts of the Group's trade and other receivables and accruals and other payables approximate their fair value due to their short maturities.

6. 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 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 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.

NOTES TO THE INTERIM FINANCIAL INFORMATION

6. SEGMENT INFORMATION (CONTINUED)

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.

	PCauto RMB'000 (Unaudited)	POnline RMB'000 (Unaudited)	PClady RMB'000 (Unaudited)	Others RMB'000 (Unaudited)	Group RMB'000 (Unaudited)
For the six months ended 30 June 2017					
Revenue	320,873	65,519	7,904	51,427	445,723
For the six months ended 30 June 2016					
Revenue	331,059	65,915	27,141	47,333	471,448

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).

7. OTHER INCOME

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

NOTES TO THE INTERIM FINANCIAL INFORMATION

8. FINANCE INCOME — NET

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

9. INCOME TAX EXPENSE

	Unaudited	
	Six months ended 30 June	
	2017	2016
	RMB'000	RMB'000
PRC current tax	16,304	19,865
Deferred taxation	(2,018)	(441)
	14,286	19,424

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.

NOTES TO THE INTERIM FINANCIAL INFORMATION

9. INCOME TAX EXPENSE (CONTINUED)

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 was 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.

10. 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 (RMB'000)	59,801	74,060
Weighted average number of ordinary shares for basic earnings per share (thousand shares)	1,132,814	1,131,421
Basic earnings per share (RMB)	5.28 cents	6.55 cents

NOTES TO THE INTERIM FINANCIAL INFORMATION

10. EARNINGS PER SHARE (CONTINUED)

(b) Diluted

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding by the assumption of the conversion of all potential dilutive ordinary shares arising from share options granted by the Company (collectively forming the denominator for computing diluted earnings per share). No adjustment is made to earnings (numerator).

	Unaudited	
	Six months ended 30 June	
	2017	2016
Profit attributable to equity holders of the Company (RMB'000)	59,801	74,060
Weighted average number of ordinary shares for diluted earnings per share (thousand shares)	1,133,533	1,133,150
— Weighted average number of ordinary shares for basic earnings per share (thousand shares)	1,132,814	1,131,421
— Adjustment for share options (thousand shares)	719	1,729
Diluted earnings per share (RMB)	5.28 cents	6.54 cents

11. 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).

NOTES TO THE INTERIM FINANCIAL INFORMATION

12. PROPERTY AND EQUIPMENT AND INTANGIBLE ASSETS

	Property and equipment RMB'000 (Unaudited)	Intangible assets RMB'000 (Unaudited)
Six months ended 30 June 2017		
Net book amount as at 1 January 2017	248,557	9,292
Additions	1,674	—
Disposals	(717)	—
Depreciation and amortisation	(8,098)	(371)
Net book amount as at 30 June 2017	241,416	8,921
Six months ended 30 June 2016		
Net book amount as at 1 January 2016	260,112	11,535
Additions	3,480	197
Impairment	—	(1,900)
Disposals	(310)	—
Depreciation and amortisation	(8,615)	(499)
Net book amount as at 30 June 2016	254,667	9,333

13. 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 RMB'000	Audited As at 31 December 2016 RMB'000
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
	38,555	31,987

NOTES TO THE INTERIM FINANCIAL INFORMATION

13. DEFERRED INCOME TAX (CONTINUED)

Deferred income tax assets (Continued)

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 2017	12,764	11,139	3,484	4,600	31,987
Credited to the income statement	600	4,201	975	792	6,568
At 30 June 2017	13,364	15,340	4,459	5,392	38,555
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	11,636	11,412	1,323	5,144	29,515

Deferred income tax liabilities

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

NOTES TO THE INTERIM FINANCIAL INFORMATION

13. DEFERRED INCOME TAX (CONTINUED)

Deferred income tax liabilities (Continued)

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	Intangible assets acquired in business combination at fair value	Total
	RMB'000	RMB'000	RMB'000
	(Unaudited)	(Unaudited)	(Unaudited)
At 1 January 2017	—	—	—
Charged to the income statement	4,550	—	4,550
At 30 June 2017	4,550	—	4,550
At 1 January 2016	—	515	515
Charged/(credited) to the income statement	4,600	(515)	4,085
At 30 June 2016	4,600	—	4,600

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%.

