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**PACIFIC ONLINE LIMITED**

**太平洋網絡有限公司**

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

**(Stock Code: 543)**

**ANNUAL RESULTS ANNOUNCEMENT  
FOR THE YEAR ENDED 31 DECEMBER 2023**

The board of directors (the “Board”) of Pacific Online Limited (the “Company”) announces the audited consolidated results of the Company and its subsidiaries (collectively the “Group”) for the year ended 31 December 2023, together with the comparative figures for the year ended 31 December 2022, as follows:

## CONSOLIDATED INCOME STATEMENT

		Year ended 31 December	
		2023	2022
	Note	RMB'000	RMB'000
<b>Revenue</b>	3	740,114	813,728
Cost of revenue	4	<u>(477,415)</u>	<u>(482,602)</u>
<b>Gross profit</b>		262,699	331,126
Selling and marketing costs	4	(164,496)	(189,188)
Administrative expenses	4	(57,148)	(64,472)
Product development expenses	4	(62,366)	(65,138)
Net impairment losses on financial assets		(1,713)	(16,945)
Other income	5	14,385	15,600
Other gains/(losses)		<u>7,400</u>	<u>(26,946)</u>
<b>Operating loss</b>		<u>(1,239)</u>	<u>(15,963)</u>
Finance income		6,587	12,957
Finance cost		<u>(1,584)</u>	<u>(6)</u>
Finance income — net	6	<u>5,003</u>	<u>12,951</u>
<b>Profit/(loss) before income tax</b>		3,764	(3,012)
Income tax expense	7	<u>(35,711)</u>	<u>(3,998)</u>
<b>Loss for the year</b>		<u><u>(31,947)</u></u>	<u><u>(7,010)</u></u>
<b>Attributable to:</b>			
— Equity holders of the Company		(32,336)	(6,654)
— Non-controlling interests		<u>389</u>	<u>(356)</u>
		<u><u>(31,947)</u></u>	<u><u>(7,010)</u></u>
<b>Losses per share for loss attributable to equity holders of the Company for the year</b>			
— Basic and diluted (RMB)	8	<u><u>(2.85) cents</u></u>	<u><u>(0.59) cents</u></u>

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Year ended 31 December	
	2023	2022
	<i>RMB'000</i>	<i>RMB'000</i>
Loss for the year	(31,947)	(7,010)
Other comprehensive income	<u>—</u>	<u>—</u>
Other comprehensive income for the year, net of tax	<u>—</u>	<u>—</u>
Total comprehensive loss for the year	<u>(31,947)</u>	<u>(7,010)</u>
Attributable to:		
— Equity holders of the Company	(32,336)	(6,654)
— Non-controlling interests	<u>389</u>	<u>(356)</u>
	<u>(31,947)</u>	<u>(7,010)</u>

## CONSOLIDATED BALANCE SHEET

		As at 31 December	
		2023	2022
	Note	RMB'000	RMB'000
<b>ASSETS</b>			
<b>Non-current assets</b>			
Right-of-use assets		10,611	14,774
Property and equipment		167,654	174,540
Investment properties		54,412	51,803
Intangible assets		8,121	7,841
Deferred income tax assets		33,914	68,502
Investment in financial assets	11	31,106	40,600
		<u>305,818</u>	<u>358,060</u>
<b>Current assets</b>			
Trade and note receivables, other receivables and prepayments	10	468,505	473,254
Cash and cash equivalents		271,819	399,985
		<u>740,324</u>	<u>873,239</u>
<b>Total assets</b>		<u><u>1,046,142</u></u>	<u><u>1,231,299</u></u>
<b>EQUITY</b>			
Ordinary shares		10,504	10,504
Reserves		687,252	831,680
		<u>697,756</u>	<u>842,184</u>
<b>Equity attributable to equity holders of the Company</b>		<u>697,756</u>	<u>842,184</u>
<b>Non-controlling interests</b>		<u>5,023</u>	<u>4,634</u>
<b>Total equity</b>		<u><u>702,779</u></u>	<u><u>846,818</u></u>

		<b>As at 31 December</b>	
		<b>2023</b>	<b>2022</b>
	<i>Note</i>	<b><i>RMB'000</i></b>	<b><i>RMB'000</i></b>
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Lease liabilities		<u>271</u>	<u>28</u>
<b>Current liabilities</b>			
Accruals and other payables	12	302,688	290,058
Contract liabilities	3	12,110	48,756
Current income tax liabilities		27,643	45,287
Lease liabilities		<u>651</u>	<u>352</u>
		<u>343,092</u>	<u>384,453</u>
<b>Total liabilities</b>		<u>343,363</u>	<u>384,481</u>
<b>Total equity and liabilities</b>		<u><u>1,046,142</u></u>	<u><u>1,231,299</u></u>

