Pacific Online Limited
太平洋網絡有限公司

ANNUAL REPORT 2022

Incorporated in the Cayman Islands with limited liability

Stock Code : 543

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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

On behalf of the board of directors (the "Board") of Pacific Online Limited (the "Company") and its subsidiaries (collectively referred to as the "Group"), I would like to present the performance of the Company for the 2022 fiscal year.

For the whole of 2022, the Company's revenue was RMB813.7 million, a decrease of 4.5% from last year. The loss attributable to equity holders was RMB6.7 million. During 2022 the Company was heavily impacted both by 2019 novel coronavirus disease (COVID-19) pandemic lockdowns in major metropolitan areas where the Company primarily operates, particularly in Shanghai from March to May, and during the nationwide COVID-19 outbreak beginning in November.

In 2022, the domestic new energy vehicle (NEV) automobile industry in China continued to surge, with NEVs accounting for 27% of new vehicle sales in China, up from 15% in 2021. PCauto has continued to develop our "smart automobiles" platform to provide integrated online and offline media content and channel strategies, with an emphasis on developing compelling original content.

During 2022, PConline has given greater emphasis to the popular "smart home" segment, expanding partnerships with high-tech home appliance manufacturers while continuing to be a leading consumer electronics content provider. PConline continues to build on the shared expertise with PChouse to provide relevant and synergistic content to consumers. PChouse continues to build out its domestic designer network, focused on improving original content offerings and built out a vertical content ecosystem in the interior design space.

In 2014, the Group made a passive equity investment of US Dollar ("USD") 5,000,000 in an entity ("the Fund") investing in shares of companies principally engaged in internet related industries and blockchain-related technologies. All along this time, the Group has had no control or influence on the management of the Fund or its investment decisions. The Fund initially began investing in Cryptocurrency Investments in 2020. As at 31 December 2022 the carrying amount of the Fund was RMB40,600,000 as contained in the Group's audited financial statements for the year ended 31 December 2022 and supported by an unqualified audit opinion.

During the year 2021, the Company made a redemption of USD4,989,000 (RMB31,924,000). And the Company received dividends totaling USD557,000 from 2016 to the year ended 31 December 2022. The entire carrying amount of Investment in Financial Assets of RMB40,600,000 (including RMB8,753,000 of Cryptocurrency Investments) as at 31 December 2022 therefore represented the accumulated unrealized surplus over of the Group's original Investment.

The amount of RMB26,946,000 of fair value loss was recognized as changes in fair value as disclosed under "other (losses)/gains" in the consolidated income statement for the year ended 31 December 2022. This amount included an amount of RMB30,283,000 attributable to changes in fair value in the Cryptocurrency Investments.

CHAIRMAN'S STATEMENT

As referred in the Independent Auditor's Report for the year ended 31 December 2022, the qualified opinion covers both the above-mentioned year end fair value of the Cryptocurrency Investments of RMB8,753,000 and the corresponding changes in fair value of RMB30,283,000 respectively. As mentioned in the paragraph headed "Basis for qualified opinion" in the Independent Auditor's Report, similar to the year 2021 that certain audit scope limitations were in place resulting in the issuance of a qualified opinion, again due the same audit scope limitations the Company's auditor was unable to determine whether any adjustments were necessary in respect of the balance of the Fund's Cryptocurrency Investments as at 31 December 2022 and 1 January 2022, which has consequential impacts on the Group's investment in financial assets as at 31 December 2022 and 1 January 2022 and the changes in fair value of the Group's investment in financial assets for the year ended 31 December 2022. Notwithstanding this and given that the Group has recouped the entire original investment in the Fund in 2021, the relevant uncertainty was arising from whether the carrying value of the Cryptocurrency Investment may be realized in future.

However, as the Group's remaining investment in the Fund only constitutes a small percentage of the Company's assets, there remains no changes to our core business. The Group acknowledges the volatility involved with cryptocurrency investments and will continue to monitor the investment to manage exposure to the risks involved.

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

The Group attaches great importance to shareholders' return. The Board remains confident in the Group's prospects, as such, it recommended a dividend payment of RMB10 cents per share, maintaining the same with the same period in 2021, after considering such factors as the Company's profitability, cash flow, future capital requirements and dividend payout in the industry etc.

Looking ahead towards 2023, the Company is optimistic that business disruptions due to the COVID-19 pandemic are in the past. The Chinese automobile industry is poised for growth, with NEVs projected to comprise a significant portion of the market, and the Company has positioned itself well to provide relevant content and marketing solutions for consumers. In 2023, the Company is optimistic that PConline can continue to explore new opportunities and partners in the burgeoning "smart home" segment and furthering cooperation with PChouse to strengthen brand impact and content innovation.

APPRECIATION

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

Lam Wai Yan
Chairman

Hong Kong, 27 March 2023

REVENUE

Revenue decreased 4.5% from RMB852.2 million for the year ended 31 December 2021 to RMB813.7 million for the year ended 31 December 2022.

Revenue for PCauto, the Group's automobile portal, decreased 4.6% from RMB716.9 million for the year ended 31 December 2021 to RMB683.7 million during the year ended 31 December 2022. The decrease in revenue for PCauto was due to decreased advertising spending from automobile manufacturers mainly because of the impact of stock shortages and the COVID-19 during the year. As a percentage of revenue, PCauto accounted for 84.1% during the year ended 31 December 2021 and 84.0% during the year ended 31 December 2022.

Revenue for PConline, the Group's IT and consumer electronics portal, increased 6.8% from RMB91.7 million during the year ended 31 December 2021 to RMB98.0 million during the year ended 31 December 2022. The increase was due to increase in demand from consumer electronics manufacturers. As a percentage of revenue, PConline accounted for 10.8% during the year ended 31 December 2021 and 12.1% during the year ended 31 December 2022.

Revenue from other operations, including PClady, PCbaby and PChouse portals, decreased by 26.5% from RMB43.5 million during the year ended 31 December 2021 to RMB32.0 million during the year ended 31 December 2022. The decrease was mainly due to the decrease in general consumption from these sectors. As a percentage of revenue, revenue from other operations accounted for 5.1% during the year ended 31 December 2021 and 3.9% during the year ended 31 December 2022.

COST OF REVENUE

Cost of revenue increased 6.6% from RMB452.8 million during the year ended 31 December 2021 to RMB482.6 million during the year ended 31 December 2022. Gross profit margin was 46.9% during the year ended 31 December 2021 and 40.7% during the year ended 31 December 2022. The increase in cost of revenue was mainly due to increase in outsourcing production costs and staff costs offsetting decrease in services commission to advertising agencies. Outsourcing production costs increased as greater competition led to an increase in activity demands from clients and the need for our company to absorb additional costs.

SELLING AND MARKETING COSTS

Selling and marketing costs decreased 10.1% from RMB210.5 million during the year ended 31 December 2021 to RMB189.2 million during the year ended 31 December 2022. The decrease in selling and marketing expenses was mainly due to the decrease in advertising expenses and employee benefit expenses.

ADMINISTRATIVE EXPENSES

Administrative expenses decreased by 18.2% from RMB78.8 million during the year ended 31 December 2021 to RMB64.5 million during the year ended 31 December 2022, mainly due to decrease in staff costs and general office expenses during the year ended 31 December 2022.

NET IMPAIRMENT LOSSES ON TRADE AND OTHER RECEIVABLES

Net impairment losses on trade and other receivables decreased by 62.3% from RMB45.0 million during the year ended 31 December 2021 to RMB16.9 million during the year ended 31 December 2022. The decrease in net impairment losses was mainly due to collection of some long aging receivables during the year.

PRODUCT DEVELOPMENT EXPENSES

Product development expenses decreased by 2.4% from RMB66.7 million during the year ended 31 December 2021 to RMB65.1 million during the year ended 31 December 2022. The majority of expenses was personnel-related expenses in the Group's research and development team.

OTHER INCOME

Other income was RMB15.6 million during the year ended 31 December 2022 and RMB11.3 million during the year ended 31 December 2021. The increase was mainly due to increase in government grants and more subsidies and tax rebates.

FINANCE INCOME AND COST

Net finance income increased 88.7% from RMB6.9 million during the year ended 31 December 2021 to RMB13.0 million during the year ended 31 December 2022. The increase was mainly due to increase in net foreign exchange gain and bank interest income during the year.

OTHER LOSSES/GAINS

Other losses was RMB26.9 million during the year ended 31 December 2022 and it was the fair value loss of a passive equity investment in a fund, whereas other gains was RMB36.7 million, and redemption of investment fund was RMB31.9 during the year ended 31 December 2021.

INCOME TAX EXPENSE

Income tax expenses increased 188.5% from RMB1.4 million during the year ended 31 December 2021 to RMB4.0 million during the year ended 31 December 2022.

NET LOSS/PROFIT ATTRIBUTABLE TO EQUITY HOLDERS

Net loss attributable to equity holders was RMB6.7 million during the year ended 31 December 2022 and net profit attributable to equity holders was RMB49.9 million during the year ended 31 December 2021.

