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PACIFIC ONLINE LIMITED

太平洋網絡有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 543)

**INTERIM RESULTS ANNOUNCEMENT
FOR THE SIX MONTHS ENDED 30 JUNE 2021**

The board of directors (the “Board”) of Pacific Online Limited (the “Company”) announces the unaudited condensed consolidated results of the Company and its subsidiaries (collectively the “Group”) for the six months ended 30 June 2021 together with the comparative figures for the corresponding period of last year, as follows:

CONDENSED CONSOLIDATED INTERIM INCOME STATEMENT

For the six months ended 30 June 2021

		Unaudited	
		Six months ended 30 June	
		2021	2020
	<i>Note</i>	RMB’000	RMB’000
Revenue	4	404,969	391,910
Cost of revenue		<u>(175,140)</u>	<u>(146,514)</u>
Gross profit		229,829	245,396
Selling and marketing costs		(84,595)	(90,077)
Administrative expenses		(44,028)	(46,565)
Product development expenses		(33,147)	(32,673)
Net impairment losses on financial assets		(31,020)	(40,554)
Other income	5	<u>6,417</u>	<u>7,730</u>
Operating profit		43,456	43,257
Finance income		5,461	4,514
Finance cost		<u>(27)</u>	<u>(511)</u>
Finance income — net	6	<u>5,434</u>	<u>4,003</u>

		Unaudited	
		Six months ended 30 June	
		2021	2020
	<i>Note</i>	RMB'000	RMB'000
Profit before income tax		48,890	47,260
Income tax expense	7	<u>(7,546)</u>	<u>(8,901)</u>
Profit for the period		<u>41,344</u>	<u>38,359</u>
Attributable to:			
— Equity holders of the Company		39,393	37,296
— Non-controlling interests		<u>1,951</u>	<u>1,063</u>
		<u>41,344</u>	<u>38,359</u>
Earnings per share for profit attributable to equity holders of the Company for the period			
— Basic (<i>RMB</i>)	8	<u>3.48 cents</u>	<u>3.31 cents</u>
— Diluted (<i>RMB</i>)		<u>3.46 cents</u>	<u>3.31 cents</u>

CONDENSED CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2021

		Unaudited	
		Six months ended 30 June	
		2021	2020
	<i>Note</i>	<i>RMB'000</i>	<i>RMB'000</i>
Profit for the period		<u>41,344</u>	<u>38,359</u>
<i>Items that will not be reclassified to profit or loss</i>			
Changes in value of investment in financial assets	13	<u>22,820</u>	<u>(2,988)</u>
Other comprehensive income for the period, net of tax		<u>22,820</u>	<u>(2,988)</u>
Total comprehensive income for the period		<u><u>64,164</u></u>	<u><u>35,371</u></u>
Attributable to:			
— Equity holders of the Company		<u>62,213</u>	34,308
— Non-controlling interests		<u>1,951</u>	<u>1,063</u>
		<u><u>64,164</u></u>	<u><u>35,371</u></u>

CONDENSED CONSOLIDATED INTERIM BALANCE SHEET

As at 30 June 2021

		Unaudited 30 June 2021 <i>RMB'000</i>	Audited 31 December 2020 <i>RMB'000</i>
	<i>Note</i>		
ASSETS			
Non-current assets			
Right-of-use assets	10	15,785	15,425
Property and equipment	10	185,640	196,687
Investment property	10	54,093	47,913
Intangible assets	10	8,891	9,079
Deferred income tax assets	11	56,852	55,281
Investment in financial assets	13	85,605	62,785
		406,866	387,170
Current assets			
Trade and notes receivables, other receivables and prepayments	12	513,100	652,443
Short-term bank deposits with original terms of over three months		—	117,249
Restricted cash		—	30
Cash and cash equivalents		389,592	356,807
		902,692	1,126,529
Total assets		1,309,558	1,513,699

