

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



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 2022**

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 2022 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 2022

		Unaudited	
		Six months ended 30 June	
		2022	2021
	<i>Note</i>	RMB'000	RMB'000
Revenue	4	368,781	404,969
Cost of revenue		<u>(212,178)</u>	<u>(175,140)</u>
Gross profit		156,603	229,829
Selling and marketing costs		(96,208)	(84,595)
Administrative expenses		(30,785)	(44,028)
Product development expenses		(33,852)	(33,147)
Net reversal/(provision) of impairment losses on trade receivables	12(a)	8,543	(31,020)
Other income	5	9,922	6,417
Other losses	13	<u>(26,174)</u>	<u>—</u>
Operating (loss)/profit		(11,951)	43,456
Finance income		7,503	5,461
Finance cost		<u>(13)</u>	<u>(27)</u>
Finance income — net	6	<u>7,490</u>	<u>5,434</u>

		Unaudited	
		Six months ended 30 June	
		2022	2021
	<i>Note</i>	<i>RMB'000</i>	<i>RMB'000</i>
(Loss)/profit before income tax		(4,461)	48,890
Income tax expense	7	<u>(6,165)</u>	<u>(7,546)</u>
(Loss)/profit for the period		<u>(10,626)</u>	<u>41,344</u>
Attributable to:			
— Equity holders of the Company		(10,212)	39,393
— Non-controlling interests		<u>(414)</u>	<u>1,951</u>
		<u>(10,626)</u>	<u>41,344</u>
(Losses)/earnings per share for (loss)/profit attributable to equity holders of the Company for the period			
— Basic (<i>RMB</i>)	8	<u>(0.90) cents</u>	<u>3.48 cents</u>
— Diluted (<i>RMB</i>)		<u>(0.90) cents</u>	<u>3.46 cents</u>

CONDENSED CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2022

	Unaudited	
	Six months ended 30 June	
	2022	2021
<i>Note</i>	<i>RMB'000</i>	<i>RMB'000</i>
(Loss)/profit for the period	<u>(10,626)</u>	<u>41,344</u>
<i>Items that will not be reclassified to profit or loss</i>		
Changes in value of investment in financial assets	<u>—</u>	<u>22,820</u>
Other comprehensive income for the period, net of tax	<u>—</u>	<u>22,820</u>
Total comprehensive income for the period	<u>(10,626)</u>	<u>64,164</u>
Attributable to:		
— Equity holders of the Company	<u>(10,212)</u>	<u>62,213</u>
— Non-controlling interests	<u>(414)</u>	<u>1,951</u>
	<u>(10,626)</u>	<u>64,164</u>

CONDENSED CONSOLIDATED INTERIM BALANCE SHEET

As at 30 June 2022

		Unaudited	Audited
		30 June	31 December
		2022	2021
	<i>Note</i>	RMB'000	RMB'000
ASSETS			
Non-current assets			
Right-of-use assets	10	15,100	15,261
Property and equipment	10	177,286	180,342
Investment property	10	52,784	53,563
Intangible assets	10	7,797	7,802
Deferred income tax assets	11	62,643	60,289
Investment in financial assets	13	41,372	67,546
		<u>356,982</u>	<u>384,803</u>
Current assets			
Trade and notes receivables, other receivables and prepayments	12	439,237	429,406
Prepayments for current income tax		—	14,650
Short-term bank deposits with original terms of over three months		—	90,740
Cash and cash equivalents		392,203	391,010
		<u>831,440</u>	<u>925,806</u>
Total assets		<u>1,188,422</u>	<u>1,310,609</u>

		Unaudited	Audited
		30 June	31 December
		2022	2021
	<i>Note</i>	RMB'000	RMB'000
EQUITY			
Equity attributable to equity holders of the Company			
Ordinary shares	14	10,504	10,491
Reserves		828,122	947,811
		<u>838,626</u>	958,302
Non-controlling interests		4,576	4,990
		<u>843,202</u>	963,292
LIABILITIES			
Non-current liabilities			
Lease liabilities		108	31
		<u>108</u>	31
Current liabilities			
Accruals and other payables	15	261,055	266,345
Contract liabilities		42,019	43,102
Current income tax liabilities		41,559	37,321
Lease liabilities		479	518
		<u>345,112</u>	347,286
Total liabilities		345,220	347,317
		<u>1,188,422</u>	1,310,609
Total equity and liabilities		1,188,422	1,310,609

CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2022

		Unaudited				
		Attributable to equity holders of the Company				
	Note	Ordinary shares RMB'000	Reserves RMB'000	Subtotal RMB'000	Non- controlling interests RMB'000	Total equity RMB'000
Six months ended 30 June 2022						
Balance at 1 January 2022		10,491	947,811	958,302	4,990	963,292
Comprehensive income						
Loss for the period		—	(10,212)	(10,212)	(414)	(10,626)
Total comprehensive income		—	(10,212)	(10,212)	(414)	(10,626)
Transactions with shareholders						
Cash dividends relating to 2021 Share Award Scheme	9	—	(113,164)	(113,164)	—	(113,164)
— shares issued	14	13	(13)	—	—	—
— value of employee services		—	3,700	3,700	—	3,700
Balance at 30 June 2022		<u>10,504</u>	<u>828,122</u>	<u>838,626</u>	<u>4,576</u>	<u>843,202</u>
Six months ended 30 June 2021						
Balance at 1 January 2021		10,491	1,049,655	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		—	22,820	22,820	—	22,820
Total comprehensive income		—	62,213	62,213	1,951	64,164
Transactions with shareholders						
Cash dividends relating to 2020 Share Award Scheme	9	—	(147,120)	(147,120)	(2,250)	(149,370)
— purchase of shares held for share award scheme		—	(7,873)	(7,873)	—	(7,873)
— value of employee services		—	6,604	6,604	—	6,604
Balance at 30 June 2021		<u>10,491</u>	<u>963,479</u>	<u>973,970</u>	<u>5,010</u>	<u>978,980</u>

CONDENSED CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS

For the six months ended 30 June 2022

	Unaudited	
	Six months ended 30 June	
	2022	2021
<i>Note</i>	<i>RMB'000</i>	<i>RMB'000</i>
Cash flows from operating activities		
Cash generated from operations	7,641	93,824
Income tax refund received/(paid)	<u>10,369</u>	<u>(23,763)</u>
Net cash generated from operating activities	<u>18,010</u>	<u>70,061</u>
Cash flows from investing activities		
Purchase of property and equipment	(1,760)	(2,553)
Disposals of property and equipment	167	115
Placement of short-term bank deposits with original terms of over three months	(1,095)	(301)
Receipt from maturity of short-term bank deposits with original terms of over three months	91,835	117,550
Interest received	<u>4,479</u>	<u>4,219</u>
Net cash generated from investing activities	<u>93,626</u>	<u>119,030</u>
Cash flows from financing activities		
Purchase of shares held for share award scheme	—	(7,873)
Cash dividends paid	9 (113,164)	(149,370)
Lease payments	<u>(303)</u>	<u>(305)</u>
Net cash used in financing activities	<u>(113,467)</u>	<u>(157,548)</u>
Net (decrease)/increase in cash and cash equivalents	(1,831)	31,543
Cash and cash equivalents at beginning of period	391,010	356,807
Exchange gain on cash and cash equivalents	<u>3,024</u>	<u>1,242</u>
Cash and cash equivalents at end of period	<u>392,203</u>	<u>389,592</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 29 August 2022.

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 2021 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 2021, 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 Hong Kong Financial Reporting Standards (“HKFRS”) effective for the financial year ending 31 December 2022.

New standards, amendments to existing standards and interpretations effective for the financial year beginning on 1 January 2022 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 2022 (six months ended 30 June 2021: 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 2022				
Timing of revenue recognition				
— Over time	236,599	39,648	14,223	290,470
— At a point in time	73,753	2,715	1,843	78,311
Revenue	<u>310,352</u>	<u>42,363</u>	<u>16,066</u>	<u>368,781</u>
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
Revenue	<u>339,302</u>	<u>42,664</u>	<u>23,003</u>	<u>404,969</u>

Though the Company is domiciled in the Cayman Islands. For the six months ended 30 June 2022, all revenues of the Group were derived from external customers and they were all generated from the PRC (six months ended 30 June 2021: same).

As at 30 June 2022, 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 2021: same).