LIQUIDITY AND FINANCIAL RESOURCES

As of 31 December 2022, the Group had short-term deposits and cash totaling RMB400.0 million, compared with RMB481.8 million as of 31 December 2021. In 2022, net cash generated from operating activities was RMB21.7 million, net cash generated from investing activities was RMB97.1 million, net cash used in financing activities was RMB113.9 million, with a net increase in cash and cash equivalents of RMB4.9 million for year 2022. In 2021, net cash generated from operating activities was RMB129.6 million, net cash generated from investing activities was RMB61.8 million, net cash used in financing activities was RMB157.9 million, with a net increase in cash and cash equivalents of RMB33.5 million for year 2021. The Company had no external debt as of 31 December 2021 and 31 December 2022.

BANK BORROWINGS

As of both 31 December 2022 and 31 December 2021, the Group did not have any bank borrowings and therefore, its gearing ratio, representing the ratio of total bank borrowings to shareholders' equity, was nil for both years.

MATERIAL ACQUISITIONS AND DISPOSALS

During the year ended 31 December 2022, the Group had no material acquisitions or disposals of subsidiaries and associates.

CHARGES ON ASSETS

As at 31 December 2022, the Group had no bank deposits or other assets pledged to secure its banking facilities.

FOREIGN EXCHANGE RISK

The Group's operating activities were principally carried out in China with most of its transactions denominated and settled in Renminbi, and therefore the overall foreign currency risk was not considered to be significant.

DIRECTORS’ AND SENIOR MANAGEMENT’S PROFILES

EXECUTIVE DIRECTORS

Dr. Lam Wai Yan (“Dr. Lam”), aged 71, is an executive director, the Chairman of the Board and of the nomination committee and the Chief Executive Officer of the Company, a director of certain subsidiaries of the Company and a substantial shareholder of the Company. Dr. Lam obtained a bachelor’s degree in Science from the University of Texas at EL PASO in 1975 and a doctor’s degree in Professional Studies from Middlesex University in 2014. He has extensive local and overseas general management experience and has more than 20 years of experience in IT industry. He had been a vice president and director of Dean Witter Reynolds Inc. from 1979 to 1989 and a director of CLSA Limited (formerly known as “Credit Lyonnais Securities (Asia) Limited”) from 1990 to 1991. Dr. Lam co-founded the Group and has played a key role in developing the businesses of the Group since 1997 and led the Group to become one of the leading specialized content portal in China.

Mr. Ho Kam Wah (“Mr. Ho”), aged 70, is an executive director of the Company and a director of certain subsidiaries of the Company. He is also a director and the controlling shareholder of Treasure Field Holdings Limited, a substantial shareholder of the Company. Mr. Ho obtained a bachelor’s degree in Science from Illinois State University in 1976. He is principally involved in strategic planning and assisting in overall management and business development of the Group. Mr. Ho co-founded the Group and has played a major role in developing the businesses of the Group since 1997 and has an extensive management experience over 20 years in IT industry.

Mr. Wang Ta-Hsing (“Mr. Wang”), (alias: Wang Jeff Da-Shin), aged 48, is an executive director of the Company and a director of certain subsidiaries of the Company. He joined the Group in 2005. Mr. Wang obtained a bachelor’s degree in Science from the University of California, Berkeley in 1998 and a master’s degree in Business Administration from Columbia University in 2004. Mr. Wang is responsible for financing and accounting management of the Group.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Tsui Yiu Wa, Alec ("Mr. Tsui"), aged 73, is an independent non-executive director, the chairman of both the audit committee and remuneration committee and a member of the nomination committee of the Company. He joined the Group in November 2007. Mr. Tsui obtained a bachelor's degree in Science (Industrial Engineering) and a master's degree in Engineering (Industrial Engineering) from the University of Tennessee, Knoxville in 1975 and 1976, respectively. He attended the Programme for Senior Managers in Government at the John F. Kennedy School of Government, Harvard University in 1993. He has been a member of the Hong Kong Securities and Investment Institute (formerly known as "Hong Kong Securities Institute") since 1998. Mr. Tsui has over 30 years' extensive experience in finance and administration, corporate and strategic planning, information technology and human resources management, having served at various international companies. He held key positions at the Securities and Futures Commission of Hong Kong prior to joining the Hong Kong Stock Exchange in 1994 as an executive director of the finance and operations services division and becoming the chief executive in 1997. He was also the chairman of the Hong Kong Securities and Investment Institute from 2001 to 2004. He was an adviser and a council member of the Shenzhen Stock Exchange from July 2001 to June 2002.

Mr. Tsui was an independent non-executive director of DTXS Silk Road Investment Holdings Company Limited (a company listed on the Stock Exchange) and Melco Resorts and Entertainment (Philippines) Corporation (a company listed on Philippine Stock Exchange). Mr. Tsui acts as an independent non-executive director of the following listed companies:

Name of listed companies
COSCO SHIPPING International (Hong Kong) Co., Ltd.
ATA Creativity Global
Melco Resorts & Entertainment Limited
Hua Medicine
Brii Biosciences Limited

DIRECTORS' AND SENIOR MANAGEMENT'S PROFILES

Mr. Thaddeus Thomas Beczak ("Mr. Beczak"), aged 72, is an independent non-executive director and a member of the audit committee, remuneration committee and nomination committee of the Company. He joined the Group in November 2007. Mr. Beczak graduated from Georgetown University (B.S.F.S.) and Columbia University (M.B.A.). He is a member of the board of advisers of the School of Foreign Service at Georgetown University.

Mr. Beczak was previously the vice chairman of China Renaissance Holdings Limited and chairman of China Renaissance Securities (Hong Kong) Limited until June 2014. Mr. Beczak was a senior advisor to Nomura International (Hong Kong) Limited and non-executive chairman of Nomura Asia Holding N.V. From September 1997 until December 2003, Mr. Beczak was a director of Kerry Holdings Limited. During this time he also held various board and operating positions within the group including deputy chairman of SCMP Holdings Limited and publisher of South China Morning Post Publishers Limited, deputy chairman of Shangri-La Asia Limited, deputy chairman of Kuok Philippines Properties (now known as "Shang Properties, Inc."), a director of China World Trade Center Limited and a director of Kerry Properties Limited. From November 1997 until December 2002, Mr. Beczak was the chairman of the Listing Committee of Hong Kong Stock Exchange and a member of board of directors of the Hong Kong Stock Exchange from 1998 until 2001. From June 2001 until May 2007, he was a member of the Advisory Committee of the Securities and Futures Commission in Hong Kong. Currently, he is a member of the international advisory committee of the China Securities Regulatory Commission (CSRC). Prior to joining the Kerry group, Mr. Beczak was a managing director of J.P. Morgan Inc. and president of J.P. Morgan Inc. and president of J.P. Morgan Securities Asia from 1990 until 1997. While at J.P. Morgan, Hong Kong, he was a director of the Bank of the Philippine Islands and a committee member of the Hong Kong Association of Banks.

Mr. Beczak was an independent non-executive director of Singapore Exchange Limited (a company listed on the Singapore Stock Exchange). Currently, Mr. Beczak is acting as non-executive director of a number of non-listed companies, including Arnhold Holdings Limited. Mr. Beczak also acts as an independent non-executive director of Phoenix Media Investment (Holdings) Limited (a listed company on the Stock Exchange) and Morgan Stanley Huaxin Asset Management Limited.

Mr. Lam Wai Hon, Ambrose ("**Mr. Lam**"), aged 69, is an independent non-executive director and a member of the audit committee and remuneration committee of the Company. He joined the Group in October 2018.

Mr. Lam is a fellow member of the Institute of Chartered Accountants in England and Wales and an associate member of the Hong Kong Institute of Certified Public Accountants. He holds a Bachelor of Arts (Honours) degree in Economics & Accounting from University of Newcastle Upon Tyne in England. Mr. Lam has over 40 years of experience in professional accounting, merchant and investment banking, and financial services and has served in senior management roles in a number of major international banking and financial institutions.

Mr. Lam is currently an independent non-executive director of Far East Consortium International Limited (Stock Code: 035) and Playmates Toys Limited (Stock Code: 0869), which are listed on the Stock Exchange. Mr. Lam served as an independent non-executive director of China Agri-Industries Holdings Limited (Stock Code: 0606) between January 2007 and June 2020, following the voluntary withdrawal of listing of its shares on the Stock Exchange. Between June 2013 and January 2022, Mr. Lam served as an independent non-executive director of Genting Hong Kong Limited (Stock Code: 0678) which shares are listed on the Stock Exchange.

SENIOR MANAGEMENT

Ms. Zhang Cong Min ("Ms. Zhang"), aged 55, is the Chief Operating Officer of the Company and a director of certain subsidiaries of the Company. Ms. Zhang had been an executive director of the Company from August 2007 to December 2018. Ms. Zhang graduated EMBA programme from China Europe International Business School (中歐國際工商學院) in 2011 and obtained a bachelor's degree in Chemical Analysis from the University of Science and Technology of China (中國科學技術大學) in 1991. Ms. Zhang joined the Group in January 2003. Prior to joining the Group, Ms. Zhang worked as a marketing manager and assistant general manager of Guangdong Pacific Electronic Technology Mall Co., Ltd. (廣東太平洋電子科技廣場有限公司). Ms. Zhang has over 20 years of experience in operation management and IT industry. She has held various management positions in the Group.