		Unaudited	Audited
		30 June	31 December
		2021	2020
	<i>Note</i>	RMB'000	RMB'000
EQUITY			
Equity attributable to equity holders of the Company			
Ordinary shares	14	10,491	10,491
Reserves		963,479	1,049,655
		973,970	1,060,146
Non-controlling interests		5,010	5,309
		978,980	1,065,455
LIABILITIES			
Non-current liabilities			
Lease liabilities		256	74
		256	74
Current liabilities			
Accruals and other payables	15	251,997	348,350
Contract liabilities		40,952	48,118
Current income tax liabilities		34,248	51,394
Deferred income tax liabilities	11	2,500	—
Lease liabilities		625	308
		330,322	448,170
Total liabilities		330,578	448,244
Total equity and liabilities		1,309,558	1,513,699

CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2021

		Unaudited										
		Attributable to equity holders of the Company										
		Ordinary shares	Share premium	Merger reserve	Capital redemption reserve	Shares held for Share Award Scheme	Statutory reserve funds	Investment in financial assets	Retained earnings	Subtotal	Non-controlling interests	Total
Note		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Six months ended 30 June 2021												
	Balance at 1 January 2021	10,491	399,201	4	306	(2,139)	43,418	31,588	577,277	1,060,146	5,309	1,065,455
Comprehensive income												
	Profit for the period	—	—	—	—	—	—	—	39,393	39,393	1,951	41,344
	Other comprehensive income											
	— Change in fair value of investment in financial assets	13	—	—	—	—	—	22,820	—	22,820	—	22,820
	Total comprehensive income	—	—	—	—	—	—	22,820	39,393	62,213	1,951	64,164
Transactions with equity holders												
Share Award Scheme												
	— Purchase of shares held for share award scheme	—	—	—	—	(7,873)	—	—	—	(7,873)	—	(7,873)
	— Value of employee services	—	—	—	—	6,604	—	—	—	6,604	—	6,604
	Cash dividends relating to 2020	9	—	—	—	—	—	—	(147,120)	(147,120)	(2,250)	(149,370)
	Balance at 30 June 2021	<u>10,491</u>	<u>399,201</u>	<u>4</u>	<u>306</u>	<u>(3,408)</u>	<u>43,418</u>	<u>54,408</u>	<u>469,550</u>	<u>973,970</u>	<u>5,010</u>	<u>978,980</u>

		Unaudited										
		Attributable to equity holders of the Company										
		Ordinary shares	Share premium	Merger reserve	Capital redemption reserve	Shares held for Share Award Scheme	Statutory reserve funds	Investment in financial assets	Retained earnings	Subtotal	Non-controlling interests	Total
Note		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Six months ended 30 June 2020												
	Balance at 1 January 2020	10,491	399,201	4	306	(10,229)	43,418	21,679	537,552	1,002,422	3,622	1,006,044
Comprehensive income												
	Profit for the period	—	—	—	—	—	—	—	37,296	37,296	1,063	38,359
	Other comprehensive income											
	— Change in fair value of investment in financial assets	13	—	—	—	—	—	(2,988)	—	(2,988)	—	(2,988)
	Total comprehensive income	—	—	—	—	—	—	(2,988)	37,296	34,308	1,063	35,371
Transactions with equity holders												
Share Award Scheme												
	— Value of employee services	9	—	—	—	8,090	—	—	—	8,090	—	8,090
	Cash dividends relating to 2019	—	—	—	—	—	—	—	(122,162)	(122,162)	—	(122,162)
	Balance at 30 June 2020	<u>10,491</u>	<u>399,201</u>	<u>4</u>	<u>306</u>	<u>(2,139)</u>	<u>43,418</u>	<u>18,691</u>	<u>452,686</u>	<u>922,658</u>	<u>4,685</u>	<u>927,343</u>