During the six months ended 30 June 2021 and 2022, revenue derived from customers who accounted for more than 10% of total revenue were set out below.

	Unaudited	
	Six months ended 30 June	
	2022	2021
Customer A	<u>15.90%</u>	<u>*</u>

* This customer contributed less than 10% of total revenue for the corresponding period.

5. OTHER INCOME

	Unaudited	
	Six months ended 30 June	
	2022	2021
	RMB'000	RMB'000
Rental income	2,799	3,136
Additional deduction of input value-added tax	4,920	2,550
Government grants	<u>2,203</u>	<u>731</u>
	<u>9,922</u>	<u>6,417</u>

6. FINANCE INCOME — NET

	Unaudited	
	Six months ended 30 June	
	2022	2021
	RMB'000	RMB'000
Finance income		
— Interest income	4,479	4,219
— Net foreign exchange gains	<u>3,024</u>	<u>1,242</u>
	7,503	5,461
Finance cost		
— Interest expense on lease liabilities	<u>(13)</u>	<u>(27)</u>
	<u>7,490</u>	<u>5,434</u>

7. INCOME TAX EXPENSE

	Unaudited	
	Six months ended 30 June	
	2022	2021
	RMB'000	RMB'000
PRC current tax	8,519	6,617
Deferred taxation	(2,354)	929
	<u>6,165</u>	<u>7,546</u>

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

8. (LOSSES)/EARNINGS PER SHARE

(a) Basic

Basic (losses)/earnings per share is calculated by dividing the (loss)/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	
	2022	2021
(Loss)/profit attributable to equity holders of the Company (RMB'000)	<u>(10,212)</u>	<u>39,393</u>
Weighted average number of ordinary shares for basic (losses)/earnings per share (thousand shares)	<u>1,129,390</u>	<u>1,132,844</u>
Basic (losses)/earnings per share (RMB)	<u>(0.90) cents</u>	<u>3.48 cents</u>

(b) Diluted

Diluted (losses)/earnings per share adjusts the figures used in the determination of basic (losses)/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.

Diluted losses per share equals to basic losses per share as there were no potential diluted shares outstanding for the six months ended 30 June 2022.

Diluted earnings per share for the six months ended 30 June 2021:

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

9. DIVIDENDS

A final dividend in respect of the year ended 31 December 2021 of RMB10.00 cents per ordinary share (2020: RMB13.00 cents per ordinary share) was approved by the shareholders at the annual general meeting on 30 May 2022. Such 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 (final dividend for 2020 of RMB149,370,000 excluding the dividend related to the ordinary shares held for the share award scheme of RMB307,000).

The directors did not recommend any interim dividend for the six months ended 30 June 2022 (six months ended 30 June 2021: 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 2022				
Net book amount as at 1 January 2022	15,261	180,342	53,563	7,802
Additions	328	1,760	—	—
Disposals	—	(167)	—	—
Depreciation and amortisation	(489)	(4,649)	(779)	(5)
	<u>15,100</u>	<u>177,286</u>	<u>52,784</u>	<u>7,797</u>
Net book amount as at 30 June 2022	<u>15,100</u>	<u>177,286</u>	<u>52,784</u>	<u>7,797</u>
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)
	<u>15,785</u>	<u>185,640</u>	<u>54,093</u>	<u>8,891</u>
Net book amount as at 30 June 2021	<u>15,785</u>	<u>185,640</u>	<u>54,093</u>	<u>8,891</u>

11. DEFERRED INCOME TAX ASSETS

	Unaudited As at 30 June 2022 <i>RMB'000</i>	Audited As at 31 December 2021 <i>RMB'000</i>
Deferred income tax assets:		
— to be recovered within 12 months	9,598	7,860
— to be recovered after more than 12 months	53,045	52,429
	<u>62,643</u>	<u>60,289</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 2022	5,293	42,267	6,801	5,928	60,289
Credited/(charged) to the condensed consolidated interim income statement	<u>1,006</u>	<u>(2,453)</u>	<u>1,537</u>	<u>2,264</u>	<u>2,354</u>
At 30 June 2022	<u>6,299</u>	<u>39,814</u>	<u>8,338</u>	<u>8,192</u>	<u>62,643</u>
At 1 January 2021	5,662	33,075	8,614	7,930	55,281
(Charged)/credited 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>

