



Pacific Online Limited
太平洋網絡有限公司

INTERIM REPORT 2023

Incorporated in the Cayman
Islands with limited liability

Stock Code : **543**





CONTENTS

Corporate Information	2
Condensed Consolidated Interim Income Statement	3
Condensed Consolidated Interim Statement of Comprehensive Income	4
Condensed Consolidated Interim Balance Sheet	5
Condensed Consolidated Interim Statement of Changes in Equity	7
Condensed Consolidated Interim Statement of Cash Flows	8
Notes to the Interim Financial Information	9
Chairman's Statement	28
Management Discussion and Analysis	29
Other Information	32



CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

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

Independent Non-executive Directors

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

COMPANY SECRETARY

Mr. Wong Huk Yung, Hudson

AUTHORISED REPRESENTATIVES

Mr. Wang Ta-Hsing
Mr. Wong Huk Yung, Hudson

AUDIT COMMITTEE

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

REMUNERATION COMMITTEE

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

NOMINATION COMMITTEE

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

PRINCIPAL BANKERS

Bank of China
China Construction Bank
China Merchants Bank
OCBC Wing Hang Bank

AUDITOR

PricewaterhouseCoopers
Certified Public Accountants
Registered Public Interest Entity Auditor

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Services (Cayman Islands) Limited
Third Floor, Century Yard
Cricket Square, P.O. Box 902
Grand Cayman, KY1-1103
Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Investor Services Limited
17/F, Far East Finance Centre
16 Harcourt Road
Hong Kong

REGISTERED OFFICE

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

PRINCIPAL PLACE OF BUSINESS

115 Gaopu Road
Tianhe, Guangzhou
PRC
Postcode: 510663

PLACE OF BUSINESS IN HONG KONG

Portion of Unit 807, Tower 2
Lippo Centre, 89 Queensway
Hong Kong

GROUP'S PORTAL ADDRESSES

www.pconline.com.cn
www.pcauto.com.cn
www.pclady.com.cn
www.pcbaby.com.cn
www.pchouse.com.cn

WEBSITE ADDRESS

corp.pconline.com.cn

STOCK CODE

543

CONDENSED CONSOLIDATED INTERIM INCOME STATEMENT

FOR THE SIX MONTHS ENDED 30 JUNE 2023

	Note	Unaudited Six months ended 30 June	
		2023 RMB'000	2022 RMB'000
Revenue	6	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	7	6,390	9,922
Other gains/(losses)	15	4,047	(26,174)
Operating loss		(41,300)	(11,951)
Finance income		4,537	7,503
Finance cost		(1,355)	(13)
Finance income — net	8	3,182	7,490
Loss before income tax		(38,118)	(4,461)
Income tax expense	9	(2,534)	(6,165)
Loss for the period		(40,652)	(10,626)
Attributable to:			
— Equity holders of the Company		(38,087)	(10,212)
— Non-controlling interests		(2,565)	(414)
		(40,652)	(10,626)
Losses per share for loss attributable to equity holders of the Company for the period	10		
— Basic and diluted (RMB)		(3.36) cents	(0.90) cents

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



CONDENSED CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME FOR THE SIX MONTHS ENDED 30 JUNE 2023

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

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

CONDENSED CONSOLIDATED INTERIM BALANCE SHEET

AS AT 30 JUNE 2023

	Note	Unaudited 30 June 2023 RMB'000	Audited 31 December 2022 RMB'000
ASSETS			
Non-current assets			
Right-of-use assets	12	15,412	14,774
Property and equipment	12	170,882	174,540
Investment property	12	50,924	51,803
Intangible assets	12	7,828	7,841
Deferred income tax assets	13	66,977	68,502
Investment in financial assets	15	44,647	40,600
		356,670	358,060
Current assets			
Trade and notes receivables, other receivables and prepayments	14	353,682	473,254
Cash and cash equivalents		278,506	399,985
		632,188	873,239
Total assets		988,858	1,231,299
EQUITY			
Equity attributable to equity holders of the Company			
Ordinary shares	16	10,504	10,504
Reserves		681,418	831,680
		691,922	842,184
Non-controlling interests		2,069	4,634
Total equity		693,991	846,818