14. INVENTORIES

The inventories were the capitalised costs for establishing an internet financial platform in accordance to a customer-specific system development agreement. The relevant revenue would be recognised upon acceptance.

NOTES TO THE INTERIM FINANCIAL INFORMATION

15. 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:

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

(b) Other receivables and prepayments

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

NOTES TO THE INTERIM FINANCIAL INFORMATION

16. INVESTMENT IN EQUITY FUND

	RMB'000 (Unaudited)
At 1 January 2017	35,182
Changes in fair value	400
At 30 June 2017	35,582

	RMB'000 (Unaudited)
At 1 January 2016	33,029
Changes in fair value	1,266
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.

NOTES TO THE INTERIM FINANCIAL INFORMATION

17. HELD-TO-MATURITY FINANCIAL ASSETS

	Unaudited As at 30 June 2017 RMB'000	Audited As at 31 December 2016 RMB'000
Bonds		
— Listed in Hong Kong	8,128	10,169
— Listed outside Hong Kong	—	18,024
	8,128	28,193

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:

	RMB'000 (Unaudited)
At 1 January 2017	28,193
Amortised interest (Note 7)	420
Interest received	(485)
Redemption	(20,000)
At 30 June 2017	8,128

	RMB'000 (Unaudited)
At 1 January 2016	49,471
Amortised interest (Note 7)	871
Interest received	(912)
Redemption	(19,000)
At 30 June 2016	30,430

NOTES TO THE INTERIM FINANCIAL INFORMATION

17. HELD-TO-MATURITY FINANCIAL ASSETS (CONTINUED)

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

	Unaudited As at 30 June 2017 RMB'000	Audited As at 31 December 2016 RMB'000
Current		
Less than 1 year	8,128	28,193

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.

18. ORDINARY SHARES

	Authorised ordinary shares		
	Number of shares ('000)	HKD'000	RMB'000
At 31 December 2016 and 30 June 2017	100,000,000	1,000,000	969,200
	Issued and fully paid up		
	Number of shares ('000) (Unaudited)	HKD'000 (Unaudited)	RMB'000 (Unaudited)
At 1 January 2017	1,132,405	11,324	10,477
Employees share option schemes — issued shares (a)	1,100	11	10
At 30 June 2017	1,133,505	11,335	10,487
At 1 January 2016	1,131,342	11,314	10,468
Employees share option schemes — issued shares (a)	203	2	1
At 30 June 2016	1,131,545	11,316	10,469

NOTES TO THE INTERIM FINANCIAL INFORMATION

18. ORDINARY SHARES (CONTINUED)

- (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.

19. ACCRUALS AND OTHER PAYABLES

	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
	223,275	259,547

- (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.



NOTES TO THE INTERIM FINANCIAL INFORMATION

20. 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.



NOTES TO THE INTERIM FINANCIAL INFORMATION

20. SHARE-BASED COMPENSATION COSTS (CONTINUED)

(a) Share Option Plan (Continued)

(ii) *Post-IPO Share Option Plan (Continued)*

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.

NOTES TO THE INTERIM FINANCIAL INFORMATION

20. SHARE-BASED COMPENSATION COSTS (CONTINUED)

(a) Share Option Plan (Continued)

(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	1.72	5,740	—	—	5,740
Currently exercisable as at 30 June 2017	1.72	5,740	—	—	5,740
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	1.66	7,700	2.35	3,300	11,000
Currently exercisable as at 30 June 2016	1.66	7,700	—	—	7,700

NOTES TO THE INTERIM FINANCIAL INFORMATION

20. SHARE-BASED COMPENSATION COSTS (CONTINUED)

(a) Share Option Plan (Continued)

(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
		5,740		6,840

21. RELATED PARTY TRANSACTIONS

Related parties are those parties that have the ability to control the other party or exercise significant influence in making financial and operating decisions. Parties are also considered to be related if they are subject to common control.

