Pacific Online Limited
太平洋網絡有限公司

INTERIM REPORT 2019

Incorporated in the Cayman Islands with limited liability

Stock Code : 543

CONTENTS

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

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

Independent Non-executive Directors

Mr. Tsui Yiu Wa, Alec
Mr. Thaddeus Thomas Beczak
Mr. Lam Wai Hon, Ambrose

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. Lam Wai Hon, Ambrose

REMUNERATION COMMITTEE

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

NOMINATION COMMITTEE

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

PRINCIPAL BANKERS

Bank of China
China Construction Bank
China Merchants 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 54, 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 INCOME STATEMENT

FOR THE SIX MONTHS ENDED 30 JUNE 2019

	Note	Unaudited Six months ended 30 June 2019 RMB'000	2018 RMB'000
Revenue	6	500,937	459,331
Cost of revenue		(209,890)	(210,251)
Gross profit		291,047	249,080
Selling and marketing costs		(122,605)	(128,072)
Administrative expenses		(35,457)	(32,261)
Net Impairment losses on financial assets		(8,940)	(2,395)
Product development expenses		(37,882)	(36,333)
Other income	7	4,873	8,418
Operating profit		91,036	58,437
Finance income		3,972	6,415
Finance cost		(848)	—
Finance income — net	8	3,124	6,415
Share of net losses of an associate accounted for using the equity method		(356)	(1,270)
Profit before income tax		93,804	63,582
Income tax expense	9	(17,117)	(11,574)
Profit for the period		76,687	52,008
Attributable to:			
— Equity holders of the Company		76,024	53,508
— Non-controlling interests		663	(1,500)
		76,687	52,008
Earnings per share for profit attributable to equity holders of the Company for the period	10		
— Basic (RMB)		6.76 cents	4.76 cents
— Diluted (RMB)		6.76 cents	4.76 cents

The above condensed consolidated interim income statement should be read in conjunction with the accompanying notes.

CONDENSED CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30 JUNE 2019

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

The above condensed consolidated interim statement of comprehensive income should be read in conjunction with the accompanying notes.

CONDENSED CONSOLIDATED INTERIM BALANCE SHEET

AS AT 30 JUNE 2019

	Note	**Unaudited 30 June 2019 RMB'000**	Audited 31 December 2018 RMB'000
ASSETS			
Non-current assets			
Right-of-use assets	12	**16,243**	—
Lease prepayment		**—**	15,696
Property and equipment	12	**175,890**	180,976
Investment property	12	**43,915**	44,471
Intangible assets	12	**8,865**	8,893
Deferred income tax assets	13	**59,491**	53,022
Investment in an associate		**—**	1,387
Investment in equity fund	15	**65,501**	45,632
		369,905	350,077
Current assets			
Trade and other receivables and prepayments	14	**657,136**	601,891
Short-term bank deposits with original terms of over three months		**2,250**	50,750
Cash and cash equivalents		**298,209**	408,191
		957,595	1,060,832
Total assets		**1,327,500**	1,410,909
EQUITY			
Capital and reserves attributable to equity holders of the Company			
Ordinary shares	16	**10,491**	10,491
Reserves		**927,456**	984,176
		937,947	994,667
Non-controlling interests		**2,729**	2,066
Total equity		**940,676**	996,733

CONDENSED CONSOLIDATED INTERIM BALANCE SHEET

AS AT 30 JUNE 2019

	Note	Unaudited 30 June 2019 RMB'000	Audited 31 December 2018 RMB'000
LIABILITIES			
Non-current liabilities			
Lease liabilities		239	—
Deferred income tax liabilities	13	4,950	—
		5,189	—
Current liabilities			
Accruals and other payables	17	285,388	303,208
Contract liabilities		46,599	49,941
Current income tax liabilities		49,165	61,027
Lease liabilities		483	—
		381,635	414,176
Total liabilities		386,824	414,176
Total equity and liabilities		1,327,500	1,410,909

Lam Wai Yan
Director

Wang Ta-Hsing
Director

The above condensed consolidated interim balance sheet should be read in conjunction with the accompanying notes.

CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30 JUNE 2019

		Unaudited										
		Attributable to equity holders of the Company										
	Note	Ordinary shares RMB'000	Share premium RMB'000	Merger reserve RMB'000	Capital redemption reserve RMB'000	Shares held for Share Award Scheme RMB'000 Note 18(a)	Statutory reserve funds RMB'000	Investment in equity fund RMB'000	Retained earnings RMB'000	Subtotal RMB'000	Non-controlling interests RMB'000	Total RMB'000
Six months ended 30 June 2019												
Balance at 1 January 2019		10,491	399,201	4	306	(10,749)	43,418	14,435	537,561	994,667	2,066	996,733
Comprehensive income												
Profit for the period		—	—	—	—	—	—	—	76,024	76,024	663	76,687
Other comprehensive income												
— change in value of investment in equity fund	15	—	—	—	—	—	—	19,869	—	19,869	—	19,869
Total comprehensive income		—	—	—	—	—	—	19,869	76,024	95,893	663	96,556
Transactions with equity holders												
Share Award Scheme												
— value of employee services		—	—	—	—	520	—	—	—	520	—	520
Cash dividends relating to 2018	11	—	—	—	—	—	—	—	(153,133)	(153,133)	—	(153,133)
Balance at 30 June 2019		10,491	399,201	4	306	(10,229)	43,418	34,304	460,452	937,947	2,729	940,676

		Unaudited										
		Attributable to equity holders of the Company										
	Note	Ordinary shares RMB'000	Share premium RMB'000	Merger reserve RMB'000	Capital redemption reserve RMB'000	Shares held for share award scheme RMB'000	Statutory reserve funds RMB'000	Investment in equity fund RMB'000	Retained earnings RMB'000	Subtotal RMB'000	Non-controlling interests RMB'000	Total RMB'000
Six months ended 30 June 2018												
Balance at 1 January 2018		10,491	399,201	4	306	(10,749)	43,250	5,347	532,559	980,409	—	980,409
Comprehensive income												
Profit for the period		—	—	—	—	—	—	—	53,508	53,508	(1,500)	52,008
Other comprehensive income												
— change in value of investment in equity fund	15	—	—	—	—	—	—	9,978	—	9,978	—	9,978
Total comprehensive income		—	—	—	—	—	—	9,978	53,508	63,486	(1,500)	61,986
Transactions with equity holders												
Capital injection from non-controlling shareholders		—	—	—	—	—	—	—	—	—	1,500	1,500
Cash dividends relating to 2017	11	—	—	—	—	—	—	—	(127,577)	(127,577)	—	(127,577)
Balance at 30 June 2018		10,491	399,201	4	306	(10,749)	43,250	15,325	458,490	916,318	—	916,318

The above condensed consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

CONDENSED CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS

FOR THE SIX MONTHS ENDED 30 JUNE 2019

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

The above condensed consolidated interim statement of cash flows should be read in conjunction with the accompanying notes.

NOTES TO THE INTERIM FINANCIAL INFORMATION

1. GENERAL INFORMATION

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

The Company and its subsidiaries (together, the "Group") are principally engaged in the provision of internet advertising services in the People's Republic of China (the "PRC").

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

This condensed consolidated interim financial information (the "Interim Financial Information") is presented in Renminbi ("RMB"), unless otherwise stated. The Interim Financial Information has been approved by the board of directors (the "Board") of the Company on 26 August 2019.

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES

The Interim Financial Information has been prepared in accordance with Hong Kong Accounting Standard 34 "Interim financial reporting". The Interim Financial Information does not include all the notes of the type normally included in an annual financial report. Accordingly, the Interim Financial Information is to be read in conjunction with the annual report for the year ended 31 December 2018 and any public announcements made by the Company during the interim reporting period.

The accounting policies applied are consistent with those of the previous financial year and corresponding interim reporting period, except for the estimation of income tax using the tax rate that would be applicable to expected total annual earnings and the adoption of new and amended Hong Kong Financial Reporting Standards ("HKFRS") as set out below.