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

CONDENSED CONSOLIDATED INTERIM BALANCE SHEET

AS AT 30 JUNE 2023

	Note	Unaudited 30 June 2023 RMB'000	Audited 31 December 2022 RMB'000
LIABILITIES			
Non-current liabilities			
Lease liabilities		405	28
		405	28
Current liabilities			
Accruals and other payables	17	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

Lam Wai Yan
Director

Wang Ta-Hsing
Director

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

CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30 JUNE 2023

	Note	Unaudited				Total equity RMB'000
		Attributable to equity holders of the Company			Non- controlling interests RMB'000	
		Ordinary shares RMB'000	Reserves RMB'000	Subtotal RMB'000		
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 equity holders						
Cash dividends relating to 2022	11	—	(113,231)	(113,231)	—	(113,231)
Share Award Scheme						
— value of employee services	18	—	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 equity holders						
Cash dividends relating to 2021	11	—	(113,164)	(113,164)	—	(113,164)
Share Award Scheme						
— shares issued	16	13	(13)	—	—	—
— value of employee services	18	—	3,700	3,700	—	3,700
Balance at 30 June 2022		10,504	828,122	838,626	4,576	843,202

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

CONDENSED CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS FOR THE SIX MONTHS ENDED 30 JUNE 2023

	Note	Unaudited Six months ended 30 June	
		2023 RMB'000	2022 RMB'000
Cash flows from operating activities			
Cash generated from operations		8,691	7,641
Income tax (paid)/refund received		(18,766)	10,369
Net cash (used in)/generated from operating activities		(10,075)	18,010
Cash flows from investing activities			
Purchase of property and equipment		(1,020)	(1,760)
Disposals of property and equipment		116	167
Placement of short-term bank deposits with original terms of over three months		—	(1,095)
Receipt from maturity of short-term bank deposits with original terms of over three months		—	91,835
Interest received		4,537	4,479
Net cash generated from investing activities		3,633	93,626
Cash flows from financing activities			
Cash dividends paid	11	(113,231)	(113,164)
Lease payments		(478)	(303)
Net cash used in financing activities		(113,709)	(113,467)
Net decrease in cash and cash equivalents			
Cash and cash equivalents at beginning of period		399,985	391,010
Exchange (loss)/gain on cash and cash equivalents		(1,328)	3,024
Cash and cash equivalents at end of period		278,506	392,203

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



NOTES TO THE INTERIM FINANCIAL INFORMATION

FOR THE SIX MONTHS ENDED 30 JUNE 2023

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

The 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.



NOTES TO THE INTERIM FINANCIAL INFORMATION

FOR THE SIX MONTHS ENDED 30 JUNE 2023

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

The preparation of the Interim Financial Information requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing the Interim Financial Information, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 31 December 2022.

5. FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS

5.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: foreign exchange risk, price risk, liquidity risk and credit risk.

The Interim Financial Information does not include all financial risk management information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements for the year ended 31 December 2022.

There have been no changes in the risk management policies since year end.

5.2 Foreign exchange risk

The Group mainly operates in the PRC and most of the Group's transactions, assets and liabilities are denominated in RMB. To maintain the flexibility in the Company and Hong Kong subsidiaries' payment of daily operation, the Group holds certain monetary assets denominated in Hong Kong dollar ("HKD") or US dollar ("USD") subject to certain thresholds stated in its treasury mandate. This exposes the Group to foreign exchange risk.

There is no other written policy to manage the foreign exchange risk in relation to HKD and USD as management considers that such risk could not be effectively reduced in a low-cost way. Accordingly, the Group did not purchase any forward contract to hedge the foreign exchange risk for the six months ended 30 June 2023 (six months ended 30 June 2022: same).

At 30 June 2023, the exchange rate of RMB to HKD and USD were 0.9220 and 7.2258 respectively. If RMB had strengthened/weakened by 0.5% against the HKD/USD with all other variables held constant, total comprehensive income for the period would have been RMB304,000 (31 December 2022: RMB314,000) lower/higher, mainly as a result of net foreign exchange losses/gains in HKD/USD denominated cash at bank.