(a) Name and relationship with related parties

Name	Relationship
Mr. Wang Ta-Hsing ("Mr. Wang")	Director of the Company
Kexim Company Limited ("Kexim")	Controlled by Mr. Wang
Beijing Pacific Times Property Management Co., Ltd. ("Pacific Times")	Controlled by Mr. Wang

NOTES TO THE INTERIM FINANCIAL INFORMATION

21. RELATED PARTY TRANSACTIONS (CONTINUED)

(b) Related party transactions

The Group undertook the following related party transactions during the period:

	Unaudited Six months ended 30 June	
	2017 RMB'000	2016 RMB'000
Rental expenses for office and advertising billboards: Kexim	841	610
Property management fees for office: Pacific Times	77	80

These transactions were conducted at terms pursuant to agreements entered into between the Group and the respective related 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 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. POnline 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.



MANAGEMENT DISCUSSION AND ANALYSIS

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.



MANAGEMENT DISCUSSION AND ANALYSIS

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.

OTHER INFORMATION

SHARE OPTION PLAN

The purpose of the share option plans of the Company is to provide incentives and rewards to eligible participants who contribute to the success of the Group's operations. The Company has adopted a Pre-IPO Share Option Plan and a Post-IPO Share Option Plan ("Post-IPO Share Option Plan I") on 23 November 2007. All options under the Pre-IPO Share Option Plan have been granted. The Post-IPO Share Option Plan I has been terminated upon adoption of a new share option plan of the Company ("Post-IPO Share Option Plan II") pursuant to a shareholder's resolution passed at the annual general meeting of the Company held on 19 May 2017.

During the six months ended 30 June 2017, movements of the Pre-IPO Share Option Plan are as follows:

Category	Date of grant	Exercise period ⁽¹⁾	Exercise price per share	Number of share options		
				As at 1 January 2017	Exercised during the period	As at 30 June 2017
Employees in aggregate	23 November 2007	23 November 2009– 22 November 2017	HKD1.32	2,198,212	(1,100,000)	1,098,212
	23 November 2007	23 November 2010– 22 November 2017	HKD1.71	2,703,179	—	2,703,179
	23 November 2007	23 November 2011– 22 November 2017	HKD1.96	1,938,433	—	1,938,433
Total				6,839,824	(1,100,000)	5,739,824

Notes:

- (1) The vesting period of the share options is from the date of grant until the commencement of the exercise period.
- (2) No share options have been granted/cancelled/lapsed under the Pre-IPO Share Option Plan during the six months ended 30 June 2017.

As at 30 June 2017, the Company has no outstanding share options under the Post-IPO Share Option Plan I and Post-IPO Share Option Plan II. No share options have been granted/exercised/cancelled/lapsed under the Post-IPO Share Option Plan I and Post-IPO Share Option Plan II during the six months ended 30 June 2017.

Further details of the share option plans of the Company are set out in Note 20 to the Interim Financial Information.

DIRECTORS' INTERESTS IN THE SHARES AND UNDERLYING SHARES OF THE COMPANY AND ITS ASSOCIATED CORPORATIONS

As at 30 June 2017, the interests of the directors of the Company in the shares of the Company (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) as recorded in the register required to be kept by the Company under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") were as follows:

(1) Interests in shares of the Company

Name of director	Long/ Short position	Capacity	Number of ordinary shares in the Company	Percentage of the Company's issued share capital [†]
Dr. Lam Wai Yan	Long	Beneficial owner	308,064,561	27.18%
Mr. Ho Kam Wah	Long	Interests held by a controlled corporation (note)	99,348,480	8.76%
	Long	Beneficial owner	3,491,565	0.31%
			102,840,045	9.07%
Ms. Zhang Cong Min	Long	Beneficial owner	30,933,814	2.73%
Mr. Wang Ta-Hsing	Long	Beneficial owner	3,458,015	0.31%
Mr. Tsui Yiu Wa, Alec	Long	Beneficial owner	232,051	0.02%
Mr. Thaddeus Thomas Beczak	Long	Beneficial owner	232,051	0.02%

Note: These shares were held by Treasure Field Holdings Limited, a controlled corporation of Mr. Ho Kam Wah.

[†] The percentage represents the number of ordinary shares interested divided by the number of the Company's issued shares as at 30 June 2017.