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

		Attributable to equity holders of the Company				
	<i>Note</i>	Ordinary shares <i>RMB'000</i>	Reserves <i>RMB'000</i>	Subtotal <i>RMB'000</i>	Non- controlling interests <i>RMB'000</i>	Total equity <i>RMB'000</i>
<b>Balance as at 1 January 2022</b>		10,491	947,811	958,302	4,990	963,292
<b>Comprehensive loss</b>						
Loss for the year		—	(6,654)	(6,654)	(356)	(7,010)
<b>Total comprehensive loss</b>		—	(6,654)	(6,654)	(356)	(7,010)
<b>Transactions with shareholders</b>						
Cash dividends relating to 2021	9	—	(113,164)	(113,164)	—	(113,164)
Share Award Scheme						
— shares issued		13	(13)	—	—	—
— value of employee services		—	3,700	3,700	—	3,700
<b>Balance as at 31 December 2022</b>		<u>10,504</u>	<u>831,680</u>	<u>842,184</u>	<u>4,634</u>	<u>846,818</u>
<b>Comprehensive loss</b>						
(Loss)/profit for the year		—	(32,336)	(32,336)	389	(31,947)
<b>Total comprehensive loss</b>		—	(32,336)	(32,336)	389	(31,947)
<b>Transactions with shareholders</b>						
Cash dividends relating to 2022	9	—	(113,231)	(113,231)	—	(113,231)
Share Award Scheme						
— value of employee services		—	1,226	1,226	—	1,226
— purchase of shares held for share award scheme		—	(87)	(87)	—	(87)
<b>Balance as at 31 December 2023</b>		<u>10,504</u>	<u>687,252</u>	<u>697,756</u>	<u>5,023</u>	<u>702,779</u>

## CONSOLIDATED STATEMENT OF CASH FLOWS

		<b>Year ended 31 December</b>	
		<b>2023</b>	2022
	<i>Note</i>	<b>RMB'000</b>	<b>RMB'000</b>
<b>Cash flows from operating activities</b>			
Cash generated from operations		2,249	11,332
Income tax (paid)/refund received		<u>(18,767)</u>	<u>10,405</u>
Net cash (used in)/generated from operating activities		<u>(16,518)</u>	<u>21,737</u>
<b>Cash flows from investing activities</b>			
Placement of short-term bank deposits with original terms of over three months		—	(121,760)
Receipt from maturity of short-term bank deposits with original terms of over three months		—	212,500
Interest received		6,861	8,919
Purchase of property and equipment		(2,948)	(3,166)
Disposals of property and equipment		790	237
Purchase of intangible assets		(608)	(48)
Dividends received	5	<u>—</u>	<u>376</u>
Net cash generated from investing activities		<u>4,095</u>	<u>97,058</u>
<b>Cash flows from financing activities</b>			
Cash dividends paid	9	(113,231)	(113,164)
Lease payments		(853)	(771)
Purchase of shares held for share award scheme		<u>(87)</u>	<u>—</u>
Net cash used in financing activities		<u>(114,171)</u>	<u>(113,935)</u>
<b>Net (decrease)/increase in cash and cash equivalents</b>		<b>(126,594)</b>	4,860
Cash and cash equivalents at beginning of year		399,985	391,010
Exchange (losses)/gains on cash and cash equivalents	6	<u>(1,572)</u>	<u>4,115</u>
<b>Cash and cash equivalents at end of year</b>		<u><b>271,819</b></u>	<u><b>399,985</b></u>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 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 Third Floor, Century Yard, Cricket Square, P.O. Box 902, Grand Cayman, KY1-1103, 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.

These consolidated financial statements are presented in Renminbi (“RMB”), unless otherwise stated.

These consolidated financial statements have been approved for issue by the board of directors (the “Board”) of the Company on 27 March 2024.

## 2. BASIS OF PREPARATION

### (i) Compliance with Hong Kong Financial Reporting Standards (“HKFRSs”) and Hong Kong Companies Ordinance (Cap. 622)

The consolidated financial statements of the Group have been prepared in accordance with HKFRSs and the disclosure requirements of the Hong Kong Companies Ordinance (Cap. 622).

### (ii) Historical cost convention

The consolidated financial statements have been prepared on a historical cost basis, except for Investment in financial assets, which is measured at fair value.

### (iii) New and amended standards adopted by the Group

The Group has applied the following amendments or annual improvements for the first time for their annual reporting period commencing 1 January 2023:

- HKFRS 17 Insurance Contracts;
- Definition of Accounting Estimates — amendments to HKAS 8;
- International Tax Reform — Pillar Two Model Rules — amendments to HKAS 12;
- Deferred Tax related to Assets and Liabilities arising from a Single Transaction — amendments to HKAS 12, and
- Disclosure of Accounting Policies — Amendments to HKAS 1 and HKFRS Practice Statement 2.

The amendments listed above did not have any impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future periods.