NOTES TO THE INTERIM FINANCIAL INFORMATION

FOR THE SIX MONTHS ENDED 30 JUNE 2023

5. FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS (CONTINUED)

5.3 Price risk

The Group is exposed to price risk because of investments held by the Group and classified on the condensed consolidated interim balance sheet as investment in financial assets. The Group is not exposed to commodity price risk. To manage its price risk arising from the investments, the Group diversifies its portfolio. The investments made by the Group are either for the purpose of improving investment yield and maintaining high liquidity level simultaneously, or for strategic purpose. Each investment is managed by senior management on a case by case basis.

Investment in financial assets is held for strategic rather than trading purposes. The Group does not actively trade these investments.

The sensitivity analysis is determined based on the exposure to price risks of underlying investments related to investment in financial assets at the end of the reporting period. If equity prices of the respective underlying investments held by the Group had been 5% higher/lower as at 30 June 2023, post-tax loss for the period would have been approximately RMB2,232,000 (31 December 2022: RMB2,030,000) lower/higher.

5.4 Liquidity risk

The Group aims to finance its operations with its own capital and earnings. It did not have any borrowings or credit facilities committed/utilised during the six months ended 30 June 2023 (six months ended 30 June 2022: same). Management considers that the Group does not have significant liquidity risk.

5.5 Credit risk

Credit risk arises from cash and cash equivalents, deposits with banks, as well as trade and notes receivables, other receivables.

To manage this risk, deposits are mainly placed with state-owned financial institutions in the PRC and international financial institutions outside the PRC of high credit quality. There was no recent history of default of cash and cash equivalents and deposits from these financial institutions.

For trade receivables, the Group assesses the credit quality of the customers and debtors, taking into account their financial position, past experience and other factors. Individual credit terms are granted based on internal assessment results in accordance with guidance set by top management and are reviewed by sales department manager.

Notes receivables and other receivables are normally bank acceptance notes, advance to employees and deposits, the directors are of the opinion that no significant credit risk exists.

NOTES TO THE INTERIM FINANCIAL INFORMATION

FOR THE SIX MONTHS ENDED 30 JUNE 2023

5. FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS (CONTINUED)

5.6 Fair value estimation

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

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Financial assets				
Investment in financial assets 30 June 2023	—	—	44,647	44,647
Investment in financial assets 31 December 2022	—	—	40,600	40,600

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

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

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



NOTES TO THE INTERIM FINANCIAL INFORMATION FOR THE SIX MONTHS ENDED 30 JUNE 2023

5. FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS (CONTINUED)

5.6 Fair value estimation (continued)

Specific valuation techniques used to value financial instruments include:

- Quoted market prices or dealer quotes for similar instruments;
- Discounted cash flow model and unobservable inputs mainly including assumptions of expected future cash flows and discount rate; and
- A combination of observable and unobservable inputs, including risk-free rate, expected volatility, discount rate for lack of marketability, market multiples, etc.

The changes in level 3 instruments for the six months ended 30 June 2023 are presented in Note 15.

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

For the six months ended 30 June 2023, there were no significant changes in the business or economic circumstances that affect the fair value of the Group's financial assets and financial liabilities (six months ended 30 June 2022: same).

The carrying amounts of the Group's trade and notes receivables and other receivables and accruals and other payables approximate their fair value due to their short maturities.

NOTES TO THE INTERIM FINANCIAL INFORMATION

FOR THE SIX MONTHS ENDED 30 JUNE 2023

6. SEGMENT INFORMATION

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

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

The chief operating decision-makers consider the 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 RMB'000 (Unaudited)	PConline RMB'000 (Unaudited)	Others RMB'000 (Unaudited)	Group RMB'000 (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	275,310	38,228	7,244	320,782
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	310,352	42,363	16,066	368,781

NOTES TO THE INTERIM FINANCIAL INFORMATION

FOR THE SIX MONTHS ENDED 30 JUNE 2023

6. SEGMENT INFORMATION (CONTINUED)

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.