3. CHANGES IN ACCOUNTING POLICIES

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

The Group has adopted HKFRS 16 from 1 January 2019, applied the simplified transition approach and has not restated comparatives for the 2018 reporting period. Right-of-use assets were measured at the amount of the lease liabilities on adoption. There was no impact to the opening retain earnings. The reclassifications and the adjustments arising from the new leasing rules are therefore recognised in the opening balance sheet on 1 January 2019.

(a) Adjustments recognised on adoption of HKFRS 16

On adoption of HKFRS 16, the Group recognised lease liabilities in relation to leases which had previously been classified as "operating leases" under the principles of HKAS 17 "Leases". These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's estimated borrowing rate as of 1 January 2019.

	2019 **RMB'000**
Operating lease commitments disclosed as at 31 December 2018	**1,514**
Discounted using the lessee's estimated borrowing rate at the date of initial application	**1,497**
Less: short-term leases and low-value leases recognised on a straight-line basis as expense	**(1,273)**
Lease liabilities recognised as at 1 January 2019	**224**

Under the simplified transition approach, the associated right-of-use assets were measured at the amount equal to the lease liability, adjusted by the amount of prepaid or accrued lease payments relating to that lease recognised in the consolidated balance sheet as at 31 December 2018, if any. There were no onerous lease contracts that would have required an adjustment to the right-of-use assets at the date of initial application.

The lease prepayment (land used rights) was reclassified to right-of-use assets as of 30 June 2019 and 1 January 2019, respectively.

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

3. CHANGES IN ACCOUNTING POLICIES (CONTINUED)

(a) Adjustments recognised on adoption of HKFRS 16 (continued)

The changes in accounting policy affected the following items in the balance sheet on 1 January 2019:

Consolidated balance sheet (extract)	31 December 2018 As originally presented	Impact of HKFRS 16	1 January 2019 Restated
	RMB'000	RMB'000	RMB'000
Right-of-use assets	—	15,920	15,920
Lease liabilities	—	224	224
Lease prepayment	15,696	(15,696)	—

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

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

- the use of a single discount rate to a portfolio of leases with reasonably similar characteristics
- reliance on previous assessments on whether leases are onerous
- the accounting for operating leases with a remaining lease term of less than 12 months as at 1 January 2019 as short-term leases
- the exclusion of initial direct costs for the measurement of the right-of-use asset at the date of initial application, and
- the use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

The Group has also selected not to reassess whether a contract is, or contains a lease at the date of initial application. Instead, for contracts entered into before the transition date the Group relied on its assessment made applying HKAS 17 and HKFRIC 4 "Determining whether an arrangement contains a Lease".

3. CHANGES IN ACCOUNTING POLICIES (CONTINUED)

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

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

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

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

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

- fixed payments (including in-substance fixed payments), less any lease incentives receivable
- variable lease payment that are based on an index or a rate
- amounts expected to be payable by the lessee under residual value guarantees
- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option, and
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

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

3. CHANGES IN ACCOUNTING POLICIES (CONTINUED)

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

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

- the amount of the initial measurement of lease liability
- any lease payments made at or before the commencement date less any lease incentives received
- any initial direct costs, and
- restoration costs.

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

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

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 2018.

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 2018.

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 2019, if RMB had strengthened/weakened by 5% against the HKD/USD with all other variables held constant, post tax profit for the period would have been RMB1,012,000 lower/higher (31 December 2018: 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 RMB466,000 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 RMB328,000 (31 December 2018: RMB228,000) lower/higher coming from USD denominated investment in equity fund classified as financial assets at fair value through other comprehensive income ("FVOCI") as at 30 June 2019.

5. FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS (CONTINUED)

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 2019, the other comprehensive income would have been approximately RMB3,275,000 (31 December 2018: RMB2,282,000) higher/lower.

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 2019. 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, short-term bank deposits with original terms of over three months, as well as trade and other receivables. 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 advertising services revenues were derived from advertising customers and debtors, if they experience financial difficulties in settling the outstanding amounts 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 customers and debtors, taking into account their financial position, past experience and available forward looking information. Further quantitative disclosures in respect of trade receivables are set out in Note 14.