**(iv) New standards, amendments to standards and interpretations not yet adopted**

Certain new accounting standards, amendments to accounting standards and interpretations have been published that are not mandatory for 31 December 2023 reporting periods and have not been early adopted by the Group. These standards, amendments or interpretations are not expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

		<b>Effective for annual periods beginning on or after</b>
Amendments to HKAS 1	Non-current liabilities with covenants	1 January 2024
Hong Kong Interpretation 5 (2020)	Hong Kong Interpretation 5 (2020) Presentation of Financial Statements — Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause (HK Int 5 (2020))	1 January 2024
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current	1 January 2024
Amendments to HKAS 16	Lease Liability in a Sale and Leaseback	1 January 2024
Amendments to HKAS 7 and HKFRS 7	Supplier Finance Arrangements	1 January 2024
Amendments to HKFRS 10 and HKAS 28	Sale or contribution of assets between an investor and its associate or joint venture	To be determined

**3. 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 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 advertising business from the perspective of the different internet portals which it operates. As all revenues of the Group are generated from customers in the PRC, they are not further evaluated on a geographic basis.

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

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

There were no inter-segment sales for the year ended 31 December 2023 (2022: same). The revenue from external parties reported to the chief operating decision-makers is measured in a manner consistent with that in the consolidated income statement.

	<b>PCauto</b> <i>RMB'000</i>	<b>POnline</b> <i>RMB'000</i>	<b>Others</b> <i>RMB'000</i>	<b>Total</b> <i>RMB'000</i>
<b>For the year ended 31 December 2023</b>				
Timing of revenue recognition				
— Over time	432,388	54,175	21,323	507,886
— At a point in time	213,993	13,624	4,611	232,228
Revenue	<u>646,381</u>	<u>67,799</u>	<u>25,934</u>	<u>740,114</u>
<b>For the year ended 31 December 2022</b>				
Timing of revenue recognition				
— Over time	498,980	88,689	28,250	615,919
— At a point in time	184,768	9,292	3,749	197,809
Revenue	<u>683,748</u>	<u>97,981</u>	<u>31,999</u>	<u>813,728</u>

The following table shows how much of the revenue recognised in the current reporting period relates to carried-forward contract liabilities.

	<b>Year ended 31 December</b>	
	<b>2023</b>	2022
	<i>RMB'000</i>	<i>RMB'000</i>
Revenue recognised that was included in the balance of contract liabilities at the beginning of the year	<u>48,756</u>	<u>43,102</u>

Though the Company is domiciled in the Cayman Islands, for the year ended 31 December 2023, all revenues of the Group were derived from external customers and they were all generated from the PRC (2022: same).

As at 31 December 2023, other than club membership included in the intangible assets and investment in financial assets, majority of other non-current assets of the Group were located in the PRC (31 December 2022: same).

For the year ended 31 December 2023, revenues of approximately RMB105,495,000 (2022: RMB112,311,000) are derived from a single external customer accounting for ten percent or more of the Group's revenues.

The Group does not disclose information about remaining unsatisfied performance obligations as permitted under the practical expedient in accordance with HKFRS 15 as their original expected duration is less than one year.

#### 4. EXPENSES BY NATURE

Expenses included in cost of revenue, selling and marketing costs, administrative expenses and product development expenses are analysed as follows:

	Year ended 31 December	
	2023	2022
	RMB'000	RMB'000
Employee benefit expenses	244,327	272,966
Outsourcing production cost	271,355	239,912
Service commission to advertising agencies	78,548	100,349
Advertising expenses	71,370	92,096
Technology service fees	15,206	19,727
Depreciation and amortisation expenses		
— Depreciation of property and equipment	8,912	8,731
— Depreciation of investment properties	1,859	1,760
— Depreciation of right-of-use assets	1,078	1,083
— Amortisation of intangible assets	328	9
Travelling and entertainment expenses	12,066	7,402
Bandwidth and server custody fees	16,882	18,547
Other taxes and surcharge	11,657	15,482
Conference and office expenses	4,047	4,499
Auditors' remuneration		
— Audit services	3,670	3,670
— Non-audit services	438	324
Expenses related to short term leases	1,247	1,294
Professional fees	1,235	1,486
Other expenses	17,200	12,063
	<u>761,425</u>	<u>801,400</u>
Total cost of revenue, selling and marketing costs, administrative expenses and product development expenses		

Product development expenses are mainly included in employee benefit expenses and depreciation of property and equipment and amortisation of intangible assets. No product development expenses were capitalised for the year ended 31 December 2023 (2022: same).

#### 5. OTHER INCOME

	Year ended 31 December	
	2023	2022
	RMB'000	RMB'000
Rental income	7,132	6,446
Additional deduction of input value-added tax	2,836	5,514
Government grants (i)	4,417	3,264
Dividend income on investment in financial assets	—	376
	<u>14,385</u>	<u>15,600</u>

(i) There are no unfulfilled conditions or other contingencies relating to these grants.

## 6. FINANCE INCOME — NET

	Year ended 31 December	
	2023	2022
	RMB'000	RMB'000
Finance income		
— Interest income from bank deposits	6,587	8,842
— Net foreign exchange gains	—	4,115
	<u>6,587</u>	<u>12,957</u>
Finance cost		
— Interest expense on lease liabilities	(12)	(6)
— Net foreign exchange losses	(1,572)	—
	<u>(1,584)</u>	<u>(6)</u>
Finance income — net	<u>5,003</u>	<u>12,951</u>

## 7. INCOME TAX EXPENSE

	Year ended 31 December	
	2023	2022
	RMB'000	RMB'000
PRC current tax	1,123	12,211
Deferred taxation	34,588	(8,213)
	<u>35,711</u>	<u>3,998</u>

The Company, which is a Cayman Islands corporation, is not subject to any profits tax. The subsidiaries of the Group incorporated in Hong Kong were not subject to Hong Kong profits tax as they had no assessable income arising in or derived from Hong Kong during the year ended 31 December 2023 (2022: same).