7. 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
	6,390	9,922

NOTES TO THE INTERIM FINANCIAL INFORMATION

FOR THE SIX MONTHS ENDED 30 JUNE 2023

8. FINANCE INCOME — NET

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

9. INCOME TAX EXPENSE

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

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



NOTES TO THE INTERIM FINANCIAL INFORMATION FOR THE SIX MONTHS ENDED 30 JUNE 2023

9. INCOME TAX EXPENSE (CONTINUED)

The Company, which is a Cayman Islands corporation, is not subject to any profits tax. The subsidiaries of the Group incorporated in Hong Kong were not subject to Hong Kong profits tax as they had no assessable income arising in or derived from Hong Kong during the six months ended 30 June 2023 (six months ended 30 June 2022: same).

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

Pursuant to the PRC Corporate Income Tax Law ("CIT Law"), the CIT rate for domestic enterprises and foreign invested enterprises is 25%. In addition, the CIT Law provides for, among others, a preferential tax rate of 15% for enterprises qualified as High and New Technology Enterprises ("HNTE").

Guangzhou Yurui Information Technology Co., Ltd. ("GZ Yurui"), a PRC operating subsidiary of the Company, was successfully renewed as HNTE in 2022 and Guangzhou Fengwang Technology Co., Ltd. ("GZ Fengwang"), a PRC operating subsidiary of the Company, was formally designated as HNTE in 2022. The applicable income tax rate of GZ Yurui and GZ Fengwang is 15% for the three years from 2022 to 2024.

Guangzhou Pacific Computer Information Consulting Co., Ltd. ("GZP Computer") and Guangdong Pacific Internet Information Service Co., Ltd. ("GDP Internet"), the principal operating subsidiaries of the Company, successfully renewed the certificate of HNTE in 2020 and Guangzhou Kuche Information Technology Co., Ltd. ("GZ Kuche"), a PRC operating subsidiary of the Company, was formally designated as HNTE in 2020. The applicable income tax rate of GZP Computer, GDP Internet and GZ Kuche is 15% for the three years from 2020 to 2022. The Group was in the process of application for renewal of the certificate for GDP Internet.

Assuming that there is no change to the relevant laws and regulations, the directors consider that these three subsidiaries, including GDP Internet, GZ Yurui and GZ Fengwang will be granted the preferential tax treatment through an application of renewal, and accordingly, tax rate of 15% has been applied when considering the deferred income tax. All the other PRC entities of the Group are subject to CIT at a rate of 25% in accordance with the CIT Law.

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.

NOTES TO THE INTERIM FINANCIAL INFORMATION

FOR THE SIX MONTHS ENDED 30 JUNE 2023

10. 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) (Note 18).

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

(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.

11. 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) (Note 18).

The directors did not recommend any interim dividend for the six months ended 30 June 2023 (six months ended 30 June 2022: same).

NOTES TO THE INTERIM FINANCIAL INFORMATION

FOR THE SIX MONTHS ENDED 30 JUNE 2023

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

	Right-of-use assets — land use rights and properties RMB'000 (Unaudited)	Property and equipment RMB'000 (Unaudited)	Investment property RMB'000 (Unaudited)	Intangible assets RMB'000 (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	15,412	170,882	50,924	7,828
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	15,100	177,286	52,784	7,797

13. 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	46,950	48,593
	66,977	68,502

NOTES TO THE INTERIM FINANCIAL INFORMATION

FOR THE SIX MONTHS ENDED 30 JUNE 2023

13. DEFERRED INCOME TAX ASSETS (CONTINUED)

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	(1,448)	(43)	1,566	(1,600)	(1,525)
At 30 June 2023	7,400	42,213	12,627	4,737	66,977
At 1 January 2022	5,293	42,267	6,801	5,928	60,289
Credited/(charged) to the condensed consolidated interim income statement	1,006	(2,453)	1,537	2,264	2,354
At 30 June 2022	6,299	39,814	8,338	8,192	62,643

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 2023 RMB'000	Audited As at 31 December 2022 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
	127,438	75,576

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

NOTES TO THE INTERIM FINANCIAL INFORMATION

FOR THE SIX MONTHS ENDED 30 JUNE 2023

14. TRADE AND NOTES RECEIVABLES, OTHER RECEIVABLES AND PREPAYMENTS

	Unaudited As at 30 June 2023 RMB'000	Audited As at 31 December 2022 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
	353,682	473,254

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
	301,910	432,665

NOTES TO THE INTERIM FINANCIAL INFORMATION

FOR THE SIX MONTHS ENDED 30 JUNE 2023

14. TRADE AND NOTES RECEIVABLES, OTHER RECEIVABLES AND PREPAYMENTS (CONTINUED)

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

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)
At end of the period/year	200,272	200,563

(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
	13,235	12,404

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.