CONDENSED CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS

For the six months ended 30 June 2021

	Unaudited	
	Six months ended 30 June	
	2021	2020
<i>Note</i>	<i>RMB'000</i>	<i>RMB'000</i>
Cash flows from operating activities		
Cash generated from operations	93,824	79,856
Income tax paid	<u>(23,763)</u>	<u>(15,504)</u>
Net cash generated from operating activities	<u>70,061</u>	<u>64,352</u>
Cash flows from investing activities		
Purchase of property and equipment	(2,553)	(41,474)
Disposals of property and equipment	115	196
Placement of short-term bank deposits with original terms of over three months	(301)	—
Receipt from maturity of short-term bank deposits with original terms of over three months	117,550	2,100
Interest received	<u>4,219</u>	<u>3,286</u>
Net cash generated from/(used in) investing activities	<u>119,030</u>	<u>(35,892)</u>
Cash flows from financing activities		
Purchase of shares held for Share Award Scheme	(7,873)	—
Cash dividends paid	9 (149,370)	(122,162)
Lease payments	<u>(305)</u>	<u>(235)</u>
Net cash used in financing activities	<u>(157,548)</u>	<u>(122,397)</u>
Net increase/(decrease) in cash and cash equivalents	31,543	(93,937)
Cash and cash equivalents at beginning of period	356,807	425,942
Exchange gain/(loss) on cash and cash equivalents	<u>1,242</u>	<u>(502)</u>
Cash and cash equivalents at end of period	<u>389,592</u>	<u>331,503</u>

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 Second 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.

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 for issue by the board of directors (the “Board”) of the Company on 30 August 2021.

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 2020 and any public announcements made by the Company during the interim reporting period.

3. ACCOUNTING POLICIES

This accounting policies applied are consistent with those of the annual financial statements for the year ended 31 December 2020, as described in those annual financial statements, except for the estimation of income tax using the tax rate that would be applicable to expected total annual earnings and the adoption of amendments to HKFRS effective for the financial year ending 31 December 2021.

Amendments to HKFRS effective for the financial year beginning on 1 January 2021 do not have a material impact on the Group’s financial statements.

4. SEGMENT INFORMATION

The chief operating decision-makers have been identified as the executive directors who make strategic decisions.

The Group is principally engaged in the provision of internet advertising services for different commodities. The chief operating decision-makers review the Group’s internal reports in order to assess performance and allocate resources. Management has determined the operating segments based on these internal reports.

The chief operating decision-makers consider the 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 six months ended 30 June 2021 (six months ended 30 June 2020: 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 <i>RMB'000</i> (Unaudited)	PConline <i>RMB'000</i> (Unaudited)	Others <i>RMB'000</i> (Unaudited)	Group <i>RMB'000</i> (Unaudited)
For the six months ended				
30 June 2021				
Timing of revenue recognition				
— Over time	291,180	39,735	19,547	350,462
— At a point in time	48,122	2,929	3,456	54,507
	<u>339,302</u>	<u>42,664</u>	<u>23,003</u>	<u>404,969</u>
Revenue	<u>339,302</u>	<u>42,664</u>	<u>23,003</u>	<u>404,969</u>
For the six months ended				
30 June 2020				
Timing of revenue recognition				
— Over time	313,487	43,950	13,607	371,044
— At a point in time	16,639	2,608	1,619	20,866
	<u>330,126</u>	<u>46,558</u>	<u>15,226</u>	<u>391,910</u>
Revenue	<u>330,126</u>	<u>46,558</u>	<u>15,226</u>	<u>391,910</u>

The Company is domiciled in the Cayman Islands. For the six months ended 30 June 2021, all revenues of the Group were derived from external customers in the PRC (six months ended 30 June 2020: same).

As at 30 June 2021, other than club membership included in the intangible assets and investment in financial assets, majority of the other non-current assets of the Group were located in the PRC (31 December 2020: same).

For the six months ended 30 June 2021, there was no revenue derived from a single external customer accounting for ten percentage or more of the Group's revenue (six months ended 30 June 2020: same).

5. OTHER INCOME

	Unaudited	
	Six months ended 30 June	
	2021	2020
	RMB'000	RMB'000
Rental income	3,136	1,567
Additional deduction of input value-added tax	2,550	3,788
Government grants	731	2,375
	<u>6,417</u>	<u>7,730</u>

6. FINANCE INCOME — NET

	Unaudited	
	Six months ended 30 June	
	2021	2020
	RMB'000	RMB'000
Finance income		
— Interest income	4,219	4,514
— Net foreign exchange gains	1,242	—
	<u>5,461</u>	<u>4,514</u>
Finance cost		
— Interest expense on lease liabilities	(27)	(9)
— Net foreign exchange losses	—	(502)
	<u>5,434</u>	<u>4,003</u>

7. INCOME TAX EXPENSE

	Unaudited	
	Six months ended 30 June	
	2021	2020
	RMB'000	RMB'000
PRC current tax	6,617	8,093
Deferred taxation	929	808
	<u>7,546</u>	<u>8,901</u>

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

8. EARNINGS PER SHARE

(a) Basic

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the period (excluding the ordinary shares purchased by the Group and held for a share award scheme).