Other receivables are mainly deductible input value added tax, advances to employees and rental receivables. The directors are of the opinion that no significant credit risk exists.

5. FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS (CONTINUED)

5.6 Fair value estimation

This section explains the judgments and estimates made in determining the fair values of the financial instruments that are recognised and measured at fair value in the financial statements. To provide an indication about the reliability of the inputs used in determining fair value, the Group has classified its financial instruments into the three levels prescribed under the accounting standards. An explanation of each level follows underneath the table.

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Assets				
Investment in equity fund				
30 June 2019	**—**	**—**	**65,501**	**65,501**
Investment in equity fund				
31 December 2018	—	—	45,632	45,632

Level 1: The fair value of financial instruments traded in active markets (such as publicly traded derivatives, and trading and financial assets at FVOCI) is based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets held by the Group is the current bid price. These instruments are included in level 1.

Level 2: The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined using valuation techniques which maximise the use of observable market data and rely as little as possible on entity-specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

Level 3: If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3. This is the case for unlisted equity securities.

5. FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS (CONTINUED)

5.6 Fair value estimation (continued)

There were no changes in valuation techniques during the period.

The changes in level 3 instruments for the six months ended 30 June 2019 are presented in Note 15.

The directors determine the fair value of the Group's financial instrument carried at fair value in level 3 at each of the reporting dates.

For the six months ended 30 June 2019, there were no significant changes in the business or economic circumstances that affect the fair value of the Group's financial assets and financial liabilities.

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 it operates. As all revenues of the Group are generated from customers in the PRC, they are not further evaluated on a geographic basis.

The chief operating decision-makers assess the performance of the operating segments based on revenues generated. The reportable operating segments are grouped into PCauto, PConline and others. The Company currently does not allocate cost of revenue, operating costs or assets to its segments, as its chief operating decision-makers do not use this information to allocate resources to or evaluate the performance of the operating segments. Therefore, the Company does not report a measure of profit or total assets for each reportable segment.

6. SEGMENT INFORMATION (CONTINUED)

Revenues of other segments relate to those generated from other portals, including lady and fashion, baby and home products and other services.

There were no inter-segment sales for the six months ended 30 June 2019 (six months ended 30 June 2018: same). The revenue from external parties reported to the chief operating decision-makers is measured in a manner consistent with that in the condensed consolidated interim income statement.

	PCauto RMB'000 (Unaudited)	PConline RMB'000 (Unaudited)	Others RMB'000 (Unaudited)	Group RMB'000 (Unaudited)
For the six months ended 30 June 2019				
Timing of revenue recognition				
Over time	**361,998**	**65,719**	**43,519**	**471,236**
At a point in time	**25,670**	**1,964**	**2,067**	**29,701**
Revenue	**387,668**	**67,683**	**45,586**	**500,937**
For the six months ended 30 June 2018				
Timing of revenue recognition				
Over time	300,145	66,170	52,683	418,998
At a point in time	25,586	2,456	12,291	40,333
Revenue	325,731	68,626	64,974	459,331

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

As at 30 June 2019, other than club membership included in the intangible assets and investment in equity fund, majority of the other non-current assets of the Group were located in the PRC (31 December 2018: same).

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

7. OTHER INCOME

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

8. FINANCE INCOME — NET

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

9. INCOME TAX EXPENSE

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

Income tax expense is recognised based on management's best estimate of the projected full year annual effective income tax rate.

The Company, which is a Cayman Islands corporation, was not subject to any profits tax. The subsidiaries of the Group incorporated in Hong Kong were not subject to Hong Kong profits tax as they had no assessable income arising in or derived from Hong Kong during the six months ended 30 June 2019 (six months ended 30 June 2018: same).

Current taxation primarily represented the provision for the PRC Corporate Income Tax ("CIT") for subsidiaries operating in the PRC. These subsidiaries are subject to CIT on their taxable income as reported in their respective statutory financial statements adjusted in accordance with the relevant tax laws and regulations in the PRC.

