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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 2023**

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 2023 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 2023

		Unaudited	
		Six months ended 30 June	
		2023	2022
	<i>Note</i>	RMB'000	RMB'000
Revenue	4	320,782	368,781
Cost of revenue		(238,505)	(212,178)
Gross profit		82,277	156,603
Selling and marketing costs		(80,435)	(96,208)
Administrative expenses		(21,675)	(30,785)
Product development expenses		(32,187)	(33,852)
Net reversal of impairment losses on trade and other receivables		283	8,543
Other income	5	6,390	9,922
Other gains/(losses)	13	4,047	(26,174)
Operating loss		(41,300)	(11,951)
Finance income		4,537	7,503
Finance cost		(1,355)	(13)
Finance income — net	6	3,182	7,490

		Unaudited	
		Six months ended 30 June	
		2023	2022
	<i>Note</i>	RMB'000	RMB'000
Loss before income tax		(38,118)	(4,461)
Income tax expense	7	<u>(2,534)</u>	<u>(6,165)</u>
Loss for the period		<u>(40,652)</u>	<u>(10,626)</u>
Attributable to:			
— Equity holders of the Company		(38,087)	(10,212)
— Non-controlling interests		<u>(2,565)</u>	<u>(414)</u>
		<u>(40,652)</u>	<u>(10,626)</u>
Losses per share for loss attributable to equity holders of the Company for the period			
— Basic and diluted (<i>RMB</i>)	8	<u>(3.36) cents</u>	<u>(0.90) cents</u>

CONDENSED CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2023

	Unaudited	
	Six months ended 30 June	
	2023	2022
<i>Note</i>	<i>RMB'000</i>	<i>RMB'000</i>
Loss for the period	<u>(40,652)</u>	<u>(10,626)</u>
Other comprehensive income	<u>—</u>	<u>—</u>
Total comprehensive loss for the period	<u><u>(40,652)</u></u>	<u><u>(10,626)</u></u>
Attributable to:		
— Equity holders of the Company	(38,087)	(10,212)
— Non-controlling interests	<u>(2,565)</u>	<u>(414)</u>
	<u><u>(40,652)</u></u>	<u><u>(10,626)</u></u>

CONDENSED CONSOLIDATED INTERIM BALANCE SHEET

As at 30 June 2023

		Unaudited	Audited
		30 June	31 December
		2023	2022
	<i>Note</i>	RMB'000	RMB'000
ASSETS			
Non-current assets			
Right-of-use assets	10	15,412	14,774
Property and equipment	10	170,882	174,540
Investment property	10	50,924	51,803
Intangible assets	10	7,828	7,841
Deferred income tax assets	11	66,977	68,502
Investment in financial assets	13	44,647	40,600
		<u>356,670</u>	<u>358,060</u>
Current assets			
Trade and notes receivables, other receivables and prepayments	12	353,682	473,254
Cash and cash equivalents		278,506	399,985
		<u>632,188</u>	<u>873,239</u>
Total assets		<u>988,858</u>	<u>1,231,299</u>

		Unaudited	Audited
		30 June	31 December
		2023	2022
	<i>Note</i>	RMB'000	RMB'000
EQUITY			
Equity attributable to equity holders of the Company			
Ordinary shares	14	10,504	10,504
Reserves		681,418	831,680
		691,922	842,184
Non-controlling interests		2,069	4,634
		693,991	846,818
LIABILITIES			
Non-current liabilities			
Lease liabilities		405	28
		405	28
Current liabilities			
Accruals and other payables	15	233,984	290,058
Contract liabilities		32,167	48,756
Current income tax liabilities		27,530	45,287
Lease liabilities		781	352
		294,462	384,453
Total liabilities		294,867	384,481
Total equity and liabilities		988,858	1,231,299

CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2023

		Unaudited				
		Attributable to equity holders of the Company				
		Ordinary shares	Reserves	Subtotal	Non- controlling interests	Total equity
<i>Note</i>		<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Six months ended 30 June 2023						
	Balance at 1 January 2023	10,504	831,680	842,184	4,634	846,818
Comprehensive loss						
	Loss for the period	—	(38,087)	(38,087)	(2,565)	(40,652)
	Total comprehensive loss	—	(38,087)	(38,087)	(2,565)	(40,652)
Transactions with shareholders						
	Cash dividends relating to 2022 Share Award Scheme	—	(113,231)	(113,231)	—	(113,231)
	— value of employee services	—	1,056	1,056	—	1,056
	Balance at 30 June 2023	10,504	681,418	691,922	2,069	693,991
Six months ended 30 June 2022						
	Balance at 1 January 2022	10,491	947,811	958,302	4,990	963,292
Comprehensive loss						
	Loss for the period	—	(10,212)	(10,212)	(414)	(10,626)
	Total comprehensive loss	—	(10,212)	(10,212)	(414)	(10,626)
Transactions with shareholders						
	Cash dividends relating to 2021 Share Award Scheme	—	(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	10,504	828,122	838,626	4,576	843,202

CONDENSED CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS

For the six months ended 30 June 2023

		Unaudited	
		Six months ended 30 June	
		2023	2022
<i>Note</i>		RMB'000	RMB'000
Cash flows from operating activities			
		8,691	7,641
		(18,766)	10,369
		<hr/>	<hr/>
		(10,075)	18,010
		<hr/>	<hr/>
Cash flows from investing activities			
		(1,020)	(1,760)
		116	167
		—	(1,095)
		—	91,835
		4,537	4,479
		<hr/>	<hr/>
		3,633	93,626
		<hr/>	<hr/>
Cash flows from financing activities			
	9	(113,231)	(113,164)
		(478)	(303)
		<hr/>	<hr/>
		(113,709)	(113,467)
		<hr/>	<hr/>
Net decrease in cash and cash equivalents			
		(120,151)	(1,831)
		399,985	391,010
		(1,328)	3,024
		<hr/>	<hr/>
		278,506	392,203
		<hr/> <hr/>	<hr/> <hr/>

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 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.

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 28 August 2023.

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 2022 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 2022, 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 2023.

New standards, amendments to existing standards and interpretations effective for the financial year beginning on 1 January 2023 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 2023 (six months ended 30 June 2022: 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 2023				
Timing of revenue recognition				
— Over time	177,115	31,753	5,474	214,342
— At a point in time	98,195	6,475	1,770	106,440
Revenue	<u>275,310</u>	<u>38,228</u>	<u>7,244</u>	<u>320,782</u>
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>

Though the Company is domiciled in the Cayman Islands. For the six months ended 30 June 2023, all revenues of the Group were derived from external customers and they were all generated from the PRC (six months ended 30 June 2022: same).

As at 30 June 2023, 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 2022: same).

During the six months ended 30 June 2022 and 2023, revenue derived from customers who accounted for more than 10% of total revenue were set out below.

	Unaudited	
	Six months ended 30 June	
	2023	2022
Customer A	*	15.90%

*Note**: The revenue of the customer was less than 10% of the Group's revenue for the respective period.

5. OTHER INCOME

	Unaudited	
	Six months ended 30 June	
	2023	2022
	RMB'000	RMB'000
Rental income	3,317	2,799
Government grants	2,494	2,203
Additional deduction of input value-added tax	579	4,920
	<u>6,390</u>	<u>9,922</u>

6. FINANCE INCOME — NET

	Unaudited	
	Six months ended 30 June	
	2023	2022
	RMB'000	RMB'000
Finance income		
— Interest income	4,537	4,479
— Net foreign exchange gains	—	3,024
	<u>4,537</u>	<u>7,503</u>
Finance cost		
— Interest expense related to lease liabilities	(27)	(13)
— Net foreign exchange losses	(1,328)	—
	<u>(1,355)</u>	<u>(13)</u>
	<u>3,182</u>	<u>7,490</u>

7. INCOME TAX EXPENSE

	Unaudited	
	Six months ended 30 June	
	2023	2022
	RMB'000	RMB'000
PRC current tax	1,009	8,519
Deferred taxation	1,525	(2,354)
	<u>2,534</u>	<u>6,165</u>

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

8. LOSSES PER SHARE

(a) Basic

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 period (excluding the ordinary shares purchased by the Group and held for the Share Award Scheme).