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

	Unaudited As at 30 June 2022 <i>RMB'000</i>	Audited As at 31 December 2021 <i>RMB'000</i>
Expire in 2022	—	5,122
Expire in 2023	9,001	9,001
Expire in 2024	8,190	8,190
Expire in 2025	10,966	10,966
Expire in 2026	2,132	2,131
Expire in 2027	19,072	—
Expire over 5 years	<u>16,198</u>	<u>30,400</u>
	<u>65,559</u>	<u>65,810</u>

For subsidiaries qualified as High and New Technology Enterprises, the tax losses are valid for deduction for an extended period of 10 years.

12. TRADE AND NOTES RECEIVABLES, OTHER RECEIVABLES AND PREPAYMENTS

	Unaudited	Audited
	As at	As at
	30 June	31 December
	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
Trade receivables, net of impairment provision (a)	393,074	387,376
Other receivables (b)	16,450	17,263
Prepaid value-added tax	12,785	12,419
Prepayments to suppliers	4,950	6,612
Notes receivables	11,978	5,736
	<u>439,237</u>	<u>429,406</u>

As at 30 June 2022, trade and notes receivables, other receivables and prepayments were all denominated in RMB (31 December 2021: 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 RMB178,348,000 (31 December 2021: RMB187,727,000)) based on recognition date is as follows:

	Unaudited	Audited
	As at	As at
	30 June	31 December
	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
Current to 6 months	312,077	281,620
6 months to 1 year	56,423	81,693
1 year to 2 years	24,574	8,939
Above 2 years	—	15,124
	<u>393,074</u>	<u>387,376</u>

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

	Unaudited	Audited
	As at	As at
	30 June	31 December
	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
At beginning of the period/year	187,727	147,132
(Reversal)/provision of impairment charge of receivables	(8,543)	44,985
Receivables written off	(836)	(4,390)
	<u>178,348</u>	<u>187,727</u>

(b) Other receivables

	Unaudited	Audited
	As at	As at
	30 June	31 December
	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
Advance to employees	10,787	10,053
Rental receivable	624	886
Others	5,039	6,324
	<u>16,450</u>	<u>17,263</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

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”). During the six months ended 30 June 2022, the Fund made certain investment in cryptocurrencies (“Cryptocurrency Investments”). The Group neither have control nor significant influence over the Fund. As at 30 June 2022, the Group held around 33.8% (31 December 2021: 27.4%) interests of the Fund. As at 30 June 2022, the Group classified the investment in the Fund as financial assets at fair value through profit or loss.

Management assessed the fair value of the Group’s investment in financial assets as at 30 June 2022 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.

As at 30 June 2022, the Group's portion of net asset value of the Fund was attributable to the following:

	Unaudited As at 30 June 2022 RMB'000
Equity Investments	26,992
Cryptocurrency Investments	11,019
Other investments	<u>3,361</u>
At end of the period	<u><u>41,372</u></u>

During the six months ended 30 June 2022, movement on investment in financial assets is as follows:

	Unaudited 30 June 2022 RMB'000
At beginning of the period	67,546
Changes in fair value:	(26,174)
— Equity Investments	1,387
— Cryptocurrency Investments	(28,017)
— Other investments	456
At end of the period	<u><u>41,372</u></u>

14. ORDINARY SHARES

	Authorised ordinary shares		
	Number of shares ('000)	HKD'000	RMB'000
At 31 December 2021 and 30 June 2022	<u>100,000,000</u>	<u>1,000,000</u>	<u>969,200</u>
	Issued and fully paid up		
	Number of shares ('000) (Unaudited)	HKD'000 (Unaudited)	RMB'000 (Unaudited)
At 1 January 2022	1,134,055	11,341	10,491
Employees share option schemes — issued shares (a)	<u>1,542</u>	<u>15</u>	<u>13</u>
At 30 June 2022	<u>1,135,597</u>	<u>11,356</u>	<u>10,504</u>
At 1 January 2021 and 30 June 2021	<u>1,134,055</u>	<u>11,341</u>	<u>10,491</u>

- (a) During the six months ended 30 June 2022, 1,542,000 shares were issued by the Company. A credit of RMB13,000 to ordinary shares was recorded in the Group's condensed consolidated interim balance sheet.
- (b) As at 30 June 2022, the total number of issued ordinary shares of the Company was 1,135,597,000 shares (31 December 2021: 1,134,055,000) which included 3,960,000 shares (31 December 2021: 5,112,000 shares) held under the share award scheme.