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

Pursuant to the PRC Corporate Income Tax Law (“CIT Law”), the CIT rate for domestic enterprises and foreign invested enterprises is 25%. In addition, the CIT Law provides for, among others, a preferential tax rate of 15% for enterprises qualified as High and New Technology Enterprises (“HNTE”). GZP Computer, a PRC operating subsidiary of the Company, was successfully renewed as HNTE in 2023 and the applicable income tax rate is 15% for the three years from 2023 to 2025 (2022:15%). Guangzhou Yurui Information Technology Co., Ltd. (廣州裕睿信息科技有限公司, “GZ Yurui”), a PRC operating subsidiary of the Company, was successfully renewed as HNTE in 2022 and the applicable income tax rate is 15% for the three years from 2022 to 2024. Guangzhou Fengwang Technology Co., Ltd. (廣州鋒網資訊科技有限公司, “GZ Fengwang”), a PRC

operating subsidiary of the Company, was formally designated as HNTE in 2022 and the applicable income tax rate is 15% for the three years from 2022 to 2024. All the other PRC entities of the Group are subject to CIT at a rate of 25% in accordance with CIT Law. Especially, GDP Internet and Guangzhou Kuche Information Technology Co., Ltd. (廣州酷車信息科技有限公司, “GZ Kuche”), two PRC operating subsidiaries of the Company, were not qualified as HNTE since 2023, therefore, the applicable income tax rate was changed to 25% in 2023 (2022:15%).

Assuming that there is no change to the relevant laws and regulations, the directors consider three subsidiaries, including GZP Computer, GZ Yurui and GZ Fengwang, will be granted the preferential tax treatment through an application of renewal. Accordingly, tax rate of 15% has been applied when considering the deferred income tax of GZP Computer, GZ Yurui and GZ Fengwang. For GDP Internet, tax rate of 25% has been applied when considering the deferred income tax since 2023 (2022: 15%).

According to CIT Law, a withholding income tax of 10% will be levied on the immediate holding companies outside the PRC when their PRC subsidiaries declare dividends out of profits earned after 1 January 2008. A lower 5% withholding income tax rate may be applied when the immediate holding companies of the PRC subsidiaries are established in Hong Kong and fulfil requirements under the tax treaty agreements between the relevant authorities of the PRC and Hong Kong. Hence, the Group used 5% as its withholding tax rate for certain Hong Kong intermediate holding companies which are expected to fulfill the aforesaid conditions.

The tax on the Group’s profit/(loss) before income tax differed from the theoretical amount that would arise using the statutory tax rate applicable to profit/(loss) of all the consolidated PRC entities as follows:

	<b>Year ended 31 December</b>	
	<b>2023</b>	<b>2022</b>
	<b>RMB’000</b>	<b>RMB’000</b>
Profit/(loss) before income tax expense	<u>3,764</u>	<u>(3,012)</u>
Tax calculated at the statutory tax rate of 25% (2022: 25%)	<b>941</b>	(753)
Tax effects of		
— Tax concessions available to certain PRC subsidiaries (a)	<b>16,888</b>	(1,057)
— Loss not subject to tax	<b>1,404</b>	7,098
— Expenses not deductible for tax purposes	<b>339</b>	904
— Utilisation of previously unrecognised tax losses	<b>(3,732)</b>	(1,667)
— Unrecognised tax losses	<b>44,430</b>	3,593
— Under provision of prior year	<b>1,010</b>	2,050
— Additional deduction on product development expenses	<b>(9,790)</b>	(7,731)
Withholding tax on the earnings to be remitted by PRC subsidiaries	—	1,561
The effect of changes in tax rates	<u>(15,779)</u>	—
Income tax expense	<u><b>35,711</b></u>	<u>3,998</u>

- (a) It represented the preferential tax treatments relating to HNTE enjoyed by certain PRC subsidiaries of the Group.

## 8. LOSSES PER SHARE

### (a) Basic losses per share

Basic losses per share is calculated by dividing the loss attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the year (excluding the ordinary shares purchased by the Group and held for the Share Award Scheme).

	Year ended 31 December	
	2023	2022
Loss attributable to equity holders of the Company (RMB'000)	<u>(32,336)</u>	<u>(6,654)</u>
Weighted average number of ordinary shares for basic losses per share (thousand shares)	<u>1,133,666</u>	<u>1,130,087</u>
Basic losses per share (RMB)	<u><u>(2.85) cents</u></u>	<u><u>(0.59) cents</u></u>

### (b) Diluted losses per share

Diluted losses per share adjusts the figures used in the determination of basic losses 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.

Diluted losses per share equals to basic losses per share as there were no potential diluted shares outstanding for the year ended 31 December 2023 (2022: same).