Ms. Fan Zeng Chun ("Ms. Fan"), aged 52, is the vice president responsible for finance of the PRC operations in the Group. She joined the Group in 2003. Prior to joining the Group, Ms. Fan worked as a senior accounting manager at Guangdong Pacific Electronic Technology Mall Co., Ltd. (廣東太平洋電子科技廣場有限公司). Ms. Fan is a qualified accountant (enterprise) and certified internal auditor. Ms. Fan graduated from the Zhejiang Zhijin Economic Professional School (浙江冶金經濟專科學校) with a Certificate of Industrial Economics (經濟系工業經濟專業專科).

Mr. Shen Li ("Mr. Shen"), aged 44, is the senior vice president of the Group responsible for the operation and management of PCauto. He joined the Group in 2008. Mr. Shen graduated from the Department of Automatic Control of South China University of Technology in 2000 with a bachelor's degree and graduated from the School of Business of Sun Yat-sen University with a master's degree in 2006. Mr. Shen is a member of the Chinese People's Political Consultative Conference in Tianhe District, Guangzhou, and has won honors such as Industrial Development and Innovation Talent in Guangzhou and Outstanding Talent of Tianhe District, Guangzhou. Mr. Shen has held various management positions in the Group in R&D, content and marketing.

Mr. Ye Jian Feng ("Mr. Ye"), aged 41, is the vice president of the Group responsible for the operation and management of the sales center of PCauto. He joined the Group in 2006. Mr. Ye graduated from Jinan University with a bachelor's degree in 2005, and graduated from the chief marketing officer (CMO) class of Sun Yat-Sen University in 2018. Mr. Ye has over 15 years of experience in network marketing.

Mr. Wong Huk Yung, Hudson ("Mr. Wong"), aged 57, is the company secretary and financial controller of the Group and joined the Group in 2005. He is a member of the Hong Kong Institute of Certified Public Accountants. Prior to joining the Group, Mr. Wong was a qualified accountant working for international accounting firms and a Hong Kong listed company. He obtained a bachelor's degree in Economics and Accounting from University of Reading.

CORPORATE GOVERNANCE REPORT

The Board presents this Corporate Governance Report in the Company's annual report for the year ended 31 December 2022.

CORPORATE GOVERNANCE PRACTICES

The Company acknowledges the important roles of its Board in providing effective leadership and direction to the Group's business, and ensuring transparency and accountability of the Company's operations. The Board sets appropriate policies and implements corporate governance practices appropriate to the conduct and growth of the Group's business.

The Company has applied the principles set out in the Corporate Governance Code (the "CG Code") as contained in Appendix 14 of the Rules (the "Listing Rules") Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

In the opinion of the Board, the Company has complied with the code provisions set out in the CG Code throughout the year ended 31 December 2022, save for the deviation from the code provision C.2.1 which requires that the roles of chairman and chief executive should be separate and should not be performed by the same individual. Key corporate governance principles and practices of the Company as well as details relating to the foregoing deviation are summarized below.

The Board will continue to enhance its corporate governance practices appropriate to the conduct and growth of its business and to review such practices from time to time to ensure that they comply with statutory and professional standards and align with the latest development.

THE BOARD

Responsibilities and Delegation

The Board is responsible for overall management and control of the Company. Its main roles are to provide leadership and to approve strategic policies and plans with a view to enhancing shareholder value. All directors carry out their duties in good faith and in compliance with applicable laws and regulations, taking decisions objectively and acting in the interests of the Company and its shareholders at all times.

The Board reserves for its decision on all major matters of the Company, including approval and monitoring of all policy matters, overall strategies and budgets, internal control and risk management systems, material transactions (in particular those that may involve conflict of interests), financial information, appointment of directors and other significant financial and operational matters.

The Board has delegated a schedule of responsibilities to the executive directors and senior management of the Company. These responsibilities include implementing decisions of the Board and directing and co-ordinating day-to-day operation and management of the Company.

The delegated functions and responsibilities are periodically reviewed by the Board. Approval has to be obtained from the Board prior to any significant transactions entered into by the aforesaid officers.

Board Composition

The following chart illustrated the structure and membership of the Board and the Board committees as at 31 December 2022:

Board of Directors

Executive Directors

Dr. Lam Wai Yan *(Chairman of the Board 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

Executive Committee

Dr. Lam Wai Yan *(Chairman)*
Mr. Ho Kam Wah
Mr. Wang Ta-Hsing

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

The Board has at all times during the year ended 31 December 2022 met the requirements of the Listing Rules of having at least three independent non-executive directors (representing at least one-third of the Board) with at least one independent non-executive director possessing appropriate professional qualifications and accounting and related financial management expertise.

The Board has maintained the necessary balance of skills and experience appropriate for the business requirements and objectives of the Group and for the exercise of independent judgement.

The biographical details of the directors of the Company are set out under the section headed "Directors' and Senior Management's Profiles" in this annual report. None of the members of the Board is related to one another.

The Company has received written annual confirmation from each independent non-executive director of his independence pursuant to the requirements of the Listing Rules. The Company considers all independent non-executive directors to be independent in accordance with the independence guidelines set out in the Listing Rules.

The Company has implementable and effective mechanisms to ensure independent views and input are available to the Board, with the following key features: (i) all directors have timely access to all relevant information as well as the advice and services of the Company Secretary and senior management and any director may request independent professional advice in appropriate circumstances at the Company's expenses, upon reasonable request made to the Board; (ii) the Nomination Committee is established with clear terms of reference to identify suitable candidates, including independent non-executive directors, for appointment as directors; and (iii) the Nomination Committee will assess annually the independence of all independent non-executive directors. During the year ended 31 December 2022, the Board has reviewed the board independence mechanisms and considered that the implementation of the mechanisms was effective.

Chairman and Chief Executive Officer

Code provision C.2.1 of the CG Code stipulates that the roles of chairman and chief executive should be separate and should not be performed by the same individual.

Dr. Lam Wai Yan currently assumes the role of both the Chairman and the Chief Executive Officer of the Company. As Dr. Lam is a co-founder of the Group and has extensive experiences in the internet industry, the Board believes that this structure provides the Group with strong and consistent leadership and allows for more effective and efficient business planning and decisions as well as execution of long-term business strategies. As such, it is beneficial to the business prospects of the Group.

The Board considers that the current structure of vesting the roles of Chairman and Chief Executive Officer in the same person will not impair the balance of power and authority between the Board and the management of the Company. The Board shall review this structure from time to time to ensure appropriate and timely action to meet changing circumstances.

Appointment, Re-Election and Removal of Directors

Each of the executive directors of the Company is engaged on a service agreement with the Company for a term of three years. The Company has also issued a letter of appointment to each of the independent non-executive directors of the Company for a term of three years.

According to the Company's Articles of Association (the "Articles of Association"), all directors of the Company are subject to retirement by rotation at least once every three years and are eligible for re-election at annual general meetings of the Company. Any new director appointed by the Board to fill a casual vacancy or as an addition to the Board shall submit himself/herself for re-election by shareholders at the first annual general meeting of the Company after his/her appointment.

Pursuant to the above provisions in the Articles of Association, Dr. Lam Wai Yan and Mr. Thaddeus Thomas Beczak shall retire by rotation at the forthcoming 2023 annual general meeting of the Company (the "2023 AGM"). The Company's circular, sent together with this annual report, contains detailed information of such retiring directors as required by the Listing Rules.

Training and Continuous Professional Development of Directors

Each newly appointed director of the Company receives induction on the first occasion of his/her appointment, so as to ensure he/she has appropriate understanding of the business and operations of the Group and that he/she is fully aware of his/her responsibilities and obligations under the Listing Rules and relevant regulatory requirements.

Directors should participate in appropriate continuous professional development to develop and refresh their knowledge and skills to ensure that their contribution to the Board remains informed and relevant. Internally-facilitated briefings for directors will be arranged and reading materials on relevant topics will be issued to directors where appropriate. All directors are encouraged to attend relevant training courses at the Company's expenses.

During the year ended 31 December 2022, the Company has (i) organized briefings conducted by the Company Secretary for all the directors, namely, Dr. Lam Wai Yan, Mr. Ho Kam Wah, Mr. Wang Ta-Hsing, Mr. Tsui Yiu Wa, Alec, Mr. Thaddeus Thomas Beczak and Mr. Lam Wai Hon, Ambrose, on corporate governance and update on the Listing Rules amendments; and (ii) provided reading materials on regulatory update to all the directors for their reference and studying.

Model Code for Securities Transactions

The Company has adopted its own code of conduct governing directors' dealings in the Company's securities (the "Own Code") on terms no less exacting than the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules. Specific enquiry has been made to all the Company's directors and they have confirmed that they have complied with the Own Code and the Model Code throughout the period from 1 January 2022 to the date of this report.

The Company has also established written guidelines no less exacting than the Model Code (the "Employees Written Guidelines") for securities transactions by employees who are likely to possess inside information of the Company and/or its securities. No incident of non-compliance of the Employees Written Guidelines by the employees was noted by the Company.