NOTES TO THE INTERIM FINANCIAL INFORMATION

FOR THE SIX MONTHS ENDED 30 JUNE 2023

15. 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 and 31 December 2022, the Group's portion of net asset value of the Fund was attributable to the following:

	Unaudited As at 30 June 2023 RMB'000	Audited As at 31 December 2022 RMB'000
Equity Investments	28,559	27,440
Cryptocurrency Investments	12,543	8,753
Other investments	3,545	4,407
At end of the period	44,647	40,600

NOTES TO THE INTERIM FINANCIAL INFORMATION

FOR THE SIX MONTHS ENDED 30 JUNE 2023

15. INVESTMENT IN FINANCIAL ASSETS (CONTINUED)

During the six months ended 30 June 2023 and 2022, movement on investment in financial assets is as follows:

	Unaudited 30 June 2023 RMB'000	Unaudited 30 June 2022 RMB'000
At beginning of the period	40,600	67,546
Changes in fair value:	4,047	(26,174)
— Equity Investments	1,119	1,387
— Cryptocurrency Investments	3,790	(28,017)
— Other investments	(862)	456
At end of the period	44,647	41,372

16. ORDINARY SHARES

	Authorised ordinary shares		
	Number of shares ('000)	HKD'000	RMB'000
At 31 December 2022 and 30 June 2023	100,000,000	1,000,000	969,200
	Issued and fully paid up		
	Number of shares ('000) (Unaudited)	HKD'000 (Unaudited)	RMB'000 (Unaudited)
At 1 January 2023 and 30 June 2023	1,135,597	11,356	10,504
At 1 January 2022	1,134,055	11,341	10,491
Employees share option schemes			
— issued shares (a)	1,542	15	13
At 30 June 2022	1,135,597	11,356	10,504

- (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.

NOTES TO THE INTERIM FINANCIAL INFORMATION

FOR THE SIX MONTHS ENDED 30 JUNE 2023

17. 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	6,277	11,455
	233,984	290,058

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

18. SHARE AWARD SCHEME

On 10 January 2011, the Board approved and adopted the Share Award Scheme for selected employees of the Group. The Group has set up a trust (the "Share Award Scheme Trust") for the purpose of administering the Share Award Scheme and holding shares awarded or to be awarded to the employees (the "Awarded Shares") before vesting. Unless early terminated by the Board, the Share Award Scheme shall be valid and effective for a term of ten years commencing on 10 January 2011.

Pursuant to the Board's resolution passed on 21 December 2020 (the "Adoption Date"), as the above-mentioned Shared Award Scheme will be expired on 9 January 2021, the Company has adopted a new scheme with a term of 10 years commencing from 21 December 2020 (the "New Scheme"). The New Scheme does not constitute a share option scheme and is a discretionary scheme of the Company.

The Board implements the scheme in accordance with the terms of the scheme rules including providing necessary funds to the trustee for the purchase of shares up to 5% of the issued share capital of the Company as of the Adoption Date.

Employees are not entitled to dividends on any awarded shares until these shares are transferred to them at the end of the vesting period.

NOTES TO THE INTERIM FINANCIAL INFORMATION

FOR THE SIX MONTHS ENDED 30 JUNE 2023

18. SHARE AWARD SCHEME (CONTINUED)

The movements in the number of shares held for the Share Award Scheme are as follows:

	Awarded shares (thousands)	Shares to be awarded (thousands)	Shares to be purchased/ allotted (thousands)	Total (thousands)
At 1 January 2023	—	3,160	—	3,160
Granted	1,746	(1,746)	—	—
Vested and transferred	(1,746)	—	—	(1,746)
At 30 June 2023	—	1,414	—	1,414
At 1 January 2022	—	5,112	—	5,112
Issued	—	1,542	—	1,542
Granted	3,494	(3,494)	—	—
Vested and transferred	(2,694)	—	—	(2,694)
At 30 June 2022	800	3,160	—	3,960

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

During the six months ended 30 June 2023, 1,746,000 shares held by the trustee were granted to certain employees. A credit of RMB1,056,000 to reserves was recorded in the Group's condensed consolidated interim balance sheet.