## 9. DIVIDENDS

A final dividend in respect of the year ended 31 December 2022 of RMB10.00 cents per ordinary share (2021: RMB10.00 cents per ordinary share) was approved by the shareholders at the annual general meeting on 12 May 2023. Such final dividend for 2022 totalling RMB113,231,000 was paid in 2023, which has already excluded the dividend related to the ordinary shares held for the share award scheme of RMB329,000 (final dividend for 2021 totalling RMB113,164,000 was paid in 2022, which has already excluded the dividend related to the ordinary shares held for the share award scheme of RMB396,000).

The directors recommended the payment of a final dividend of RMB4 cents per ordinary share in cash for the year ended 31 December 2023, totalling RMB45,424,000 based on the ordinary shares in issue as of 31 December 2023. Such final dividend is to be approved by the shareholders at the annual general meeting of the Company to be held on 3 May 2024. These consolidated financial statements do not reflect this dividend payable.

## 10. TRADE AND NOTE RECEIVABLES, OTHER RECEIVABLES AND PREPAYMENTS

	As at 31 December	
	2023	2022
	<i>RMB'000</i>	<i>RMB'000</i>
Trade receivables, net of impairment provision (a)	407,168	432,665
Other receivables, net of impairment provision (b)	28,103	12,404
Prepaid value-added tax	11,479	8,694
Prepayments to suppliers	2,042	2,377
Notes receivable, net of impairment provision	19,713	17,114
	<u>468,505</u>	<u>473,254</u>

As at 31 December 2023, trade and note receivables, other receivables and prepayments were all denominated in RMB (31 December 2022: same).

### (a) Trade receivables, net of impairment provision

Credit terms granted by the Group are generally within a period of three months to one year. The ageing analysis of the trade receivables (net of impairment provision of RMB98,171,000 (31 December 2022: RMB200,563,000)) based on recognition date is as follows:

	As at 31 December	
	2023	2022
	<i>RMB'000</i>	<i>RMB'000</i>
Current to 6 months	326,831	323,535
6 months to 1 year	69,437	101,122
1 year to 2 years	10,319	6,451
Above 2 years	581	1,557
	<u>407,168</u>	<u>432,665</u>

### (b) Other receivables, net of impairment provision

	As at 31 December	
	2023	2022
	<i>RMB'000</i>	<i>RMB'000</i>
Redemption receivables	16,894	—
Advance to employees	6,611	5,808
Rental receivables	268	268
Others	4,330	6,328
	<u>28,103</u>	<u>12,404</u>

The maximum exposure to credit risk at the reporting date is the carrying value of each class of receivables mentioned above. The Group does not hold any collateral as security.

## 11. INVESTMENT IN FINANCIAL ASSETS

In June 2014, the Group made an equity investment with an amount of USD5,000,000 in a private fund (the “Fund”) which invested in shares of companies principally engaged in Internet business (“Equity Investments”). The Group neither have control nor significant influence over the Fund. As at 31 December 2023, the Group held 24.35% (31 December 2022: 33.95%) interests of the Fund. As at 31 December 2023, the Group classified the investment in the Fund as financial assets at fair value through profit or loss (31 December 2022: same).

Management assessed the fair value of the Group’s investment in financial assets as at 31 December 2023 based on the net asset value of the Fund provided by the Fund’s administrator and calculated the portion attributable to the Group.

The net asset value of the Fund provided by the Fund’s administrator is based on the fair value of underlying investments held by the Fund, which are mainly influenced by the recent market price of its Equity Investments and Cryptocurrency Investments.

The Group’s portion of net asset value of the Fund was attributable to the following:

	<b>As at 31 December</b>	
	<b>2023</b>	2022
	<b>RMB’000</b>	RMB’000
Equity Investments and other investments	<b>31,106</b>	31,847
Cryptocurrency Investments	—	8,753
	<u>31,106</u>	<u>40,600</u>
At end of the year	<b><u>31,106</u></b>	<b><u>40,600</u></b>

During the year ended 31 December 2023 and 2022, movement on investment in financial assets is as follows:

	<b>Year ended 31 December</b>	
	<b>2023</b>	2022
	<b>RMB’000</b>	RMB’000
At the beginning of the year	<b>40,600</b>	67,546
Changes in fair value:		
— Equity Investments and other investments	<b>(741)</b>	3,337
— Cryptocurrency Investments	<b>8,141</b>	(30,283)
Redemption (a)	<b>(16,894)</b>	—
At the end of the year	<b><u>31,106</u></b>	<b><u>40,600</u></b>

### (a) Redemption

In accordance with an letter agreement dated 18 December 2023, the Group redeemed the entire amount of its Cryptocurrency Investments effective on 31 December 2023. Total amount of the redemption receivables is USD2,385,000 (RMB16,894,000 equivalence) will be received in three installments as 45%, 45% and 10% on 31 March 2024, 30 June 2024 and by September 2024. As of the date of this announcement, USD1,073,000 (equivalent to RMB7,613,000) has been received.