In case the Company is aware of any restricted period for dealings in the Company's securities, the Company will notify its directors and relevant employees in advance.

Attendance Records of Directors and Committee Members

The attendance records of each director at the Board and Board Committee meetings and the general meeting of the Company held during the year ended 31 December 2022 is set out in the table below:

	Attendance/Number of Meetings				
Name of Director	Board	Audit Committee	Remuneration Committee	Nomination Committee	Annual General Meeting
Dr. Lam Wai Yan	4/4	—	—	1/1	1/1
Mr. Ho Kam Wah	4/4	—	—	—	1/1
Mr. Wang Ta-Hsing	3/4	—	—	—	0/1
Mr. Tsui Yiu Wa, Alec	4/4	2/2	1/1	1/1	1/1
Mr. Thaddeus Thomas Beczak	4/4	2/2	1/1	1/1	1/1
Mr. Lam Wai Hon, Ambrose	4/4	2/2	1/1	—	1/1

Apart from regular Board meetings, the Chairman of the Board also held a meeting with the independent non-executive directors without the presence of executive directors during the year.

BOARD COMMITTEES AND CORPORATE GOVERNANCE FUNCTIONS

The Board has established four Board committees, namely, the Executive Committee, the Audit Committee, the Remuneration Committee and the Nomination Committee, for overseeing particular aspects of the Company's affairs. All Board committees have been established with defined written terms of reference, which are posted on the Company's website (http://corp.pconline.com.cn) and on the Stock Exchange's website (www.hkexnews.hk) (except for the written terms of reference of the Executive Committee which is available to shareholders upon request). All the Board committees should report to the Board on their decisions or recommendations made.

Executive Committee

The Executive Committee comprises all the executive directors of the Company with the Chairman of the Board, Dr. Lam Wai Yan, acting as the Chairman of the Committee. The Executive Committee operates as a general management committee under the direct authority of the Board to increase the efficiency for the business decision. It monitors the execution of the Company's strategic plans and operations of all business units of the Group and discusses and makes decisions on matters relating to the management and day-to-day operations of the Group.

Audit Committee

The Audit Committee comprises a total of three members, namely, Mr. Tsui Yiu Wa, Alec (Chairman), Mr. Thaddeus Thomas Beczak and Mr. Lam Wai Hon, Ambrose, all of whom are independent non-executive directors of the Company. None of the members of the Audit Committee is a former partner of the Company's existing external auditor.

The principal duties of the Audit Committee are to (i) review the financial statements and reports and consider any significant or unusual items raised by the financial officers of the Group or external auditor before submission to the Board; (ii) review and monitor the external auditor's independence and objectivity and the effectiveness of the audit process; (iii) make recommendations to the Board on the appointment, re-appointment and removal of external auditor; and (iv) review the Company's financial controls, internal control, risk management systems and associated procedures and arrangements to enable employees of the Company to raise, in confidence, concerns about possible improprieties in financial reporting, internal control or other matters of the Company.

During the year ended 31 December 2022, the Audit Committee has performed the following major tasks:

— Review and discussion of the annual financial statements, results announcement and report for the year ended 31 December 2021, the related accounting principles and practices adopted by the Group and the relevant audit findings; the report on the Company's risk management and internal control systems; the recommendation on the re-appointment of the external auditor; and the recommendation on the review of the internal audit function; and

— Review and discussion of the interim financial statements, results announcement and report for the six months ended 30 June 2022 and the related accounting principles and practices adopted by the Group; and the review of the arrangements for employees of the Company to raise concerns about possible improprieties.

The external auditor was invited to attend the Audit Committee meetings held during the year to discuss with the Audit Committee members on issues arising from the audit and financial reporting matters. The Audit Committee also met the external auditor twice without the presence of the executive directors. Besides, there is no disagreement between the Board and the Audit Committee regarding the re-appointment of external auditor.

Remuneration Committee

The Remuneration Committee comprises a total of three members, namely, Mr. Tsui Yiu Wa, Alec (Chairman), Mr. Thaddeus Thomas Beczak and Mr. Lam Wai Hon, Ambrose, all of whom are independent non-executive directors of the Company.

The principal duties of the Remuneration Committee are to (i) make recommendations to the Board on the Company's remuneration policy and structure for directors and members of senior management and the establishment of a formal and transparent procedure for developing such remuneration policy and structure; (ii) make recommendations on the remuneration packages of directors and senior management (i.e. the model described in the code provision E.1.2(c)(ii) of the CG Code was adopted); and (iii) review and approve performance-based remuneration by reference to corporate goals and objectives.

During the year ended 31 December 2022, the Remuneration Committee has reviewed and made recommendations on the payment of discretionary bonus to the executive directors of the Company and remuneration package of the directors and senior management of the Company.

Pursuant to code provision E.1.5 of the CG Code, the annual remuneration of the members of senior management by band for the year ended 31 December 2022 is set out below:

	Number of individuals
Emolument bands	
HKD0 to HKD2,000,000	2
HKD2,000,001 to HKD4,000,000	3
	5

Details of the remuneration of each director of the Company for the year ended 31 December 2022 are set out in note 7 to the consolidated financial statements contained in this annual report.

Nomination Committee

The Nomination Committee comprises a total of three members, being one executive director, namely, Dr. Lam Wai Yan (Chairman), and two independent non-executive directors, namely, Mr. Tsui Yiu Wa, Alec and Mr. Thaddeus Thomas Beczak. Accordingly, a majority of the members are independent non-executive directors of the Company.

The principal duties of the Nomination Committee are to (i) review the Board composition, develop and formulate relevant procedures for the nomination and appointment of directors; (ii) make recommendations to the Board on the rotation, appointment and succession planning of directors; and (iii) assess the independence of independent non-executive directors of the Company.

Board Diversity Policy

The Company recognises and embraces the benefits of having a diverse Board and sees increasing diversity at the Board level as an essential element in maintaining the Company's competitive advantage. The Company has adopted the Board Diversity Policy, pursuant to which the Nomination Committee will review annually the structure, size and composition of the Board and where appropriate, make recommendations on changes to the Board to complement the Company's corporate strategy and to ensure that the Board maintains a balanced diverse profile. In relation to reviewing and assessing the Board composition, the Nomination Committee is committed to diversity at all levels and will consider a number of aspects, including but not limited to gender, age, cultural and educational background, professional qualifications, skills, knowledge and regional and industry experience.

The Company aims to maintain an appropriate balance of diversity perspectives that are relevant to the Company's business growth and is also committed to ensuring that recruitment and selection practices at all levels (from the Board downwards) are appropriately structured so that a diverse range of candidates are considered. The Board will consider setting measurable objectives to implement the Board Diversity Policy and review such objectives from time to time to ensure their appropriateness and ascertain the progress made towards achieving those objectives.

As of the date of this annual report, 2 of 5 of the Company's senior management are female. As of 31 December 2022, the Group achieved a gender-balanced workforce with a male-to-female ratio is approximately 1:1. Under the Board Diversity Policy, the Company aims to appoint at least one female director. The Board is committed to improving the diversity of the Board and will achieve the above objectives by 31 December 2024. Besides, the Group will continue to take opportunities to increase the proportion of female board members and workforce over time as and when suitable candidates are identified. Further details on the gender ratio of the Group's workforce together with relevant data can be found in the Environmental, Social and Governance Report of the Company.

The Board and the Nomination Committee have reviewed the implementation and effectiveness of the Board Diversity Policy and considered it to be effective for the year ended 31 December 2022.

Director Nomination Policy

The Company has adopted the Director Nomination Policy. Such policy sets out the selection criteria and process and the Board succession planning considerations in relation to nomination and appointment of directors of the Company and aims to ensure that the Board has a balance of skills, experience and diversity of perspectives appropriate to the Company and the continuity of the Board and appropriate leadership at Board level.

The Director Nomination Policy sets out the factors for assessing the suitability and the potential contribution to the Board of a proposed candidate, including but not limited to the following: character and integrity; qualifications including professional qualifications, skills, knowledge and experience that are relevant to the Company's business and corporate strategy; diversity in all aspects, including but not limited to gender, age (18 years or above), cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service; requirements of independent non-executive directors on the Board and independence of the proposed Independent Non-executive Directors in accordance with the Listing Rules; and commitment in respect of available time and relevant interest to discharge duties as a member of the Board and/or Board committee(s) of the Company.

During the year ended 31 December 2022, the Nomination Committee has performed the following major tasks:

— Review of the structure, size and composition of the Board to ensure that it has a balance of expertise, skills and experience appropriate to the requirements of the business of the Company;

— Recommendation of the re-appointment of those directors standing for re-election at the 2022 annual general meeting of the Company; and

— Assessment of the independence of the independent non-executive directors of the Company.

Corporate Governance Functions

The Board is responsible for performing the functions set out in the code provision A.2.1 of the CG Code.

During the year ended 31 December 2022, the Board has reviewed the Company's corporate governance policies and practices, training and continuous professional development of directors and senior management, the Company's policies and practices on compliance with legal and regulatory requirements, the Company's compliance of the Model Code and Employees Written Guidelines, and the Company's compliance with the CG Code and disclosure in this Corporate Governance Report.