	Unaudited	
	Six months ended 30 June	
	2021	2020
Profit attributable to equity holders of the Company (RMB'000)	39,393	37,296
Weighted average number of ordinary shares for basic earnings per share (thousand shares)	1,132,844	1,127,685
Basic earnings per share (RMB)	3.48 cents	3.31 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.

	Unaudited	
	Six months ended 30 June	
	2021	2020
Profit attributable to equity holders of the Company (RMB'000)	39,393	37,296
Weighted average number of ordinary shares for diluted earnings per share (thousand shares)	1,140,157	1,127,685
— Weighted average number of ordinary shares for basic earnings per share (thousand shares)	1,132,844	1,127,685
— Adjustment for share awarded shares (thousand shares)	7,313	—
Diluted earnings per share (RMB)	3.46 cents	3.31 cents

9. DIVIDENDS

A final dividend in respect of the year ended 31 December 2020 of RMB13.00 cents per ordinary share (final dividend in respect of the year ended 31 December 2019: RMB10.80 cents per ordinary share) was approved by the shareholders at the annual general meeting in 17 May 2021. Such final dividend for 2020 totalling RMB149,370,000 (including those paid by a subsidiary of the Company to the non-controlling interests amounting to RMB2,250,000) was paid in 2021, which has already excluded the dividend related to the ordinary shares held for a share award scheme of RMB307,000 (final dividend for 2019 of RMB122,162,000 excluding the dividend related to the ordinary shares held for the Share Award Scheme of RMB316,000).

The directors did not recommend any interim dividend for the six months ended 30 June 2021 (six months ended 30 June 2020: same).

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

	Right-of-use assets — land use rights and properties <i>RMB'000</i> (Unaudited)	Property and equipment <i>RMB'000</i> (Unaudited)	Investment property <i>RMB'000</i> (Unaudited)	Intangible assets <i>RMB'000</i> (Unaudited)
Six months ended 30 June 2021				
Net book amount as at				
1 January 2021	15,425	196,687	47,913	9,079
Additions	871	2,553	—	—
Disposals	—	(115)	—	—
Transfers	—	(6,754)	6,754	—
Depreciation and amortisation	(511)	(6,731)	(574)	(188)
Net book amount as at				
30 June 2021	<u>15,785</u>	<u>185,640</u>	<u>54,093</u>	<u>8,891</u>
Six months ended 30 June 2020				
Net book amount as at				
1 January 2020	15,774	173,383	43,282	9,477
Additions	157	41,474	—	—
Disposals	—	(196)	—	—
Transfers	—	(5,984)	5,984	—
Depreciation and amortisation	(383)	(7,002)	(616)	(215)
Net book amount as at				
30 June 2020	<u>15,548</u>	<u>201,675</u>	<u>48,650</u>	<u>9,262</u>

11. DEFERRED INCOME TAX

Deferred income tax assets

	Unaudited As at 30 June 2021 <i>RMB'000</i>	Audited As at 31 December 2020 <i>RMB'000</i>
Deferred income tax assets:		
— to be recovered within 12 months	5,079	9,746
— to be recovered after more than 12 months	<u>51,773</u>	<u>45,535</u>
	<u>56,852</u>	<u>55,281</u>

The movement of deferred income tax assets during the period is as follows:

	Advertising expenses in excess of allowance <i>RMB'000</i> (Unaudited)	Provision for impairment of trade receivables <i>RMB'000</i> (Unaudited)	Accrued advertising and other expenses <i>RMB'000</i> (Unaudited)	Tax losses <i>RMB'000</i> (Unaudited)	Total <i>RMB'000</i> (Unaudited)
At 1 January 2021	5,662	33,075	8,614	7,930	55,281
Credited/(charged) to the condensed consolidated interim income statement	<u>(2,606)</u>	<u>7,750</u>	<u>(4,146)</u>	<u>573</u>	<u>1,571</u>
At 30 June 2021	<u>3,056</u>	<u>40,825</u>	<u>4,468</u>	<u>8,503</u>	<u>56,852</u>
At 1 January 2020	12,730	24,244	6,931	6,584	50,489
Credited/(charged) to the condensed consolidated interim income statement	<u>(1,575)</u>	<u>9,542</u>	<u>309</u>	<u>(6,584)</u>	<u>1,692</u>
At 30 June 2020	<u>11,155</u>	<u>33,786</u>	<u>7,240</u>	<u>—</u>	<u>52,181</u>