## 12. ACCRUALS AND OTHER PAYABLES

	As at 31 December	
	2023	2022
	<i>RMB'000</i>	<i>RMB'000</i>
Accrued expenses (a)	226,785	216,109
Salaries payable	51,238	50,637
Other tax payable	14,173	11,455
Other payables	10,492	11,857
	<u>302,688</u>	<u>290,058</u>

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

As at 31 December 2023, the fair value of accruals and other payables approximated their carrying amounts (31 December 2022: same).

**EXTRACT OF INDEPENDENT AUDITOR’S REPORT ON THE COMPANY’S  
CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31  
DECEMBER 2023**

**Qualified Opinion**

***What we have audited***

The consolidated financial statements of Pacific Online Limited (the “Company”) and its subsidiaries (the “Group”), comprise:

- the consolidated balance sheet as at 31 December 2023;
- the consolidated income statement for the year then ended;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, comprising material accounting policy information and other explanatory information.

***Our qualified opinion***

In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion section of our report, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2023, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

## **Basis for Qualified Opinion**

As explained in the consolidated financial statements, the Group invested in a private fund (the “Fund”) which was classified as investment in financial assets measured at fair value in the consolidated balance sheet. Based on the net asset value statement provided by the Fund’s administrator, management assessed the fair value of the investment in financial assets was RMB40,600,000 as at 1 January 2023 and RMB31,106,000 as at 31 December 2023, of which RMB8,753,000 as at 1 January 2023 represented certain investments in cryptocurrencies (the “Cryptocurrency Investments”). All the Cryptocurrency Investments was redeemed during the year ended 31 December 2023 and the balance of Cryptocurrency Investments was nil as at 31 December 2023. For the year ended 31 December 2023, the fair value gain of the investment in financial assets recognised in the consolidated income statement was RMB7,400,000 of which RMB8,141,000 was attributable to the Cryptocurrency Investments.

We have previously qualified our auditor’s report on the Group’s consolidated financial statements for the year ended 31 December 2022 due to a limitation of scope as we were unable to obtain sufficient appropriate evidence on whether the existence and sole ownership of the Cryptocurrency Investments of the Fund as at 31 December 2022 and the changes in fair value of the Cryptocurrency Investments for the year ended 31 December 2022. As at the date of this report, we were not able to obtain sufficient appropriate audit evidence to satisfy ourselves as to the existence and sole ownership of the Cryptocurrency Investments of the Fund as at 31 December 2022. Since opening balance of the Cryptocurrency Investments affect the determination of the result of fair value change of the Group’s Cryptocurrency Investments for the year ended 31 December 2023, we were unable to determine whether any adjustments were necessary in respect of the changes in fair value of the Group’s investment in financial assets of RMB8,141,000 for the year ended 31 December 2023.

We conducted our audit in accordance with Hong Kong Standards on Auditing (“HKSAAs”) issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor’s Responsibilities for the Audit of the Consolidated Financial Statements section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.

## MANAGEMENT DISCUSSION AND ANALYSIS

### Business Review

For the whole of 2023, the Group's revenue was RMB740.1 million, a decrease of 9.0% from last year. The loss attributable to equity holders was RMB32.3 million. During the reporting period, the second half of 2023 exhibited a improvement over the first half of the year in terms of results before tax, however included in the results was an increase of income tax expenses due to the additional tax loss in the year 2023 not being recognized as deferred tax assets during the year and this is a non-cash charge with no effect on cash flow. After the significant challenges of the past year, we are pleased with the resiliency of our business in 2023 as we anticipate market improvements in 2024.

Throughout 2023, the Group focused on further developing new marketing channels to better target consumers and integrating artificial intelligence into our workflows and tools. Due to changing habits, the Group took the lead in promoting more online-to-offline marketing strategies to consumers, primarily in shopping malls and through new media operations. Additionally the Group has begun integrating AI generated content and workflows into the Group to generate editorial content faster, analyze relevant trends, and improve work efficiencies in our content generation teams. We are continuing to explore ways we can further integrate AI and automation to reduce costs and create value for consumers.

PCauto's revenue decreased by 5.5% compared to the year before and accounted for 87.3% of the total revenue of the Group in 2023. During the reporting period, marketing spend and habits continued to change as advertisers consolidated on fewer online platforms and competition for advertising in vertical media intensified. As a result, PCauto focused on developing new marketing and advertising channel strategies and combined with our professionally created content leadership in the NEV (New Energy Vehicle) industry, the platform has driven new sign ups and registrations on PCauto.

PConline's revenue decreased by 30.8% compared to the year before. While the Group continues to expand into alternative product categories and improve our advertising and digital marketing offerings, we continue to position ourselves as a leader in the personal electronics space. We believe that we are well positioned to continue to provide the leading consumer electronics platform for consumers as we are cautiously optimistic for our prospects in the coming year and hopeful that the domestic smartphone market will improve in the coming year.