DIRECTORS' RESPONSIBILITIES FOR FINANCIAL REPORTING IN RESPECT OF THE FINANCIAL STATEMENTS

The directors have acknowledged their responsibilities for preparing the financial statements of the Company for the year ended 31 December 2022.

The Board is responsible for presenting a balanced, clear and understandable assessment of interim and annual reports, inside information announcements and other disclosures required under the Listing Rules and other regulatory requirements. The management has provided such explanation and information to the Board as necessary to enable the Board to make an informed assessment of the financial information and position of the Group put forward to the Board for approval.

There are no material uncertainties relating to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern.

RISK MANAGEMENT AND INTERNAL CONTROLS

The Board is committed to complying with legal and regulatory requirements in relation to governance, risk management and internal control of operations of the Group. The Board acknowledges that it has overall responsibility for evaluating and determining the nature and extent of the risks it is willing to take to achieve the Company's strategic objectives, as well as establishing and maintaining an appropriate and effective risk management and internal control system.

The risk management and internal control system in place is largely top-down, involving the Board, the Audit Committee, the management and key business units head, all of them play important roles in the system to ensure that risks are properly managed. The system is designed to provide reasonable but not absolute assurance against material misstatement or loss, and to manage rather than eliminate risk of failure to meet the business objectives.

The Company identifies risks from a long-term perspective, as well as those on medium and short-term horizons. Regular reviews of the internet service industry were conducted to facilitate management and Board's decision making. Research on laws, regulations and industrial standards was also conducted to enable the Company to anticipate potential changes and to consult with relevant experts as necessary.

In setting up the risk management and internal control system, the Company's objectives are as follows:

- Identify risks that may potentially impact the Company's performance
- Introduce appropriate controls to manage identified risks
- Provide the Board and management of the Company with reasonable assurance that the Company's business objectives are achieved.

The Board, supported by the Audit Committee as well as the management, has conducted a review of the Company's risk management and internal control systems, including the financial, operational and compliance controls, for the year ended 31 December 2022. The review covered financial, operational and compliance controls, as well as the adequacy of resources, staff qualifications and experiences, training programmes and budget of the Company's accounting, internal audit, financial reporting functions and the company's ESG performance and reporting. Since the last annual review, the company showed greater ability to respond to the changes in the nature and extent of significant risks arising from the business operation and external environment. The review was also supplemented by an external review performed by an independent advisory firm during the year. This review has been conducted based on risk parameters such as the probability and hazard of the risks, critical points that may trigger the risk control measures, and the prioritization of risk control, among others. Relevant information has been collected through the management during the assessment period to classify and analyse the risk drivers identified and to make reasonable judgement about the probability of the risks as well as the losses they may generate.

The approach used in the risk assessment and internal control review was as follows:

- Review existing documentation and conduct interviews with management and key process owners to identify and document key risk areas
- Identify, aggregate and analyse existing and emerging risks
- Identify and formulate mitigating actions for identified risks
- Perform testing procedures to evaluate the existence and effectiveness of internal controls in relation to processes
- Perform walkthrough tests to determine if the key controls were in place and effective for monitoring the processes, as well as to identify any control weaknesses

During the independent review, key issues in relation to financial, information technology, operational and legal compliance controls and risk management functions have been examined and findings and recommendations for improvement have been provided to the Audit Committee.

The Company has carried out improvement measures in accordance with the findings of the review during the year, and it is expected that ongoing review of the same nature will be conducted in subsequent years.

The Company has developed its disclosure policy which provides a general guide to the directors, officers, senior management and relevant employees of the Company in handling confidential information, monitoring information disclosure and responding to enquiries. Control procedures have been implemented to ensure that unauthorized access and use of inside information are strictly prohibited.

Overall, the management has confirmed to the Board that the Company's risk management and internal control systems are adequate and effective. Based on the review results, coupled with the management's confirmation, the Board is of the opinion that the Company's risk management and internal control systems are adequate and effective for the year under Review.

The Board would also like to draw the Shareholders' attention to the Chairman's statement and the paragraph headed "Basis for qualified opinion" in the Independent Auditor's Report concerning the cause of the issuance of a qualified opinion by the Company's auditor resulting from audit scope limitations regarding the Cryptocurrency Investments. The Board is of the view that the same was due to external circumstances that were beyond the control of the Group and was not related to any of the Group's internal control deficiencies.

EXTERNAL AUDITORS AND AUDITORS' REMUNERATION

The statement of the external auditors of the Company about their reporting responsibilities on the Company's consolidated financial statements for the year ended 31 December 2022 is set out under the section headed "Independent Auditor's Report" in this annual report.

The fees paid/payable to the Group's external auditors in respect of audit services and non-audit services for the year ended 31 December 2022 are analyzed below:

Type of services provided by the Group's external auditors	**Fees paid/payable** (RMB)
Audit services	3,670,000
Non-audit services*	324,000
TOTAL	3,994,000

* The non-audit services conducted by the external auditors include providing other professional services.

COMPANY SECRETARY

During the year ended 31 December 2022, Mr. Wong Huk Yung, Hudson, the Company Secretary, has taken no less than 15 hours of relevant professional trainings to update his skills and knowledge.

COMMUNICATIONS WITH SHAREHOLDERS AND INVESTORS

The Board believes that effective communication with shareholders is essential for enhancing investor relations and investors' understanding of the Group's business performance and strategies. The Group also recognizes the importance of transparency and timely disclosure of its corporate information, which enables shareholders and investors to make the best investment decision.

The Company maintains a website at "http://corp.pconline.com.cn", as a communication platform with shareholders and investors, where information of the Company's announcement, financial information and other information are available for public access. Shareholders and investors may send written enquiries or requests to the Company using the below contact details:

Address: Portion of Unit 807, Tower Two, Lippo Centre, 89 Queensway, Hong Kong
(For the attention of the Investor Relations Department)

Email: ir@pconline.com.cn

The Board welcomes views of shareholders and encourages them to attend general meetings to raise any concerns they might have with the Board or the management directly. The Chairman of the Board, independent non-executive directors as well as the Chairman and/or other members of the Audit Committee, Remuneration Committee and Nomination Committee will normally attend the annual general meetings and other shareholders' meetings of the Company to respond to enquiries.

The Company continues to enhance communication and relationship with its shareholders and investors. Designated senior management maintains regular dialogue with institutional investors and analysts to keep them informed of the Group's developments.

SHAREHOLDERS' RIGHTS

As one of the measures to safeguard shareholders' interests and rights, separate resolutions are proposed at shareholders' meetings on each substantial issue, including the election of individual directors, for shareholders' consideration and voting. Besides, the Company's shareholders may convene an extraordinary general meeting or put forward proposals at shareholders' meetings pursuant to the Company's Articles of Association as follows:

(i) Any one or more shareholders holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company shall at all times have the right, by written requisition to the Board or the Company Secretary of the Company, to require an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition.

(ii) If a shareholder wishes to propose a person other than a retiring director for election as a director of the Company at a general meeting, the shareholder (other than the person to be proposed) duly qualified to attend and vote at the general meeting shall send a written notice, duly signed by the shareholder, of his/her intention to propose such person for election and also a notice signed by the person to be proposed of his/her willingness to be elected. These notices should be lodged at the Company's head office in Hong Kong or the Company's registration office (i.e. Tricor Investor Services Limited) at least 7 days prior to the date of the general meeting. If the notices are submitted after the dispatch of the notice of the general meeting appointed for such election, the period for lodgement of such notices shall commence on the day after the dispatch of the notice of such general meeting and end no later than 7 days prior to the date of such general meeting.

For the avoidance of doubt, shareholders must deposit and send the original duly signed written requisition, notice or statement (as the case may be) to the Company's head office in Hong Kong and provide their full name, contact details and identification in order to give effect thereto. Shareholders' information may be disclosed as required by law.

All resolutions put forward at shareholders' meetings will be voted by poll pursuant to the Listing Rules and the poll voting results will be posted on the websites of the Stock Exchange and the Company immediately after the relevant general meetings.

During the year under review, the Company has amended and restated its Articles of Association on 30 May 2022. Details of the amendments are set out in the Company's circular dated 28 April 2022. An up-to-date version of the Company's Articles of Association is available on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (http://corp.pconline.com.cn).

POLICIES RELATING TO SHAREHOLDERS

The Company has in place a Shareholders' Communication Policy to ensure that shareholders' views and concerns are appropriately addressed. During the year ended 31 December 2022, the Company has reviewed the Shareholders' Communication Policy and considered that the policy was effectively implemented with the measures as disclosed under the paragraphs headed "Communications with Shareholders and Investors" and "Shareholders' Rights".

The Company has adopted a Dividend Policy on payment of dividends. Depending on the financial conditions of the Company and the Group and the conditions and factors as set out in the Dividend Policy, dividends may be proposed and/or declared by the Board during a financial year and any final dividend for a financial year will be subject to the shareholders' approval.