The fair value of the Awarded Shares granted during the period ended 30 June 2023 and their vesting period are as follows:

Dates of grant	Total value of shares at grant dates (RMB)	Number of shares granted (thousands)	Market price at grant dates (RMB)	Vesting period
18 April 2023	1,056,000	1,746	0.60	None

The fair value of the Awarded Shares was calculated based on market prices of the Company's shares as at the respective grant dates. A total expense of RMB1,056,000 was recognised for employee services received in respect of the Share Award Scheme for the period ended 30 June 2023 (six months ended 30 June 2022: RMB3,700,000).

During the period ended 30 June 2023, the Share Award Scheme Trust received cash dividend amounting to RMB329,000 (six months ended 30 June 2022: RMB396,000) which will be used to pay for the fees of trust or purchase a maximum number of shares as specified by the Board.

NOTES TO THE INTERIM FINANCIAL INFORMATION

FOR THE SIX MONTHS ENDED 30 JUNE 2023

19. RELATED PARTY TRANSACTIONS

Related parties are those parties that have the ability to control the other parties or exercise significant influence in making financial and operating decisions. Parties are also considered to be related if they are subject to common control.

(a) Name and relationship with related parties

Name	Relationship
Kexim Company Limited ("Kexim")	Controlled by executive director Mr. Wang Ta-Hsing
Beijing Pacific Times Property Management Co., Ltd. ("Pacific Times")	Controlled by executive director Mr. Wang Ta-Hsing

(b) Related party transactions

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

	Unaudited Six months ended 30 June	
	2023 RMB'000	2022 RMB'000
Rental expenses for office: Kexim	148	132

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

(c) Balances with related parties

	Unaudited As at 30 June 2023 RMB'000	Audited As at 31 December 2022 RMB'000
Included in lease liabilities: Kexim	413	—

The balances with related parties and are unsecured, interest-free, repayable on demand and denominated in RMB.



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.



MANAGEMENT DISCUSSION AND ANALYSIS

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.



MANAGEMENT DISCUSSION AND ANALYSIS

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.



OTHER INFORMATION

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.

SHARE OPTION PLAN

The Company has adopted a Share Option Plan at the annual general meeting of the Company held on 19 May 2017. The purpose of the Share Option Plan of the Company is to provide incentives and rewards to eligible participants who contribute to the success of the Group's operations.

The number of share options available for grant under the mandate of the Share Option Plan as at 1 January 2023 and 30 June 2023 were 113,320,566.

As at 30 June 2023, the Company has no outstanding share options under the Share Option Plan. No share options have been granted/exercised/cancelled/lapsed under the Share Option Plan during the six months ended 30 June 2023.

SHARE AWARD SCHEME

The Board adopted a restricted share award scheme (the “2011 Restricted Share Award Scheme”) on 10 January 2011 (the “Adoption Date”) as an incentive to retain and encourage the eligible participants for the continual operation and development of the Group. Eligible participants include any director, any employee, any consultant or adviser of or to the Company or the Group and who, in the absolute opinion of the Board, have contributed to the Company or the Group.

Pursuant to the 2011 Restricted Share Award Scheme, the Board may, from time to time, at its absolute discretion select eligible participants and determine the number of shares to be awarded. The aggregate number of shares to be awarded by the Board throughout the duration of the 2011 Restricted Share Award Scheme shall not exceed 2.5% of the issued share capital of the Company as at the Adoption Date. The term of the 2011 Restricted Share Award Scheme is 10 years commencing from the Adoption Date and it has expired on 9 January 2021.