Pursuant to the PRC Corporate Income Tax Law ("CIT Law"), the CIT rate for domestic enterprises and foreign invested enterprises is 25%. In addition, the CIT Law provides for, among others, a preferential tax rate of 15% for enterprises qualified as High and New Technology Enterprises ("HNTE"). Guangzhou Pacific Computer Information Consulting Co., Ltd. and Guangdong Pacific Internet Information Service Co., Ltd. are the principal operating subsidiaries of the Company. These companies successfully renewed the certificate of HNTE through application in 2017. Therefore the applicable income tax rate of these companies is 15% for the three years from 2017 to 2019. Guangzhou Fengwang Technology Co., Ltd., a PRC operating subsidiary of the Company, was formally designated as HNTE in 2016 and the applicable income tax rate is 15% for the three years from 2016 to 2018. Assuming that there is no change to the relevant laws and regulations, the directors consider that these subsidiaries will continue to be granted the preferential tax treatment through an application of renewal, and accordingly, tax rate of 15% has been applied when considering the deferred income tax.

All the other PRC entities of the Group are subject to CIT at a rate of 25% in accordance with the CIT Law.

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	
	2019	2018
Profit attributable to equity holders of the Company (RMB'000)	**76,024**	53,508
Weighted average number of ordinary shares for basic earnings per share (thousand shares)	**1,124,136**	1,124,022
Basic earnings per share (RMB)	**6.76 cents**	4.76 cents

(b) Diluted

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

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

11. DIVIDENDS

A final dividend in respect of the year ended 31 December 2018 of RMB13.62 cents per ordinary share (2017: RMB11.35 cents per ordinary share) was approved by the shareholders at the annual general meeting in May 2019. Such final dividend for 2018 totalling RMB153,133,000 (final dividend for 2017: RMB127,577,000) was paid during the six months ended 30 June 2019, which has already excluded the dividend related to the ordinary shares held for the Share Award Scheme of RMB1,325,000 (six months ended 30 June 2018: RMB1,138,000).

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

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

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

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

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

	Advertising expenses in excess of allowance RMB'000 (Unaudited)	**Provision for impairment of trade receivables** RMB'000 (Unaudited)	**Accruals** RMB'000 (Unaudited)	**Tax losses** RMB'000 (Unaudited)	**Total** RMB'000 (Unaudited)
At 1 January 2019	**18,844**	**18,493**	**6,920**	**8,765**	**53,022**
Credited to the income statement	**385**	**2,003**	**1,877**	**2,204**	**6,469**
At 30 June 2019	**19,229**	**20,496**	**8,797**	**10,969**	**59,491**
At 1 January 2018	18,283	16,073	6,629	6,200	47,185
Credited/(Charged) to the income statement	1,574	856	(1,137)	(1,229)	64
At 30 June 2018	19,857	16,929	5,492	4,971	47,249

13. DEFERRED INCOME TAX (CONTINUED)

Deferred income tax liabilities

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

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

	Withholding tax on the earnings anticipated to be remitted by PRC subsidiaries RMB'000 (Unaudited)
At 1 January 2019	**—**
Charged to the income statement	**4,950**
At 30 June 2019	**4,950**
At 1 January 2018	—
Charged to the income statement	2,900
At 30 June 2018	2,900

According to the applicable PRC tax regulations, dividends distributed by a company established in the PRC to a foreign investor with respect to profits derived after 1 January 2008 are generally subject to a 10% withholding tax. If a foreign investor is incorporated in Hong Kong and meets the conditions or requirements under the double taxation arrangement entered into between the PRC and Hong Kong, the relevant withholding tax rate will be reduced from 10% to 5%.