The Group had made an equity investment in an entity who invested in shares of companies principally engaged in internet-related industries and blockchain-related technologies since 2014, the Group neither had control nor significant influence over the entity. As of 31 December 2023, the fair value of the investment in financial assets was RMB31,106,000 and all the Cryptocurrency Investments was redeemed during the year and the balance of Cryptocurrency Investments was nil as at 31 December 2023. For the year ended 31 December 2023, the fair value gain of the investment in financial assets recognised in the consolidated income statement was RMB7,400,000 of which RMB8,141,000 was attributable to the Cryptocurrency Investments. A qualified opinion was issued to the Group's consolidated financial statements for the year ended 31 December 2023 due to a limitation of scope as the independent auditors were unable to obtain sufficient appropriate evidence with regards to the existence and sole ownership of the Cryptocurrency Investments of the Fund as at 31 December 2022. Since the opening balance of the Cryptocurrency Investments affect the determination of the result of fair value change of the Group's Cryptocurrency Investments for the year ended 31 December 2023, the independent auditors were unable to determine whether any adjustments were necessary in respect of the changes in fair value of the Group's investment in financial assets of RMB8,141,000 for the year ended 31 December 2023. The qualified opinion has no impact on the core business of the Group and the Group has no intention to meaningfully conduct cryptocurrency investment in the future.

The Company is of the view that the qualified opinion will not have any negative impact on the Company's liquidity or financial position. The Company recognizes that the issues giving rise to the qualified opinion were due to external circumstances that were beyond the control of the Group, and is of the view that the management has taken all possible steps with the relevant parties with an aim to prevent and resolve the same.

The Group attaches great importance to shareholders' return. The Board remains confident in the Group's prospects, yet in the short term it recognizes the challenges inherent in the upcoming year. As such, it recommended a dividend payment of RMB4 cents per share, after considering such factors as the Company's profitability, cash flow, future capital requirements and dividend payout in the industry etc.

Looking forward to 2024, PCauto will continue to build on its online-to-offline presence to act as an automobile lifestyle platform for consumers. We are hopeful that in the coming year the domestic smartphone industry will continue to grow, driven by more competitive products and excitement around new releases. We are confident that we are well positioned to explore new opportunities in the coming year.

## **Revenue**

Revenue decreased 9.0% from RMB813.7 million for the year ended 31 December 2022 to RMB740.1 million for the year ended 31 December 2023.

Revenue for PCauto, the Group's automobile portal, decreased 5.5% from RMB683.7 million for the year ended 31 December 2022 to RMB646.4 million during the year ended 31 December 2023. The decrease in revenue for PCauto was due to decreased advertising spending from automobile manufacturers during the year. As a percentage of revenue, PCauto accounted for 84.0% during the year ended 31 December 2022 and 87.3% during the year ended 31 December 2023.

Revenue for PConline, the Group's IT and consumer electronics portal, decreased 30.8% from RMB98.0 million during the year ended 31 December 2022 to RMB67.8 million during the year ended 31 December 2023. The decrease was due to decline in demand from consumer electronics manufacturers. As a percentage of revenue, PConline accounted for 12.1% during the year ended 31 December 2022 and 9.2% during the year ended 31 December 2023.

Revenue from other operations, including PClady, PCbaby and PChouse portals, decreased by 19.0% from RMB32.0 million during the year ended 31 December 2022 to RMB25.9 million during the year ended 31 December 2023. The decrease was mainly due to the decrease in general consumption from these sectors. As a percentage of revenue, revenue from other operations accounted for 3.9% during the year ended 31 December 2022 and 3.5% during the year ended 31 December 2023.

## **Cost of Revenue**

Cost of revenue decreased 1.1% from RMB482.6 million during the year ended 31 December 2022 to RMB477.4 million during the year ended 31 December 2023. Gross profit margin was 40.7% during the year ended 31 December 2022 and 35.5% during the year ended 31 December 2023. The decrease in cost of revenue was mainly due to decrease in services commission to advertising agencies offsetting the increase of outsourcing production costs.

## **Selling and Marketing Costs**

Selling and marketing costs decreased 13.1% from RMB189.2 million during the year ended 31 December 2022 to RMB164.5 million during the year ended 31 December 2023. The decrease in selling and marketing expenses was mainly due to the decrease in advertising expenses and employee benefit expenses.

### **Administrative Expenses**

Administrative expenses decreased by 11.4% from RMB64.5 million during the year ended 31 December 2022 to RMB57.1 million during the year ended 31 December 2023, mainly due to decrease in staff costs and general office expenses during the year ended 31 December 2023.

### **Net Impairment Losses on Financial Assets**

Net impairment losses on financial assets decreased by 89.9% from RMB16.9 million during the year ended 31 December 2022 to RMB1.7 million during the year ended 31 December 2023. The decrease in net impairment losses was mainly due to collection of some long aging receivables during the year.

### **Product Development Expenses**

Product development expenses decreased by 4.3% from RMB65.1 million during the year ended 31 December 2022 to RMB62.4 million during the year ended 31 December 2023. The majority of expenses was personnel-related expenses in the Group's research and development team.

### **Other Income**

Other income was RMB14.4 million during the year ended 31 December 2023 and RMB15.6 million during the year ended 31 December 2022. The decrease was mainly due to less additional deduction of input value-added tax.

### **Other Gains/(Losses)**

Other gains was RMB7.4 million during the year ended 31 December 2023 and it was the fair value gains of a passive equity investment during the year, whereas other losses was RMB26.9 million during the year ended 31 December 2022.