Given that the 2011 Restricted Share Award Scheme has expired on 9 January 2021 and among the threshold of up to 2.5% of the then issued share capital of the Company which the Board can award, the Board had already awarded nearly half of it, the Board has resolved on 21 December 2020 (the “New Adoption Date”) to adopt a new restricted share award scheme (the “New Share Award Scheme”) with a term of 10 years commencing from the New Adoption Date as an incentive to retain and encourage the eligible participants for the continual operation and development of the Group, pursuant to which the restricted shares are comprised of (i) new shares to be allotted and issued to selected participants under the general mandate or specific mandate sought from the shareholders of the Company in general meetings from time to time; and/or (ii) existing shares to be purchased by the trustee from the market out of cash contributed by the Group. The shares will be held in trust for the relevant selected participants until such shares are vested with the relevant selected participants in accordance with the provisions of the New Share Award Scheme.

The Board has implemented the New Share Award Scheme in accordance with the terms of the scheme rules including to provide necessary funds to the trustee for purchase of shares up to the scheme mandate.

The New Share Award Scheme shall be subject to the administration of the Board in accordance with the Scheme Rules.

Summary of the New Share Award Scheme is as follows:

- The purpose and objectives of the New Share Award Scheme are: (i) to recognise and motivate the contribution of certain eligible participants and (ii) to provide incentives and help the Group in retaining its existing employees and recruiting additional employees and to provide them with a direct economic interest in attaining the long-term business objectives of the Company.



OTHER INFORMATION

- The eligible participants include any directors (whether executive or non-executive and whether independent or not), any employees (whether full time or part-time), any consultants or advisers of or to the Company or the Group (whether on an employment or contractual or honorary basis and whether paid or unpaid), who, in the opinion of the chief operating officer or the senior management of the Group, have contributed to the Company or the Group.
- The awarded shares to be granted are subject to acceptance of the selected participants within the time as stipulated in the grant letter. There are no amount payable on application or acceptable of the award and no purchase price of shares awarded.
- When the selected participant has satisfied all vesting conditions specified by the Board at the time of making the award and become entitled to the shares forming the subject of the award, the trustee shall transfer the relevant vested shares to that eligible participant.
- The Board shall not make any further award of restricted shares which will result in the aggregate number of restricted shares awarded by the Board throughout the duration of the New Share Award Scheme to be in excess of 5% of the issued share capital of the Company as at the New Adoption Date. The maximum number of restricted shares which may be awarded to a selected participant under the New Share Award Scheme shall not exceed 0.5% of the issued share capital of the Company as at the New Adoption Date.
- The Board may from time to time while the New Share Award Scheme is in force and subject to all applicable laws, determine the vesting criteria and conditions or periods for the awarded shares to be vested/lapsed.
- The New Share Award Scheme will remain in force for a period of 10 years, commencing on 21 December 2020. The remaining life of the New Share Award Scheme is approximately 7 years.
- The trustee shall not exercise the voting rights in respect of any shares held under the trust (including but not limited to the awarded restricted shares, and further shares acquired out of the income derived therefrom).

Details of the New Share Award Scheme were disclosed in the Company's announcements dated 21 December 2020 and 29 December 2020.

Details of the awarded shares, involving existing shares of the Company, granted during the six months ended 30 June 2023 are set out in note 18 to the Interim Financial Information.

The number of share awards available for grant under the mandate of the New Share Award Scheme as at 1 January 2023 and 30 June 2023 were 53,208,733 and 51,462,733 shares respectively.

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

As at 30 June 2023, the interests of the directors of the Company in the shares and underlying shares of the Company (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) as recorded in the register required to be kept by the Company under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") were as follows:

Interests in shares of the Company

Name of director	Long/Short position	Capacity	Number of ordinary shares in the Company	Percentage of the Company's issued share capital [†]
Dr. Lam Wai Yan	Long	Beneficial owner	320,810,561	28.25%
Mr. Ho Kam Wah	Long	Interests held by a controlled corporation (Note)	99,348,480	8.75%
	Long	Beneficial owner	3,491,565	0.31%
			102,840,045	9.06%
Mr. Wang Ta-Hsing	Long	Beneficial owner	3,458,015	0.30%
Mr. Tsui Yiu Wa, Alec	Long	Beneficial owner	232,051	0.02%
Mr. Thaddeus Thomas Beczak	Long	Beneficial owner	232,051	0.02%

Note: These shares were held by Treasure Field Holdings Limited, a controlled corporation of Mr. Ho Kam Wah.