REPORTING STANDARD, PERIOD, SCOPE, AND PRINCIPLES

This report of Environmental, Social and Governance ("ESG") has been prepared in accordance with the Environmental, Social and Governance Reporting Guide ("ESG Reporting Guide") as set out in Appendix 27 to the Listing Rules issued by the Stock Exchange.

The ESG Report describes the Environmental, Social and Governance (the "ESG") progress made by the Company during the year ended 31 December 2022 (the "Reporting Period"). Pacific Online Limited ("the Company") and all its subsidiaries (collectively referred to as the "Group") employs a total of 900 employees, while the scope of the ESG Report covers business operation in offices located in Guangzhou, Beijing, Shanghai totaling 875 employees. The total employees referred in this ESG report are those within this reporting scope.

The Group adheres to the four fundamental reporting principles set out in the ESG Reporting Guide in the preparation of the ESG report. These reporting principles and the way the Group applies these in the ESG report is set out below:

Reporting Principles	How it is applied to this report
Materiality	The ESG Report covers the key environmental and social issues concerned by different stakeholders. These material environmental and social issues were identified through consideration by the Board, audit committee, discussion between the Board and management and engagement with different stakeholders. Identification process of substantive issues and the matrix of substantive issues along internal and external dimensions are disclose in this report, further details of which are set out in the "Stakeholder Engagement and Materiality Assessment" section.
Quantitative	Information on the standards, methodologies, assumptions and/or calculation used, and source of key emission and conversion factors used for both quantitative environmental and social KPIs are disclosed in the ESG Report. Details of these information are all explained in the notes section following relevant KPIs.
Balance	The ESG report provides an unbiased picture of Pacific Online performance during the Reporting Period. Information was disclosed in an objective manner, avoid unbiased selections, omissions, or presentation formats that may inappropriately influence the judgment made by readers.
Consistency	For the purpose of enhancing and maintaining the comparability of ESG performances over time, consistent reporting and calculation methodologies are applied by Pacific Online as far as practicable to allow for meaningful comparison. Any changes that could affect a meaningful comparison of the key performance indicators ("KPIs") have been disclosed accordingly.

The ESG Report was prepared in both Chinese and English, and in case of any discrepancy or inconsistency between the two versions, the English version shall prevail.

ABOUT THE GROUP

Pacific Online Limited was founded in 1997, committed to providing professional services for IT, automotive, fashion, and children's education industries and consumers in the People's Republic of China ("PRC").

The Group has five specialised websites, namely PConline (太平洋電腦網), PCauto (太平洋汽車網), PClady (太平洋時尚網), PCbaby (太平洋親子網) and PChouse (太平洋家居網), as well as an e-commerce portal and a media focus on new energy vehicle.

CONTACT INFORMATION

Should you have any queries or feedback on the Report, please contact us via the following methods:

a. **Address:** 115 Gaopu Road, Tianhe District, Guangzhou, China
b. **Tel:** (86-20) 38178288
c. **Email:** ir@pconline.com.cn
d. **Official website:** https://www.pconline.com.cn/

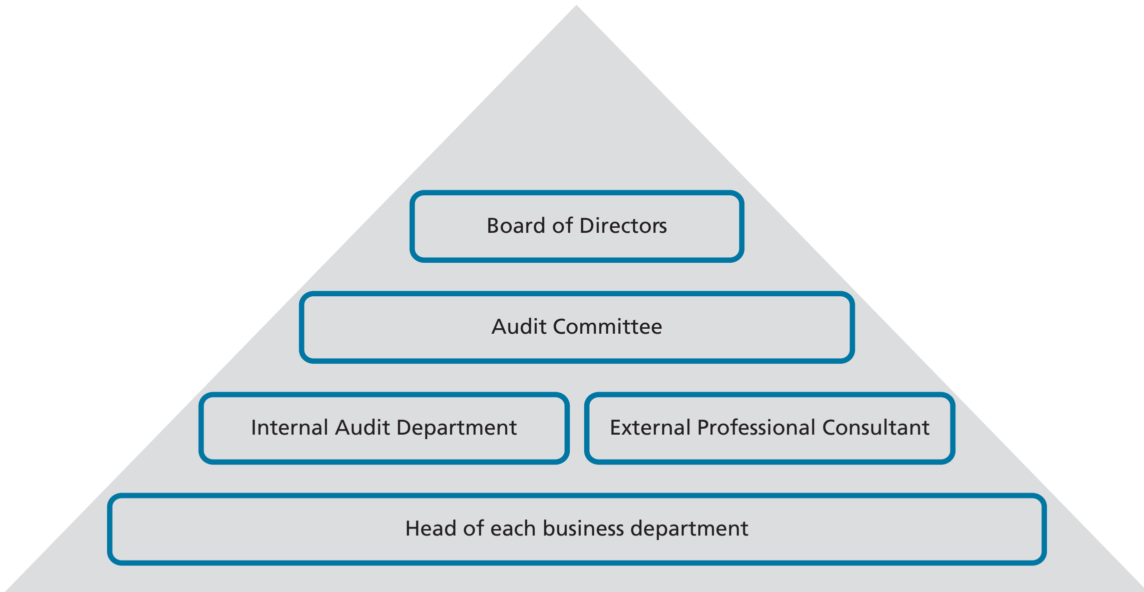
BOARD CONFIRMATION

The Board and the management have reviewed and endorsed the ESG materiality assessment and the ESG report in, and approval was obtained from the Board of Directors on 20 March 2023.

THE GROUP'S ESG PHILOSOPHY AND GOVERNANCE STRUCTURE

The Board recognizes the importance of ESG in meeting the changing expectations of stakeholders while enhancing the value and performance of the Group. Hence the Board, working together with the management, has committed to environmental protection by taking on the overall responsibility of assessing and identifying risks associated with ESG matters of the Group, and also engaging in a mission to promote the environmental and socially sustainable culture among all our employees to maintain long-term growth of the Group.

The Group's regulatory framework and functions on ESG matters are as follows:



Regulatory functions	Regulatory content
Board of Directors ("Board")	• Take overall responsibility for assessing the key ESG risks faced by the Group (such as supplier management, understanding the sustainable needs of society, etc., and other major ESG issues related to the Group). • Take overall responsibility for assessing and determining the nature and extent of risks, including ESG risks. The board is willing to make it the strategic objectives to establish and maintain appropriate and effective risk management and internal control systems.
Audit Committee	• Assist the Board to lead the management in overseeing the design, implementation and monitoring of risk management and internal control systems.
Internal Audit Department	• Provide recommendations to formulate or improve policies and procedures in addressing the major risks (including ESG risks in the business process). • Review regularly the adequacy and effectiveness of risk management and internal control systems and identify the risks raising from the business operation.

Regulatory functions	Regulatory content
External Professional Consultant	• Conduct annual independent reviews of risk management and internal control systems. • Ensure that the policy and procedures used to identify, assess and manage material ESG risks are designed and implemented properly.
Head of each business department	• Perform ongoing identification and assessment of risks that may potentially affect the Group's business and various aspects, including ESG risks that are exposed to the operations. • Report any identified risks to the management.

The Board identifies the Group's ESG risks through industry comparisons and stakeholder engagement, appointing an external professional consultant team to evaluate the risks and monitoring the latest regulatory requirements which include global economic risk, outflow of talent risk and customer information security, etc.

For the identified ESG risks, the Group mainly evaluates the materiality of the risks to the Group from the following aspects, including the likelihood of occurrence and degree of impact. We estimate the frequency of future occurrence and the degree of impact of the risks based on historical and current data and information: such as financial, compensation, fines, new revenue stream or new opportunity that may be brought by the ESG matter.

By using a top-down approach, we assimilate ESG concepts into our daily operations at the workplace through policies and guidelines, so that each of our employees become ambassador of the sustainability efforts, thus ensuring that the scope of the ESG covers the significant parts of our businesses. Our employees are responsible to comply with different ESG related policies, execute accordingly with the Group's ESG works and feedback to management on the applicability and potential improvements of ESG related decision. In order to ascertain that the decisions related to ESG matters can be better executed, the Group set up the ESG working group, responsible for the collection of data, disclosure of information, convey the Board's decision to the employees and notify the Board in a timely manner.

STAKEHOLDER ENGAGEMENT AND MATERIALITY ASSESSMENT

Stakeholder Engagement

The Group values its stakeholders and endeavours to understand and accommodate their views and interests relating to ESG through constructive communication and the fostering of strong relationships. The Group takes into account stakeholders' expectations in formulating ESG operational strategies and measures, while also strive to create greater value for our environment and community through the mutual cooperation and active engagement with various stakeholders.