OTHER INFORMATION

(2) Interests in shares of associated corporations

Name of associated corporations	Name of director	Long/Short position	Capacity	Amount of registered capital (RMB)	Percentage of interest of associated corporations
Guangzhou Yingxin Computer Technology Exchange Co., Ltd.	Ms. Zhang Cong Min	Long	Beneficial owner	2,280,000	40%
Guangzhou Yingyue Computer Technology Co., Ltd.	Ms. Zhang Cong Min	Long	Beneficial owner	1,920,000	60%

Save as disclosed above, as at 30 June 2017, none of the directors or chief executive of the Company had any interests or short positions in the shares, underlying shares or debentures of the Company or any associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he/she was deemed or taken to have under such provisions of the SFO) or which were required to be entered into the register kept by the Company pursuant to Section 352 of the SFO or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN THE SHARES AND UNDERLYING SHARES OF THE COMPANY

As at 30 June 2017, as far as the directors of the Company are aware, the following persons (other than the directors and chief executives of the Company) had interests of 5% or more in the shares of the Company as recorded in the register required to be kept by the Company under Section 336 of the SFO:

Interests in shares of the Company

Name of substantial shareholder	Long/ Short position	Capacity	Number of ordinary shares in the Company	Note	Percentage of the Company's issued share capital†
Ms. Ma Muk Lan	Long	Interests of spouse	308,064,561	(1)	27.18%
Gallop Assets Management Limited	Long	Beneficial owner	296,172,030	(2)	26.13%
J.P. Morgan Trust Company (Bahamas) Limited as trustee of The Gallop Trust	Long	Trustee	296,172,030	(2)	26.13%
Treasure Field Holdings Limited	Long	Beneficial owner	99,348,480	(3)	8.76%

Notes:

- (1) Ms. Ma Muk Lan was deemed to be interested in 308,064,561 shares of the Company through the interests of her spouse, Dr. Lam Wai Yan.
- (2) These shares were held by Gallop Assets Management Limited, the entire issued share capital of which was owned by J.P. Morgan Trust Company (Bahamas) Limited as trustee of The Gallop Trust. As such, J.P. Morgan Trust Company (Bahamas) Limited as trustee of The Gallop Trust was deemed to be interested in 296,172,030 shares of the Company held by Gallop Assets Management Limited.
- (3) The interests of Treasure Field Holdings Limited was also disclosed as the interests of Mr. Ho Kam Wah in the above section headed "Directors' interests in the shares and underlying shares of the Company and its associated corporations".

† The percentage represents the number of ordinary shares interested divided by the number of the Company's issued shares as at 30 June 2017.

Save as disclosed above, as at 30 June 2017, no person, other than the directors of the Company whose interests are set out in the above section headed "Directors' interests in the shares and underlying shares of the Company and its associated corporations", had an interest or a short position in the shares and underlying shares of the Company as recorded in the register required to be kept by the Company under Section 336 of the SFO.



OTHER INFORMATION

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted its own code of conduct regarding directors' dealings in the Company's securities (the "Own Code") on terms no less exacting than the Model Code.

Specific enquiry has been made of the Company's directors and all of them have confirmed that they have complied with the Own Code and the Model Code throughout the accounting period covered by the interim report.

COMPLIANCE WITH WRITTEN GUIDELINES FOR SECURITIES TRANSACTIONS BY THE RELEVANT EMPLOYEES OF THE COMPANY

The Company has established written guidelines for the relevant employees of the Company (the "Relevant Employees") in respect of their dealings in the securities of the Company (the "Written Guidelines") on terms no less exacting than the required standards set out in the Model Code. For this purpose, Relevant Employees include any employee of the Company or a director or employee of a subsidiary or holding company of the Company who, because of such office or employment, is likely to possess inside information in relation to the Company or its securities. No incident of non-compliance of the Written Guidelines was noted by the Company throughout the accounting period covered by the interim report.

CHANGE IN INFORMATION OF DIRECTOR

Pursuant to Rule 13.51(B)(1) of the Listing Rules, the change in information of a director of the Company is set out below:

Mr. Thaddeus Thomas Beczak, an independent non-executive director of the Company, has resigned as an independent non-executive director of China Minsheng Financial Holding Corporation Limited (a company listed on the Hong Kong Stock Exchange) with effect from 13 July 2017.

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