15. ACCRUALS AND OTHER PAYABLES

	Unaudited As at 30 June 2022 RMB'000	Audited As at 31 December 2021 RMB'000
Accrued expenses (a)	199,450	197,454
Salaries payable	40,522	50,194
Other tax payables	9,507	6,497
Other payables	<u>11,576</u>	<u>12,200</u>
	<u>261,055</u>	<u>266,345</u>

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

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 2022 to our shareholders.

The total revenue for the first half of the year came out to about RMB368.8 million, a decrease of 8.9% from the year before. During the reporting period, the global semiconductor chip shortage continues to have a significant impact on the automobile and electronics industry leading to production delays and reduced marketing spend. While we expect these challenges to persist, we believe that supply chain constraints will continue to ease in the coming year and expect demand in these industries to remain robust.

PCauto's revenue decreased by 8.5% compared to the year before and accounted for 84.1% of the total revenue of the Group in the first half of 2022. During the reporting period, supply chain constraints continued to contribute to limited vehicle sales and marketing spend by manufacturers. However, despite passenger car sales declining, new-energy vehicle sales continue to gain significant market share and PCauto has continued to focus developing its offerings in the space. PCauto continues to develop its "smart automobiles" platform partnering with the industry to help consumers navigate the digitalization of the automobile. Additionally, PCauto has continue to expand its content offerings in new media products, provide industry-specific business tools, and drive seamless online-to-offline marketing capabilities. As central and local governments have taken steps to aid the auto industry recovery and, we are optimistic for the second half of the year as PCauto positions itself in the rapidly growing new-vehicles segment.

PConline's revenue decreased by 0.7% while other portals, including PClady, PCbaby and PChouse, decreased by a combined 30.0% compared to the period before. The semiconductor chip shortage and intermittent pandemic related disruptions continue to significantly impact the industry as the industry extends product life cycles and limit marketing expenses. In order to mitigate some of the impact, PConline has continued to improve its advertising and digital marketing service offerings, particularly in e-commerce advertising services. In the first half of 2022, the COVID-19 pandemic led to intermittent restrictions in cities throughout China, impacting marketing activities of PChouse. PChouse continues to expand as a leader in professionally generated content in the home design industry in China and as a provider for content marketing tools in the home design industry.

The Group had made an equity investment in an entity who invested in shares of companies principally engaged in internet-related industries since 2014, and blockchain-related technologies and cryptocurrencies since 2020. As of 30 June 2022, fair value of this investment is estimated at roughly RMB41.4 million (31 December 2021: RMB67.5 million), of which cryptocurrencies represent 26.6% (31 December 2021: 57.8%). The Group acknowledges the volatility involved with cryptocurrency investments and has been taking steps to manage the risks involved.

Looking forward, we remain cautiously optimistic as we continue to see supply chain constraints to ease in the automobile industry and globally. In the second half, we remain cautiously optimistic that the Group is positioned to continue building on first half developments.

MANAGEMENT DISCUSSION AND ANALYSIS

Revenue

Revenue decreased 8.9% from RMB405.0 million for the six months ended 30 June 2021 to RMB368.8 million for the six months ended 30 June 2022.

Revenue for PCauto, the Group's automobile portal, decreased 8.5% from RMB339.3 million for the six months ended 30 June 2021 to RMB310.4 million during the six months ended 30 June 2022. The decrease in revenue for PCauto was mainly due to decreased advertising spending from automobile manufacturers. As a percentage of revenue, PCauto accounted for 83.8% during the six months ended 30 June 2021 and 84.1% during the six months ended 30 June 2022.

Revenue for PConline, the Group's IT and consumer electronics portal, decreased 0.7% from RMB42.7 million during the six months ended 30 June 2021 to RMB42.4 million during the six months ended 30 June 2022. The slight decrease was due to decline in demand from consumer electronics manufacturers. As a percentage of revenue, PConline accounted for 10.5% during the six months ended 30 June 2021 and 11.5% during the six months ended 30 June 2022.