### **Finance Income and Cost**

Net finance income decreased 61.4% from RMB13.0 million during the year ended 31 December 2022 to RMB5.0 million during the year ended 31 December 2023. The decrease was mainly due to less bank interest income and net foreign exchange losses during the year ended 31 December 2023 and there was net foreign exchange gain during the year ended 31 December 2022.

## **Income Tax Expense**

Income tax expenses was RMB35.7 million during the year ended 31 December 2023 and RMB4.0 million during the year ended 31 December 2022. The increase was mainly due to the additional tax loss in the year ended 31 December 2023 not being recognized as deferred tax assets.

## **Net Loss Attributable to Equity Holders**

Net loss attributable to equity holders was RMB32.3 million during the year ended 31 December 2023 and was RMB6.7 million during the year ended 31 December 2022.

## **Liquidity and Financial Resources**

As of 31 December 2023, the Group had short-term deposits and cash totaling RMB271.9 million, compared with RMB400.0 million as of 31 December 2022. In 2023, net cash used in operating activities was RMB16.5 million, net cash generated from investing activities was RMB4.1 million, net cash used in financing activities was RMB114.2 million, with a net decrease in cash and cash equivalents of RMB126.6 million for year 2023. In 2022, net cash generated from operating activities was RMB21.7 million, net cash generated from investing activities was RMB97.1 million, net cash used in financing activities was RMB113.9 million, with a net increase in cash and cash equivalents of RMB4.9 million for year 2022. The Company had no external debt as of 31 December 2022 and 31 December 2023.

## **Bank Borrowings**

As of both 31 December 2023 and 31 December 2022, 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 for both years.

## **Material Acquisitions and Disposals**

During the year ended 31 December 2023, the Group had no material acquisitions or disposals of subsidiaries and associates.

## **Charges on Assets**

As at 31 December 2023, 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 China with most of its transactions denominated and settled in Renminbi, and therefore the overall foreign currency risk was not considered to be significant.



## **Employee and Remuneration Policies**

As at 31 December 2023, the Group had 771 employees (2022: 924). The Group determines its staff's remuneration based on factors such as qualifications and years of experience.

## **OTHER INFORMATION**

### **Proposed Final Dividend**

The Board has recommended the payment of a final cash dividend of RMB4 cents per ordinary share for the year ended 31 December 2023 (the "Proposed Final Dividend"), which compares with RMB10 cents for 2022. The final dividend is subject to the shareholders' approval at the Company's forthcoming annual general meeting to be held on Friday, 3 May 2024 (the "2024 AGM"). The Proposed Final Dividend will be paid in cash on Monday, 3 June 2024 to shareholders whose names appear on the register of members of the Company at the close of business on Monday, 13 May 2024.

### **Closure of Register of Members**

For determining the entitlement to attend and vote at the 2024 AGM, the register of members of the Company will be closed from Monday, 29 April 2024 to Friday, 3 May 2024, both days inclusive, during which period no transfer of shares of the Company will be registered. In order to be eligible to attend and vote at the 2024 AGM, unregistered holders of shares of the Company should ensure that all share transfer documents accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong, for registration not later than 4:30 p.m. on Friday, 26 April 2024.

For determining the entitlement to the Proposed Final Dividend, the register of members of the Company will also be closed from Friday, 10 May 2024 to Monday, 13 May 2024, both days inclusive, during which period no transfer of shares of the Company will be registered. In order to be eligible to receive the Proposed Final Dividend, unregistered holders of shares of the Company should ensure that all share transfer documents accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited, at the above address, for registration not later than 4:30 p.m. on Thursday, 9 May 2024.

### **Purchase, Sale or Redemption of the Company's Listed Securities**

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the year ended 31 December 2023.

## **Audit Committee**

The Audit Committee of the Company, which comprises 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 the annual financial results of the Group for the year ended 31 December 2023.

## **Scope of work of PricewaterhouseCoopers**

The figures in respect of the announcement of the Group's results for the year ended 31 December 2023 have been agreed by the Group's auditor, PricewaterhouseCoopers, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by PricewaterhouseCoopers in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by PricewaterhouseCoopers on this announcement.

## **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 C1 to the Rules Governing the Listing of Securities on the Stock Exchange during the year ended 31 December 2023, except that there is no separation of the role of chairman and chief executive as stipulated in the code provision C.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 experiences in the internet industry, the Board believes that this structure provides the Group with strong and consistent leadership and allows for more effective and efficient business planning and decisions as well as execution of long-term business strategies. As such, it is beneficial to the business prospects of the Group.

## **Appreciation**

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

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

Hong Kong, 27 March 2024

*As at the date of this announcement, the Board comprises 3 executive directors, namely, Dr. Lam Wai Yan, Mr. Ho Kam Wah and Mr. Wang Ta-Hsing; and 3 independent non-executive directors, namely, Mr. Tsui Yiu Wa, Alec, Mr. Thaddeus Thomas Beczak and Mr. Lam Wai Hon, Ambrose.*