	Unaudited	
	Six months ended 30 June	
	2023	2022
Loss attributable to equity holders of the Company (RMB'000)	<u>(38,087)</u>	<u>(10,212)</u>
Weighted average number of ordinary shares for basic losses per share (thousand shares)	<u>1,132,601</u>	<u>1,129,390</u>
Basic losses per share (RMB)	<u>(3.36) cents</u>	<u>(0.90) cents</u>

(b) Diluted

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 six months ended 30 June 2023 and 2022.

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 (2021: 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 RMB329,000 (2021: RMB396,000).

The directors did not recommend any interim dividend for the six months ended 30 June 2023 (six months ended 30 June 2022: 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 2023				
Net book amount as at 1 January 2023	14,774	174,540	51,803	7,841
Additions	1,271	1,018	—	2
Disposals	—	(116)	—	—
Depreciation and amortisation	(633)	(4,560)	(879)	(15)
Net book amount as at 30 June 2023	<u>15,412</u>	<u>170,882</u>	<u>50,924</u>	<u>7,828</u>
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)
Net book amount as at 30 June 2022	<u>15,100</u>	<u>177,286</u>	<u>52,784</u>	<u>7,797</u>

11. DEFERRED INCOME TAX ASSETS

	Unaudited As at 30 June 2023 RMB'000	Audited As at 31 December 2022 RMB'000
Deferred income tax assets:		
— to be recovered within 12 months	20,027	19,909
— to be recovered after more than 12 months	<u>46,950</u>	<u>48,593</u>
	<u><u>66,977</u></u>	<u><u>68,502</u></u>

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

	Advertising expenses in excess of allowance RMB'000 (Unaudited)	Provision for impairment of trade receivables RMB'000 (Unaudited)	Accrued advertising and other expenses RMB'000 (Unaudited)	Tax losses RMB'000 (Unaudited)	Total RMB'000 (Unaudited)
At 1 January 2023	8,848	42,256	11,061	6,337	68,502
Credited/(charged) to the condensed consolidated interim income statement	<u>(1,448)</u>	<u>(43)</u>	<u>1,566</u>	<u>(1,600)</u>	<u>(1,525)</u>
At 30 June 2023	<u><u>7,400</u></u>	<u><u>42,213</u></u>	<u><u>12,627</u></u>	<u><u>4,737</u></u>	<u><u>66,977</u></u>
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><u>6,299</u></u>	<u><u>39,814</u></u>	<u><u>8,338</u></u>	<u><u>8,192</u></u>	<u><u>62,643</u></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
	2023	2022
	RMB'000	RMB'000
Expire in 2023	—	9,001
Expire in 2024	4,810	4,810
Expire in 2025	7,609	7,679
Expire in 2026	2,131	2,131
Expire in 2027	25,167	25,167
Expire in 2028	58,448	—
Expire over 5 years	29,273	26,788
	<u>127,438</u>	<u>75,576</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
	2023	2022
	RMB'000	RMB'000
Trade receivables, net of impairment provision (a)	301,910	432,665
Other receivables (b)	13,235	12,404
Prepaid value added tax	12,172	8,694
Prepayments to suppliers	3,251	2,377
Notes receivables	23,114	17,114
	<u>353,682</u>	<u>473,254</u>

As at 30 June 2023, trade and notes 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 RMB200,272,000 (31 December 2022: RMB200,563,000)) based on recognition date is as follows:

	Unaudited As at 30 June 2023 RMB'000	Audited As at 31 December 2022 RMB'000
Current to 6 months	249,546	323,535
6 months to 1 year	43,882	101,122
1 year to 2 years	7,245	6,451
Above 2 years	1,237	1,557
	<u>301,910</u>	<u>432,665</u>

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

	Unaudited As at 30 June 2023 RMB'000	Audited As at 31 December 2022 RMB'000
At beginning of the period/year	200,563	187,727
Reversal of impairment charge of receivables	(291)	16,883
Receivables written off	—	(4,047)
	<u>200,272</u>	<u>200,563</u>

(b) Other receivables

	Unaudited As at 30 June 2023 RMB'000	Audited As at 31 December 2022 RMB'000
Advance to employees	7,045	5,808
Rental receivable	—	268
Others	6,190	6,328
	<u>13,235</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.

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 2023, the Fund made certain investment in cryptocurrencies (“Cryptocurrency Investments”). The Group neither have control nor significant influence over the Fund. As at 30 June 2023, the Group held around 33.72% (31 December 2022: 33.95%) interests of the Fund.