The expiry date of tax losses carried forward in respect of which deferred tax assets have not been accounted for is as follows:

	Unaudited	Audited
	As at	As at
	30 June	31 December
	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
Expire in 2022	5,122	5,122
Expire in 2023	9,001	9,001
Expire in 2024	8,190	8,190
Expire in 2025	9,786	11,920
Expire in 2026	10,956	—
Expire over 5 years	<u>29,348</u>	<u>30,068</u>
	<u>72,403</u>	<u>64,301</u>

For subsidiaries qualified as HNTE, the tax losses are valid for deduction for an extended period of 10 years.

Deferred income tax liabilities

	Unaudited	Audited
	As at	As at
	30 June	31 December
	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
Deferred income tax liabilities:		
— to be recovered within 12 months	<u>2,500</u>	<u>—</u>

The movement of deferred income tax liabilities during the period is as follows:

	Withholding tax on the earnings anticipated to be remitted by PRC subsidiaries RMB'000 (Unaudited)
At 1 January 2021	—
Charged to the condensed consolidated interim income statement	<u>2,500</u>
At 30 June 2021	<u><u>2,500</u></u>
At 1 January 2020	—
Charged to the condensed consolidated interim income statement	<u>2,500</u>
At 30 June 2020	<u><u>2,500</u></u>

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.

12. TRADE AND NOTES RECEIVABLES, OTHER RECEIVABLES AND PREPAYMENTS

	Unaudited As at 30 June 2021 RMB'000	Audited As at 31 December 2020 RMB'000
Trade receivables, net of impairment provision (a)	458,095	610,629
Other receivables (b)	34,831	27,707
Prepayments	20,174	7,622
Notes receivables	<u>—</u>	<u>6,485</u>
	<u>513,100</u>	<u>652,443</u>

As at 30 June 2021, trade and notes receivables, other receivables and prepayments were all denominated in RMB (31 December 2020: 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 RMB178,152,000 (31 December 2020: RMB147,132,000)) based on recognition date is as follows:

	Unaudited As at 30 June 2021 RMB'000	Audited As at 31 December 2020 RMB'000
Current to 6 months	321,897	410,063
6 months to 1 year	92,359	98,937
1 year to 2 years	43,839	90,629
Above 2 years	—	11,000
	<u>458,095</u>	<u>610,629</u>

The ending loss allowances for trade receivables reconcile to the opening loss allowances as follows:

	Unaudited As at 30 June 2021 RMB'000	Audited As at 31 December 2020 RMB'000
At beginning of the period/year	147,132	108,427
Impairment charge of receivables	31,020	57,018
Receivables written off	—	(18,313)
	<u>178,152</u>	<u>147,132</u>

(b) Other receivables

	Unaudited As at 30 June 2021 RMB'000	Audited As at 31 December 2020 RMB'000
Input value added tax deductible	15,562	9,925
Advance to employees	8,287	6,404
Rental receivable	1,043	1,051
Others	9,939	10,327
	<u>34,831</u>	<u>27,707</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.

13. INVESTMENT IN FINANCIAL ASSETS

Movement in investment in financial assets during the period is as follows:

	Unaudited	
	Six months ended 30 June	
	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
At beginning of the period	62,785	52,876
Changes in fair value	<u>22,820</u>	<u>(2,988)</u>
At end of the period	<u><u>85,605</u></u>	<u><u>49,888</u></u>

In June 2014, the Group made an equity investment with an amount of USD5,000,000 in an entity who invested in shares of companies principally engaged in Internet business, in which the Group does not have control or significant influence. During this period, the entity has changed its investment strategy and started investing more in cryptocurrencies. At the end of the period, the balance of the investment in financial assets included 54.7% of investment in cryptocurrencies.