14. TRADE AND OTHER RECEIVABLES AND PREPAYMENTS

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

(a) Trade receivables, net of impairment provision

Credit terms granted by the Group are generally within a period of six months to a year. As at 30 June 2019, the ageing analysis of the trade receivables (net of impairment provision of RMB87,703,000 (31 December 2018: RMB78,763,000)) was as follows:

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

14. TRADE AND OTHER RECEIVABLES AND PREPAYMENTS (CONTINUED)

(b) Other receivables

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

15. INVESTMENT IN EQUITY FUND

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

16. ORDINARY SHARES

	Authorised ordinary shares		
	Number of shares ('000)	HKD'000	RMB'000
At 31 December 2018 and 30 June 2019	100,000,000	1,000,000	969,200

	Issued and fully paid up		
	Number of shares ('000) (Unaudited)	HKD'000 (Unaudited)	RMB'000 (Unaudited)
At 31 December 2018 and 30 June 2019	**1,134,055**	**11,341**	**10,491**

As at 30 June 2019, the total number of issued ordinary shares of the Company was 1,134,055,000 shares which included 9,733,000 shares (31 December 2018: 10,033,000 shares) held under the Share Award Scheme (Note 18).

17. ACCRUALS AND OTHER PAYABLES

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

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

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

18. SHARE-BASED COMPENSATION COSTS

Share award scheme

On 10 January 2011 (the "Adoption Date"), the Board approved and adopted a restricted share award scheme (the "Share Award Scheme") in which selected employees of the Group are entitled to participate. The Group has set up a trust (the "Share Award Scheme Trust") for the purpose of administering the Share Award Scheme and holding shares awarded or to be awarded to the employees (the "Awarded Shares") before they vest. Unless early terminated by the Board, the Share Award Scheme shall be valid and effective for a term of ten years commencing on the Adoption Date.

The Board implements the scheme in accordance with the terms of the scheme rules including providing necessary funds to the trust for the purchase of shares up to 2.5% of the issued share capital of the Company as of the Adoption Date.

Employees are not entitled to dividends on any awarded shares that are not yet transferred to them.

Movements in the number of shares held for the Share Award Scheme for the six months ended 30 June 2019 are as follows:

	Unaudited Number of shares to be awarded (thousands)	**Unaudited** RMB'000
At 1 January 2019	10,033	10,749
Granted	(300)	(520)
At 30 June 2019	9,733	10,229
At 1 January 2018 and 30 June 2018	10,033	10,749

For the Awarded Shares granted under the Share Award Scheme, the fair value is recognised as an expense and credited to equity over the period in which the vesting conditions are fulfilled. The total amount to be expensed over the vesting period is determined by reference to the fair value of the Awarded Shares granted.

The fair value of the Awarded Shares was calculated based on market prices of the Company's shares as at the respective grant dates. The expected dividends during the vesting periods have been taken into account when assessing the fair value of the Awarded Shares.

A total expense of RMB520,000 was recognised for employee services received in respect of the Share Award Scheme for the six months ended 30 June 2019 (six months ended 30 June 2018: nil).

18. SHARE-BASED COMPENSATION COSTS (CONTINUED)

Share award scheme (continued)

During the six months ended 30 June 2019, the Share Award Scheme Trust received cash dividend amounting to RMB1,325,000 (six months ended 30 June 2018: RMB1,138,000) which will be used to pay for fees of the trust or purchase a maximum number of shares as specified by the Board.

19. 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	Key management personnel of the Group
Kexim Company Limited ("Kexim")	Controlled by Mr. Wang
Beijing Pacific Times Property Management Co., Ltd. ("Pacific Times")	Controlled by Mr. Wang
Guangdong EJauto Information Technology Co., Ltd. ("EJauto")	An associate of the Group

(b) Related party transactions

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

	Unaudited Six months ended 30 June	
	2019 RMB'000	2018 RMB'000
Rental expenses for office and advertising billboards:		
Kexim	**174**	511
Property management fees for office:		
Pacific Times	**60**	70
Rental income for office:		
EJauto	**—**	327

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

19. RELATED PARTY TRANSACTIONS (CONTINUED)

(c) Balances with related parties

	Unaudited As at 30 June 2019 RMB'000	Audited As at 31 December 2018 RMB'000
Included in other payables:		
EJauto (i)	5,388	5,994

(i) The amounts represented deposits from the related party and are unsecured and interest-free.