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

As at 30 June 2023, the Group’s portion of net asset value of the Fund was attributable to the following:

	Unaudited
	As at
	30 June
	2023
	RMB’000
Equity Investments	28,559
Cryptocurrency Investments	12,543
Other investments	3,545
	<hr/>
At end of the period	44,647
	<hr/> <hr/>

During the six months ended 30 June 2023, movement on investment in financial assets is as follows:

	Unaudited
	30 June 2023
	RMB’000
At beginning of the period	40,600
Changes in fair value:	4,047
— Equity Investments	1,119
— Cryptocurrency Investments	3,790
— Other investments	(862)
	<hr/>
At end of the period	44,647
	<hr/> <hr/>

14. ORDINARY SHARES

	Authorised ordinary shares		
	Number of shares ('000)	HKD'000	RMB'000
At 31 December 2022 and 30 June 2023	<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 2023 and 30 June 2023	<u>1,135,597</u>	<u>11,356</u>	<u>10,504</u>
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>

- (a) As at 30 June 2023, the total number of issued ordinary shares of the Company was 1,135,597,000 shares (31 December 2022: 1,135,597,000) which included 1,414,000 shares (31 December 2022: 3,960,000 shares) held under the Share Award Scheme.

15. ACCRUALS AND OTHER PAYABLES

	Unaudited As at 30 June 2023 RMB'000	Audited As at 31 December 2022 RMB'000
Accrued expenses (a)	184,124	216,109
Salaries payable	32,690	50,637
Other payables	10,893	11,857
Other tax payables	<u>6,277</u>	<u>11,455</u>
	<u>233,984</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.

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 2023 to our shareholders.

The total revenue for the first half of the year came out to about RMB320.8 million, a decrease of 13.0% from the year before. During the reporting period, intense competition among automobile manufacturers affected marketing spend and altered consumer patterns. While we expect these challenges to persist, we are confident that we will be able to adapt to these market changes and for demand to remain robust.

PCauto's revenue decreased by 11.3% compared to the year before and accounted for 85.8% of the total revenue of the Group in the first half of 2023. During the reporting period, automobile manufacturers increased promotions but limited marketing spending as a response to the ongoing energy vehicle price war that intensified in the first half of 2023. While the industry is beginning to show signs of price stabilization we expect the lingering price cuts to continue to affect marketing spend, and PCauto will continue to maintain a cautious approach and continue to build on its core offerings and focus on providing content on new energy vehicles and to capture value throughout the vehicle's life span. PCauto continues to make strides in developing content and industry data tools to drive seamless online-to-offline marketing capabilities.

PConline's revenue decreased by 9.8% compared to the year before and accounted for 11.9% of the total revenue of the Group. The smartphone and consumer electronics industry is entering a new phase of growth as consumers alter spending patterns and product life cycles lengthen. In order to mitigate some of that impact, PConline has continued to expand into different product categories and strengthen its position in the "smart home" space and improve advertising and digital marketing offerings. PConline continues to build on the shared expertise with PChouse to further provide relevant and synergistic content to consumers and provide meaningful impact.

The Group had made an equity investment in an entity which invested in shares of companies principally engaged in internet-related industries and blockchain-related technologies since 2014. As of 30 June 2023, fair value of this investment is estimated at roughly RMB44.6 million, of which cryptocurrencies represent 28.1%. The Group acknowledges the volatility involved with cryptocurrency investments and has been taking steps to manage the risks involved.

Looking forward, we will continue to be cautious as we expect the economic outlook to remain uncertain and difficult to predict in the near-term; as such we will continue to identify areas we can further control costs. We expect the automobile industry competition to further intensify and consumer patterns to remain relatively hard to predict. In the second half, we will continue to create and promote our market-led products to provide long-term value for consumers and the industry.

MANAGEMENT DISCUSSION AND ANALYSIS

Revenue

Revenue decreased 13.0% from RMB368.8 million for the six months ended 30 June 2022 to RMB320.8 million for the six months ended 30 June 2023.