14. ORDINARY SHARES

	Authorised ordinary shares		
	<i>Number of shares ('000)</i>	<i>HKD'000</i>	<i>RMB'000</i>
At 31 December 2020 and 30 June 2021	<u>100,000,000</u>	<u>1,000,000</u>	<u>969,200</u>

	Issued and fully paid up		
	<i>Number of shares ('000)</i>	<i>HKD'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)	(Unaudited)
At 31 December 2020 and 30 June 2021	<u>1,134,055</u>	<u>11,341</u>	<u>10,491</u>

As at 30 June 2021, the total number of issued ordinary shares of the Company was 1,134,055,000 shares (31 December 2020: same) which included 5,112,000 shares (31 December 2020: 2,933,000 shares) held under a share award scheme.

15. ACCRUALS AND OTHER PAYABLES

	Unaudited	Audited
	As at	As at
	30 June	31 December
	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
Accrued expenses (a)	196,313	280,621
Salaries payable	39,416	47,874
Other tax payables	4,035	7,654
Other payables (b)	12,233	12,201
	<hr/> 251,997 <hr/>	<hr/> 348,350 <hr/>

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

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

CHAIRMAN'S STATEMENT

On behalf of the Board, I would like to present the interim results of the Group for the six months ended 30 June 2021 to our shareholders.

The total revenue for the first half of the year came out to about RMB405.0 million, an increase of 3.3% from the year before. During the reporting period, the global semiconductor chip shortage has had a significant impact on a number of related industries, particularly automobiles and electronics. As a consequences of the shortage, many companies have experienced production delays and limited new product launches based on availability. However, despite these challenges, demand in these industries continues to remain robust and the Group is well positioned to continue building on our new product offerings.

PCauto's revenue increased by 2.8% compared to the year before and accounted for 83.8% of the total revenue of the Group in the first half of 2021. During the reporting period, uncertainties in the short term surrounding the global automotive chip shortage contributed to limited marketing spent by companies. PCauto has been expanding its services for advertisers to include more offline marketing capabilities as well as deliver new content in live online broadcasting, short videos, and other sales channels to expand the Company's offerings. Looking forward to the second half of 2021 and beyond, PCauto has positioned itself in the nascent "smart automobiles" industry by creating a new platform with industry partners to help consumers navigate the digitalization of the automobile.

PConline's revenue decreased by 8.4% while other portals, including PClady, PCbaby and PChouse, increased by a combined 51.1% compared to the year before. The global chip shortage has similarly disrupted the market for PC and mobile phone manufacturers, with the industry responding by extending product life cycles and reducing marketing spend. To mitigate some of this impact, PConline has expanded with new partnerships in related industries such as home appliance manufacturers and focused on refining advertising and service offerings. In the first half of 2021, PChouse has successfully continued to expand its network of designers and strengthen the brand positioning through various marketing initiatives and accreditation programs.

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. As of 30 June 2021, fair value of this investment is estimated at roughly RMB85.6 million, of which cryptocurrencies represent 54.7%. The Group acknowledges the volatility involved with cryptocurrency investments and has been taking steps to manage the risks involved.

Looking forward, the Company will continue to closely observe the impact of global supply chain developments on our related industries as well as the global uncertainty regarding COVID-19. In the second half, we remain cautiously optimistic that the Group is positioned to continue building on our first half developments.

MANAGEMENT DISCUSSION AND ANALYSIS

Revenue

Revenue increased 3.3% from RMB391.9 million for the six months ended 30 June 2020 to RMB405.0 million for the six months ended 30 June 2021.

Revenue for PCauto, the Group's automobile portal, increased 2.8% from RMB330.1 million for the six months ended 30 June 2020 to RMB339.3 million during the six months ended 30 June 2021. The increase in revenue for PCauto was mainly due to increased advertising spending from automobile manufacturers. As a percentage of revenue, PCauto accounted for 84.2% during the six months ended 30 June 2020 and 83.8% during the six months ended 30 June 2021.