The stakeholder groups, their expectations and their typical communication channels with the Group are shown below:

Types of Stakeholders	Focus	Typical communication channels	Response & Feedback
Online users/ customers	• Information quality and update frequency • Advertisement quality • Collection of users' information and information protection • Intellectual property rights	• Company tours • Collection of complaints and feedback • Online survey • Regular communication via email or telephone • User's experience programmes • Product testing, reviews and feature reports • Online chat rooms or forums • Financial reports, announcements and circulars and other documents of the Group released to the public	• Providing high quality information and advertisement • Setting up privacy policy and collecting the user's information lawfully • Protecting the intellectual property rights

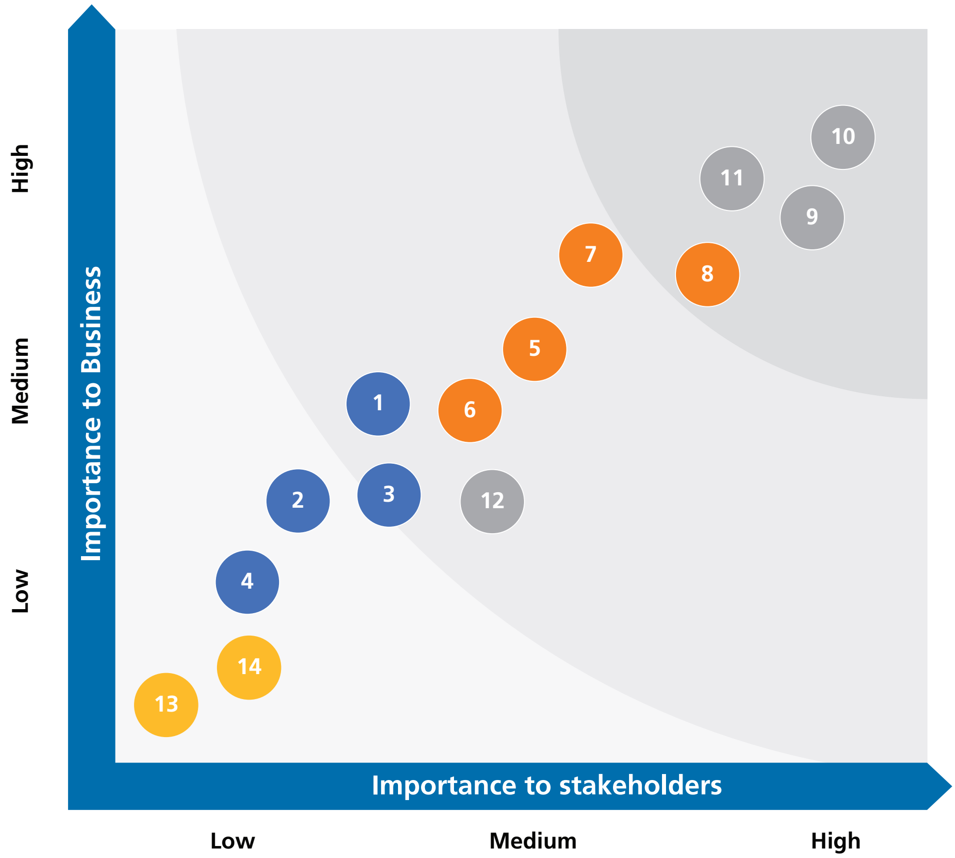
Types of Stakeholders	Focus	Typical communication channels	Response & Feedback
Suppliers	• Good and long-term business relationship • Fair and honest dealing • Information sharing	• Regular communication via email or telephone • Regular progress meetings or reports	• Honoring contractual obligations as agreed • Maintaining long-term collaboration with excellent suppliers • Timely payment
Shareholders and investors	• Continuous and stable investment returns • Timely information disclosure and transparency • Protect the rights and interests of shareholders • Corporate operation is complied with laws and regulations • Combat corruption and the upholding of integrity	• The annual reports, interim reports and announcements • General meetings • Roadshows/ telephone conferences/meet-and-greets • Media communication mechanism • Press conferences • Opinion monitoring • Consultation via telephone/email/ website • Investor visits	• Publishing AGM notices and resolutions according to regulations • Timely disclosing corporate information • Publishing public announcements and reports according to regulator's requirements • Responding to email/telephone inquiries and handling on-site visit from investors

Types of Stakeholders	Focus	Typical communication channels	Response & Feedback
Employees	• Training, career development and stay competitive • Salary and welfare • Working environment • Health and safety protection • Innovation and opportunities • Intellectual property rights	• Collection of feedback, through emails and face-to-face meetings • Performance appraisal • Mentoring by direct supervisor • Employee notice boards • Training, seminars and workshops	• Providing a healthy and safe work environment • Establishing a fair and Transparent performance appraisal mechanism for promotion • Organizing employee activities and team- building exercises
Local communities, non- government organizations and the general public	• Employment opportunities • Ecological environment protection and reduce emissions • Community development • Enthusiasm towards public welfare and charitable donations	• Charitable activities • Community investment and service • Environmental protection activities • Sponsorships and donations	• Strictly complying with laws and regulations • Enhancing safety management • Actively assuming corporate social responsibility

Types of Stakeholders	Focus	Typical communication channels	Response & Feedback
Media	• Transparency of information • Good media relations	• Information disclosure on HKEX and the Group website • Financial reports, announcements and circulars and other publicly available information • Interviews and press releases	• Maintaining good cooperative relations • Interact appropriately with the media and press
Agent distributor	• A robust customer service management and processes • An effective mechanism of information communication • Timely response to request	• Daily communication • Aftersales service • Customer satisfaction surveys • Customer records	• Adequate and effective communication • Providing agent and distributors with knowledge training and marketing support • Honoring contractual obligation as agreed • Continuous improvement on agent management

Materiality Assessment

During the Reporting Period, we have managed to communicate with our stakeholders and discovered several potential material issues related to ESG which may affect the Group in the long term. We have further categorized these issues into various areas in accordance with the ESG Reporting Guide, collected relevant information from the affected stakeholders to estimate the impact of these ESG issues to the Group. After our analysis, the issues that are material to the Group are shown as below:



Environment

1. Environmental compliance
2. Investment in environmental protection
3. Greenhouse gas emissions
4. Waste management

Employee

5. Salary and welfare
6. Health and safety protection
7. Employee diversification
8. Training and career development

Business

9. Personal data protection
10. Product quality
11. Intellectual property rights
12. Supply chain management

Community

13. Community development
14. Charitable donations and community service

Based on the above analysis, the Group will improve its ESG performance continuously in order to meet the different expectations of stakeholders, provide feedback to stakeholders and response to its risk. Details of our work under these ESG aspects during the Reporting Period will be presented in the next sections in four subject areas, namely "Our Environment", "Our Employees", "Our Business" and "Our Community".

OUR ENVIRONMENT

The Group is aware of the importance in tackling environmental pollution, resource scarcity and climate change as well as the risks of possible environmental impact from its business. It has therefore been our mission to conduct business in an environmentally responsible manner, reducing the environmental impact from its operations in the most effective way.

The Group is primarily engaged in the internet service business that focus on online advertising business, mainly involves office activities with no industrial process, and hence direct impact to the environment is relatively small. Nonetheless, in order to further minimize impact of our operations to the environment, direct or otherwise, the Group actively pursues environmental-friendly measures and has implemented various policies and measures as described in the section headed "Environmental protection measures" under "Aspect A3: Environment and Natural Resources".

During the Reporting Period, the Group is committed to comply with prevailing environmental laws and regulations in PRC, which include but not limited to the following:

- Environmental Protection Law of PRC;
  (中華人民共和國環境保護法)
- Environmental Protection Tax Law of PRC;
  (中華人民共和國環境保護税法)
- Water Pollution Prevention and Control Law of PRC;
  (中華人民共和國水污染防治法)
- Prevention and Control of Atmospheric Pollution law of PRC;
  (中華人民共和國大氣污染防治法)
- Prevention and Control of Environmental Pollution by Solid Wastes Law of PRC;
  (中華人民共和國固體廢物污染環境防治法)
- Promotion of Cleaner Production Law of PRC;
  (中華人民共和國清潔生產促進法)
- Prevention and Control of Pollution from Environmental Noise Law of PRC.
  (中華人民共和國噪音污染防治法)

The Group did not receive any report or complaint of any significant breaches of environmental laws and regulations during the Reporting Period.

Aspect A1: Emissions and Wastes

Air emissions

As no industrial process involved in our business, the Group's production does not consume direct combustion fuel. Air emissions directly emitted were primarily attributed to the use of Company vehicles during the Reporting Period.

(Units: kilograms)		**2022**		2021	
Direct air emissions (note 2)	**Emission Sources**	**Emission amounts**	**Emission intensities (note 1)**	Emission amounts	Emission intensities (note 1)
Nitrogen Oxides ("NOx")	Company vehicles	**6.50**	**0.81**	6.19	0.77
Sulphur Oxides ("SOx")	Company vehicles	**0.17**	**0.02**	0.21	0.03
Particulate Matter ("PM")	Company vehicles	**1.79**	**0.22**	1.56	0.20

Note 1: Intensity is measured by dividing the relevant emissions by the average number of vehicles owned by the Group during the year.

Note 2: Direct air emissions are calculated with reference to "Technical Guidelines for the Compilation of Air Pollutant Emission of Motor Vehicles (Trial)" (道路機動車大氣污染物排放清單編製技術指南(試行)) issued by the Ministry of Ecology and Environment of the People's Republic of China (中華人民共和國生態環境部).