Revenue for PCauto, the Group's automobile portal, decreased 11.3% from RMB310.4 million for the six months ended 30 June 2022 to RMB275.3 million during the six months ended 30 June 2023. The decrease in revenue for PCauto was mainly due to decreased advertising spending from automobile manufacturers. As a percentage of revenue, PCauto accounted for 84.1% during the six months ended 30 June 2022 and 85.8% during the six months ended 30 June 2023.

Revenue for PConline, the Group's IT and consumer electronics portal, decreased 9.8% from RMB42.4 million during the six months ended 30 June 2022 to RMB38.2 million during the six months ended 30 June 2023. The decrease was due to decline in demand from consumer electronics manufacturers. As a percentage of revenue, PConline accounted for 11.5% during the six months ended 30 June 2022 and 11.9% during the six months ended 30 June 2023.

Revenue from other operations, including the PClady, PCbaby and PChouse portals, decreased by 54.9% from RMB16.1 million during the six months ended 30 June 2022 to RMB7.3 million during the six months ended 30 June 2023. 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 4.4% during the six months ended 30 June 2022 and 2.3% during the six months ended 30 June 2023.

Cost of Revenue

Cost of revenue increased 12.4% from RMB212.2 million during the six months ended 30 June 2022 to RMB238.5 million during the six months ended 30 June 2023. Gross profit margin was 42.5% during the six months ended 30 June 2022 and 25.6% during the six months ended 30 June 2023. The increase in cost of revenue was mainly due to increase in outsourcing production cost and service commission to advertising agencies during the period.

Selling and Marketing Costs

Selling and marketing costs decreased 16.4% from RMB96.2 million during the six months ended 30 June 2022 to RMB80.4 million during the six months ended 30 June 2023. The decrease was mainly due to decrease in advertising expenses and staff costs during the period.

Administrative Expenses

Administrative expenses decreased by 29.6% from RMB30.8 million during the six months ended 30 June 2022 to RMB21.7 million during the six months ended 30 June 2023, mainly due to decrease in staff costs during the period.

Product Development Expenses

Product development expenses decreased by 4.9% from RMB33.9 million during the six months ended 30 June 2022 to RMB32.2 million during the six months ended 30 June 2023. The slight decrease was primarily due to decrease in staff costs and general expenses in the Group's research and development team.

Net Reversal of Impairment Losses on Trade and Other Receivables

Net reversal of impairment losses on trade and other receivables was RMB8.5 million during the six months ended 30 June 2022 and RMB283,000 during the six months ended 30 June 2023. The net reversal of impairment losses on trade and other receivables was mainly due to recover of an receivable account and less provision was made during the period.

Other Income

Other income was RMB9.9 million during the six months ended 30 June 2022 and was RMB6.4 million during the six months ended 30 June 2023. The decrease was due to less additional deduction of input value added tax during the period.

Other Gains/(Losses)

Other gains was RMB4.0 million during the six months ended 30 June 2023 and other losses was RMB26.2 million during the six months ended 30 June 2022 and it was the fair value gain/loss of a passive equity investment of a fund.

Finance Income — net

Net finance income was RMB7.5 million during the six months ended 30 June 2022 and was RMB3.2 million during the six months ended 30 June 2023. The decrease was mainly due to more net foreign exchange losses during the period.

Income Tax Expense

Income tax expenses decreased 58.9% from RMB6.2 million during the six months ended 30 June 2022 to RMB2.5 million during the six months ended 30 June 2023.

Net Loss Attributable to Equity Holders

Net loss attributable to equity holders was RMB38.1 million during the six months ended 30 June 2023 and was RMB10.2 million during the six months ended 30 June 2022.

Liquidity and Financial Resources

As of 30 June 2023, the Group had short-term deposits and cash totaling RMB278.5 million, compared with RMB400.0 million as of 31 December 2022. The decline in cash was primarily due to the payment of a cash dividend totalling RMB113.2 million during the six months ended 30 June 2023. The Company had no external debt as of 31 December 2022 and 30 June 2023.

Bank Borrowings

As of 30 June 2023, 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 2022.

Material Acquisitions and Disposal

During the six months ended 30 June 2023, the Group had no material acquisitions and disposals of subsidiaries and associates.

Charges on Assets

As of 30 June 2023, 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 2023, the Group had 869 employees (31 December 2022: 924), a decrease of 6.0% from the first half of 2023. 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 2023.

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 2022 (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 or 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 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 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, 28 August 2023

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.