Revenue from other operations, including the PClady, PCbaby and PChouse portals, decreased by 30.0% from RMB23.0 million during the six months ended 30 June 2021 to RMB16.1 million during the six months ended 30 June 2022. The decrease was mainly due to decrease in demand of general consumption from these sectors. As a percentage of revenue, revenue from other operations accounted for 5.7% during the six months ended 30 June 2021 and 4.4% during the six months ended 30 June 2022.

Cost of Revenue

Cost of revenue increased 21.2% from RMB175.1 million during the six months ended 30 June 2021 to RMB212.2 million during the six months ended 30 June 2022. Gross profit margin was 56.8% during the six months ended 30 June 2021 and 42.5% during the six months ended 30 June 2022.

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

Selling and Marketing Costs

Selling and marketing costs increased 13.7% from RMB84.6 million during the six months ended 30 June 2021 to RMB96.2 million during the six months ended 30 June 2022. The increase was mainly due to increase in advertising expenses during the period.

Administrative Expenses

Administrative expenses decreased by 30.0% from RMB44.0 million during the six months ended 30 June 2021 to RMB30.8 million during the six months ended 30 June 2022, mainly due to decrease in staff costs and general office expenses during the period.

Product Development Expenses

Product development expenses increased by 2.4% from RMB33.1 million during the six months ended 30 June 2021 to RMB33.9 million during the six months ended 30 June 2022. The slight increase was primarily due to increase in personnel-related expenses in the Group's research and development team.

Net Reversal/Provision of Impairment Losses on Trade Receivables

Net reversal of impairment losses on trade receivables was RMB8.5 million during the six months ended 30 June 2022 and net provision of impairment losses on trade receivables was RMB31.0 million during the six months ended 30 June 2021. The net reversal of impairment losses on trade receivables was mainly due to recover of an receivable account and less provision was made during the period.

Other Income

Other income was RMB6.4 million during the six months ended 30 June 2021 and was RMB9.9 million during the six months ended 30 June 2022. The increase was due to more additional deduction of input value added tax and government grants received during the period.

Other Losses

Other losses was RMB26.2 million during the six months ended 30 June 2022 and it was the fair value loss of a passive equity investment of a fund.

Finance Income — net

Net finance income was RMB5.4 million during the six months ended 30 June 2021 and was RMB7.5 million during the six months ended 30 June 2022. The increase was mainly due to more net foreign exchange gains during the period.

Income Tax Expense

Income tax expenses decreased 17.3% from RMB7.5 million during the six months ended 30 June 2021 to RMB6.2 million during the six months ended 30 June 2022.

Net Loss/Profit Attributable to Equity Holders

Net loss attributable to equity holders was RMB10.2 million during the six months ended 30 June 2022 and net profit attributable to equity holders was RMB39.4 million during the six months ended 30 June 2021.

Liquidity and Financial Resources

As of 30 June 2022, the Group had short-term deposits and cash totaling RMB392.2 million, compared with RMB481.8 million as of 31 December 2021. The decline in cash was primarily due to the payment of a cash dividend totaling RMB113.2 million during the six months ended 30 June 2022.

The Company had no external debt as of 31 December 2021 and 30 June 2022.

Bank Borrowings

As of 30 June 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. The Group also did not have any bank borrowings as of 31 December 2021.

Material Acquisitions and Disposal

During the six months ended 30 June 2022, the Group had no material acquisitions and disposals of subsidiaries and associates.

Charges on Assets

As of 30 June 2022, 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 2022, the Group had 1,058 employees (31 December 2021: 1,119), a decrease of 5.5% from the first half of 2022. This is the result of the Group's internal restructuring 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 2022.

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.

The Audit Committee has reviewed the audit qualified opinion of the Company for the year ended 31 December 2021 (the “Audit Qualification”), and is aware of the legacy consequences of the Audit Qualification on the Company’s financial statements. The Company expects that this issue shall be resolved upon any significant reduction of disposal of the Cryptocurrency Investments, or when the relevant amount becoming immaterial to the Group’s financial statement.

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 2022, 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 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, 29 August 2022

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.