Revenue for PConline, the Group's IT and consumer electronics portal, decreased 8.4% from RMB46.6 million during the six months ended 30 June 2020 to RMB42.7 million during the six months ended 30 June 2021. The decrease was due to decline in demand from consumer electronics manufacturers. As a percentage of revenue, PConline accounted for 11.9% during the six months ended 30 June 2020 and 10.5% during the six months ended 30 June 2021.

Revenue from other operations, including the PClady, PCbaby and PChouse portals, increased by 51.1% from RMB15.2 million during the six months ended 30 June 2020 to RMB23.0 million during the six months ended 30 June 2021. The increase was mainly due to increase in demand of general consumption from these sectors. As a percentage of revenue, revenue from other operations accounted for 3.9% during the six months ended 30 June 2020 and 5.7% during the six months ended 30 June 2021.

Cost of Revenue

Cost of revenue increased 19.5% from RMB146.5 million during the six months ended 30 June 2020 to RMB175.1 million during the six months ended 30 June 2021. Gross profit margin was 62.6% during the six months ended 30 June 2020 and 56.8% during the six months ended 30 June 2021.

The increase in cost of revenue was mainly due to increase in outsourcing production cost and staff costs during the period.

Selling and Marketing Costs

Selling and marketing costs decreased 6.1% from RMB90.1 million during the six months ended 30 June 2020 to RMB84.6 million during the six months ended 30 June 2021. The decrease was mainly due to decrease in advertising expenses during the period.

Administrative Expenses

Administrative expenses decreased by 5.4% from RMB46.6 million during the six months ended 30 June 2020 to RMB44.0 million during the six months ended 30 June 2021, mainly due to decrease in general office expenses during the period.

Net Impairment Losses on Financial Assets

Net impairment losses on financial assets was RMB40.6 million during the six months ended 30 June 2020 and was RMB31.0 million during the six months ended 30 June 2021. The decrease was mainly due to recover of an receivable account during the period.

Product Development Expenses

Product development expenses increased by 1.5% from RMB32.7 million during the period ended 30 June 2020 to RMB33.1 million during the period ended 30 June 2021. The slight increase was primarily due to increase in personnel-related expenses in the Group's research and development team.

Other Income

Other income was RMB7.7 million during the six months ended 30 June 2020 and was RMB6.4 million during the six months ended 30 June 2021. The decrease was due to less government grants received during the period.

Finance Income — net

Net finance income was RMB4.0 million during the six months ended 30 June 2020 and was RMB5.4 million during the six months ended 30 June 2021. The increase was mainly due to net foreign exchange gains during the period ended 30 June 2021 and net foreign exchange losses during the period ended 30 June 2020.

Income Tax Expense

Income tax expenses decreased 15.2% from RMB8.9 million during the six months ended 30 June 2020 to RMB7.5 million during the six months ended 30 June 2021.

Net Profit Attributable to Equity Holders

Net profit attributable to equity holders increased 5.6% from RMB37.3 million during the six months ended 30 June 2020 to RMB39.4 million during the six months ended 30 June 2021.

Liquidity and Financial Resources

As of 30 June 2021, the Group had short-term deposits and cash totaling RMB389.6 million, compared with RMB474.1 million as of 31 December 2020. The decline in cash was primarily due to the payment of a cash dividend totaling RMB149.4 million during the six months ended 30 June 2021.

The Company had no external debt as of 31 December 2020 and 30 June 2021.

Bank Borrowings

As of 30 June 2021, 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 2020.

Material Acquisitions and Disposal

During the six months ended 30 June 2021, the Group had no material acquisitions and disposals of subsidiaries and associates.

Charges on Assets

As of 30 June 2021, 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 2021, the Group had 1,002 employees (31 December 2020: 1,106), a decrease of 9.4% from the first half of 2021. 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 2021.

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 2021, except that there is no separation of the role of chairman and chief executive as stipulated in the code provision A.2.1. Dr. Lam Wai Yan currently assumes the role of both the Chairman and the Chief Executive Officer of the Company. As Dr. Lam is a co-founder of the Group and has extensive experience in the internet industry, the Board believes that this structure provides the Group with strong and consistent leadership and allows for more effective and efficient business planning and decisions as well as execution of long-term business strategies. As such, it is beneficial to the business prospects of the Group.

APPRECIATION

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

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

Hong Kong, 30 August 2021

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.