[†] The percentage represents the number of ordinary shares interested divided by the number of the Company's issued shares as at 30 June 2023.

OTHER INFORMATION

Save as disclosed above, as at 30 June 2023, none of the directors or chief executive of the Company had any interests or short positions in the shares and underlying shares or debentures of the Company or any associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he/she was deemed or taken to have under such provisions of the SFO) or which were required to be entered into the register kept by the Company pursuant to Section 352 of the SFO or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN THE SHARES AND UNDERLYING SHARES OF THE COMPANY

As at 30 June 2023, as far as the directors of the Company are aware, the following persons (other than the directors and chief executives of the Company) had interests of 5% or more in the shares of the Company as recorded in the register required to be kept by the Company under Section 336 of the SFO:

Interests in shares of the Company

Name of substantial shareholder	Long/Short position	Capacity	Number of ordinary shares in the Company	Note	Percentage of the Company's issued share capital [†]
Ms. Ma Muk Lan	Long	Interests of spouse	320,810,561	(1)	28.25%
Gallop Assets Management Limited	Long	Beneficial owner	296,172,030	(2)	26.08%
J.P. Morgan Trust Company (Bahamas) Limited as trustee of The Gallop Trust	Long	Trustee	296,172,030	(2)	26.08%
Treasure Field Holdings Limited	Long	Beneficial owner	99,348,480	(3)	8.75%

Notes:

- (1) Ms. Ma Muk Lan was deemed to be interested in 320,810,561 shares of the Company through the interests of her spouse, Dr. Lam Wai Yan.
 - (2) These shares were held by Gallop Assets Management Limited, the entire issued share capital of which was owned by J.P. Morgan Trust Company (Bahamas) Limited as trustee of The Gallop Trust. As such, J.P. Morgan Trust Company (Bahamas) Limited as trustee of The Gallop Trust was deemed to be interested in 296,172,030 shares of the Company held by Gallop Assets Management Limited.
 - (3) The interests of Treasure Field Holdings Limited was also disclosed as the interests of Mr. Ho Kam Wah in the above section headed "Directors' interests in the shares and underlying shares of the Company and its associated corporations".
- † The percentage represents the number of ordinary shares interested divided by the number of the Company's issued shares as at 30 June 2023.

Save as disclosed above, as at 30 June 2023, no person, other than the directors of the Company whose interests are set out in the above section headed "Directors' interests in the shares and underlying shares of the Company and its associated corporations", had an interest or a short position in the shares and underlying shares of the Company as recorded in the register required to be kept by the Company under Section 336 of the SFO.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted its own code of conduct regarding directors' dealings in the Company's securities (the "Own Code") on terms no less exacting than the Model Code.

Specific enquiry has been made of the Company's directors and all of them have confirmed that they have complied with the Own Code and the Model Code throughout the accounting period covered by the interim report.

COMPLIANCE WITH WRITTEN GUIDELINES FOR SECURITIES TRANSACTIONS BY THE RELEVANT EMPLOYEES OF THE COMPANY

The Company has established written guidelines for the relevant employees of the Company (the "Relevant Employees") in respect of their dealings in the securities of the Company (the "Written Guidelines") on terms no less exacting than the required standards set out in the Model Code. For this purpose, Relevant Employees include any employee of the Company or a director or employee of a subsidiary or holding company of the Company who, because of such office or employment, is likely to possess inside information in relation to the Company or its securities. No incident of non-compliance of the Written Guidelines was noted by the Company throughout the accounting period covered by the interim report.



OTHER INFORMATION

CHANGE IN INFORMATION OF DIRECTOR

Pursuant to Rule 13.51B(1) of the Listing Rules, the change in information of a director of the Company is set out below:

- Mr. Lam Wai Hon, Ambrose was appointed as an executive director of Quam Plus International Financial Limited, which is listed on the Hong Kong Stock Exchange (stock code: 0952), on 19 May 2023.

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