On behalf of the Board, I would like to present the interim results of the Company for the six months ended 30 June 2019 to our shareholders.

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

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

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

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

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

MANAGEMENT DISCUSSION AND ANALYSIS

REVENUE

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

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

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

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

COST OF REVENUE

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

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

SELLING AND MARKETING COSTS

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

ADMINISTRATIVE EXPENSES

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

NET IMPAIRMENT LOSSES ON FINANCIAL ASSETS

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

PRODUCT DEVELOPMENT EXPENSES

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

OTHER INCOME

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

FINANCE INCOME

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

INCOME TAX EXPENSE

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

NET PROFIT ATTRIBUTABLE TO EQUITY HOLDERS

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

LIQUIDITY AND FINANCIAL RESOURCES

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

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

BANK BORROWINGS

As of 30 June 2019, The Group did not have any bank borrowings and therefore, its gearing ratio, representing the ratio of total bank borrowings to shareholders' equity, was nil. The Group also did not have any bank borrowings as of 31 December 2018.

MATERIAL ACQUISITIONS AND DISPOSAL

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

CHARGES ON ASSETS

As of 30 June 2019, the Group had no bank deposits or other assets pledge to secure its banking facilities.

FOREIGN EXCHANGE RISK

The Group's operating activities were principally carried out in Mainland China, with most of its transactions denominated and settled in Renminbi. Therefore, the overall foreign currency risk was not considered to be significant.

EMPLOYEES AND REMUNERATION INFORMATION

As of 30 June 2019, the Group had 1,254 employees (31 December 2018: 1,331), a decrease of 5.8% from the first half of 2019. This is the result of the Group's internal re-structuring and streamlining its support operations. The Group determines staff's remuneration based on factors such as performance and years of experience.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

Neither the Company nor its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the six months ended 30 June 2019.

AUDIT COMMITTEE

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

CORPORATE GOVERNANCE

The Board is of the view that the Company has met the code provisions set out in the Corporate Governance Code as contained in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange during the six months ended 30 June 2019, except that there is no separation of the role of chairman and chief executive as stipulated in the code provision A.2.1. Dr. Lam Wai Yan currently assumes the role of both the Chairman and the Chief Executive Officer of the Company. As Dr. Lam is a co-founder of the Group and has extensive experience in the internet industry, the Board believes that this structure provides the Group with strong and consistent leadership and allows for more effective and efficient business planning and decisions as well as execution of long-term business strategies. As such, it is beneficial to the business prospects of the Group.

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 and lapsed. 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.

As at 30 June 2019, the Company has no outstanding share options under the Pre-IPO Share Option Plan, 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 2019.

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

As at 30 June 2019, 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:

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	316,598,561	27.92%
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%
Mr. Wang Ta-Hsing	Long	Beneficial owner	3,458,015	0.30%
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 2019.

Save as disclosed above, as at 30 June 2019, none of the directors or chief executive of the Company had any interests or short positions in the shares and underlying shares 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 2019, 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	316,598,561	(1)	27.92%
Gallop Assets Management Limited	Long	Beneficial owner	296,172,030	(2)	26.12%
J.P. Morgan Trust Company (Bahamas) Limited as trustee of The Gallop Trust	Long	Trustee	296,172,030	(2)	26.12%
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 316,598,561 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 2019.

OTHER INFORMATION

Save as disclosed above, as at 30 June 2019, 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.

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.

CHANGES IN INFORMATION OF DIRECTORS

Pursuant to Rule 13.51B(1) of the Listing Rules, the changes in information of directors of the Company are set out below:

— Mr. Tsui Yiu Wa, Alec, an independent non-executive director of the Company, has resigned as an independent non-executive director of Kangda International Environmental Company Limited (a company listed on the main board of the Stock Exchange, stock code: 6136) in April 2019.

— Mr. Lam Wai Hon, Ambrose, an independent non-executive director of the Company, has been appointed as an independent non-executive director of Playmates Toys Limited (a company listed on the main board of the Stock Exchange, stock code: 869) in August 2019.

APPRECIATION

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

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

Hong Kong, 26 August 2019