Note 3: The new emission factors are used to calculate the emissions in 2022. In order to make the emission amounts comparable between 2022 and 2021, the emission amounts in 2021 is recalculated with the new emission factors. As a result, the emission amounts in 2021 presented in the 2022 ESG report are different from those presented in 2021 ESG report.

Green House Gases ("GHG") emissions

The amount of different types of GHG emissions (note 1) in CO_2 equivalent emissions ("CO_2e") during the Reporting Period was as follows:

(Units: Tonnes of CO_2e) Scope of GHG emissions	Emission sources	2022 Emission amounts (Tonnes)	2022 Emission intensities (note 2)	2021 Emission amounts (Tonnes)	2021 Emission intensities (note 2)
Scope 1					
Direct Emissions	Company vehicles	**30.85**	**0.03**	37.27	0.04
	Hydrofluorocarbons ("HFC")	**1,964.92**	**2.18**	1,976.78	2.01
Scope 2					
Energy Indirect Emissions	Purchased electricity	**2,083.90**	**2.32**	2,128.36	2.17
Total		**4,090.81**	**4.55**	4,152.90	4.23

Note 1: GHG emissions are calculated with reference to the "How to prepare an ESG Report? — Appendix II: Reporting Guidance on Environmental KPIs" issued by the HKEX and "Greenhouse Gas Accounting Tool for Chinese Cities" issued by the World Resources Institute.

Note 2: Intensity is measured by dividing the relevant emissions by the number of employees as at year end.

Note 3: The new emission factors are used to calculate the emissions in 2022. In order to make the emission amounts comparable between 2022 and 2021, the emission amounts in 2021 is recalculated with the new emission factors. As a result, the emission amounts in 2021 presented in the 2022 ESG report are different from those presented in 2021 ESG report.

During the Reporting Period, the direct GHG emissions were from company vehicles and HFC. The GHG emissions decreased compared to last year because the Group replaced some of its gasoline vehicles with new energy electric vehicles to achieve a reduction in fuel consumption and adopted energy saving measures on the usage of air conditioning. The energy indirect GHG emissions also decreased compared to last year, mainly due to the policies and measures adopted by the Group to save electricity.

The Group has considered the use of Group's vehicles in business operation was minimal and the relevant air emissions and direct GHG emissions produced were less material when comparing to other ESG issues, thus the Group did not see the urgent need to set the emission reduction targets for both air emissions and Scope 1 direct GHG emissions. But we are committed to reduce the use of vehicles and increase the use of the new energy vehicles as soon as possible without affecting our business operation. If there is a subsequent change in the business model which involves significant increase in air emission and Scope 1 GHG emission, the Group will further evaluate the need to set the target. The direct GHG emissions from HFC on air-conditioning was mainly due to the provision of comfortable workplace for employees especially under extreme weather. The Group is committed to reduce GHG emissions from HFC as soon as possible by improving the policy on the use of air-conditioning. The Scope 2 energy indirect emissions were a result of office electricity consumption, which is material to the Group's business operation, thus a target for Scope 2 GHG emissions was set in last report period, which is to maintain the same intensity as last year. The Group is glad to see that this target has been met during this Report Period. Hence, taking 2022 as base year, assuming there is no material change in business model, the emission target is to maintain the intensity of 2.32 tonnes of CO_2e per employee in 2023. In order to achieve this target, the Group places great emphasis on energy and resource conservation, details are explained in a later section titled "Environmental protection measures".

Despite our business activities have a low impact on the environment, the Company has adopted several measures which are regularly carried out in the course of our daily operations. These measures are described in detailed in the later section titled "Environmental protection measures".

Wastes

As we are primarily engaged in the provision of internet advertising services, we did not generate any hazardous waste during the Reporting Period and thus it is deemed unnecessary to set a target for the reduction of hazardous waste. If there is a subsequent change in the business model which involves the generation of hazardous waste, the Group will further evaluate the need to set target. As for non-hazardous wastes, we had only generated very minimal of waste such as food wraps, drinking cans and bottles, disposal of stationeries and office supplies for the four offices. By considering our business nature, data were not collected for the minimal amount of non-hazardous waste as they are immaterial compared to other aspects. The Group considers in the interest of cost-effectiveness, there is no plan to set a goal to reduce non-hazardous waste.

Despite of the small amount of waste produced, waste reduction measures were implemented internally to further reduce the amount of waste around the building in the long term, which will be described in detailed in the later section titled "Environmental protection measures". For Shanghai office, it has adhered to the "Domestic Waste Management Law" (上海市生活垃圾管理條例), a regulation enacted by Shanghai government for the classification of domestic wastes. Domestic wastes are classified into four categories: recyclables, harmful garbage, wet garbage, and dry garbage. Employees in the Shanghai office have since been obliged to reduce waste and at the same to comply with the local rules to better manage the domestic waste.

Aspect A2: Use of Resources

The amount of consumption by types of energy or resources during the Reporting Period was as follows:

		2022		2021	
Energy/Resource consumption	**Units**	**Consumption amounts**	**Consumption intensities (note 1)**	Consumption amounts	Consumption intensities (note 1)
Electricity	kWh	**3,935,627**	**4,372.92**	3,966,184	4,034.77
Unleaded petrol	L	**11597.88**	**12.89**	14019.69	14.26
Water	Tonnes	**25,838.00**	**28.71**	64,482.00	65.60

Note 1: Intensity is measured by dividing the relevant emissions by the number of employees as at year end.

We do not have huge demand for water and do not have issue in sourcing water. The decrease in water usage compared to last Reporting Period were due to some initiatives to use automatic spraying system for plants and on-premise pavement, coupled with reducing water consumption through daily water conservation practices. Taking 2021 as the base year, assuming there is no material change in business model, the water efficiency target set by the Company is to maintain a water consumption intensity of 65.60 tonnes per employee in the next five years. In order to achieve this water efficiency target, the Group has implemented some measures for saving water, such as using water saving tap and promoting water conservation in the office. Moreover, we do not use packaging materials for our business operations as we are primarily engaged in the provision of internet advertising services.

Both energy and resource conservation are essential parts of the Group ESG strategy. The Group would continue to keep track of consumption on energy and implement corrective action to align with the environmental conversation goal of the Group. Further details on the implementation of these ESG measures are described in the later section titled "Environmental protection measures".

Aspect A3: Environment and Natural Resources

The Group's business operation does not involve in the significant use of natural resources, and hence has minor adverse impact on the environment. Nonetheless, as outlined in the next section, the Group is committed to environmental protection and has adopted and implemented several measures to reduce the negative impact on its environment and habitat.

Environmental protection measures

The Group has always put great emphasis on energy and resource conservation, which is shown by our engagement in energy savings and implementation of workplace strategies to reduce energy and water consumption.

The following measures are carried out and reviewed regularly to achieve its ESG strategy, to reduce its environmental impact in the course of daily operations in the long run:

- Policies and procedures are regularly updated to incorporate rules and guidelines on environmental protection in order to raise employee awareness on the importance of protecting the environment and to integrated them into their daily workflows;

- Specifically, through these rules and guidelines, the Group encourages the management and employees to minimize the Group's environmental impact by performing the following in different areas:

- Energy Use

  i. Car sharing or carpool wherever possible for regular commuting and to/from external meetings;

  ii. Turning off computers and office equipment when leaving the office, closing windows when the air conditioning is in use, etc.;

  iii. Inspecting our electricity and power equipment regularly to ensure safety as well as operating efficiency; Collecting energy consumption data of the current equipment monthly, doing summary and analysis on these data to show the operating condition of the equipment so that we can conserve energy and reduce consumption mindfully;

  iv. Staying at the office after work hours only if necessary and work from home instead of office should they need to work during the weekends;

  v. Utilizing digital devices to the greatest extent for internal meeting and internal communications to reduce business travel and energy consumption;

vi. Maintaining workplace temperature at a comfortable level for the purpose of energy conservation and reduction of emissions. The Group refers to the relevant standards recommended by the General Office of the State Council, for instance controlling the temperature of the work environment at 26.0°C during the summer season;

vii. The air conditioner is turned on only when it reaches the necessary temperature, which is strictly controlled by the engineer;

viii. Use of sunlight to reduce electricity usage in washrooms wherever possible. Water-efficient sensor taps are installed to avoid unnecessary water wastage;

ix. Turning off some unnecessary lighting, replacing the light bulbs and tubes with LED lights gradually and installing the voice-activated light along the corridor and parking lots.

- Paper Use

  i. Reusing or recycling of plastic packaging, paper bag, and paper cartons;

  ii. Adopting office automation system and reduce excessive printing by going paperless as much as possible;

  iii. Reusing printed paper wherever possible, subject to the personal data privacy requirements;

  iv. Thinking twice before printing any email, and use the Green Email Signature template "Please consider the environment before printing this email";

  v. Closely monitor the number of annual reports printed annually;

  vi. Setting up recycle bins in the workplace to store the used paper.

- Waste management

  i. Providing and promoting the use of green facilities such as waste separation bins and used battery collection bins wherever possible;

  ii. Adopting appropriate disposal procedures for electronic waste, for instance using authorized e-waste collection and computer recycling service sites;

  iii. Choosing alternative products to control the generation of hazardous waste, where relevant and applicable.

- Others

  i. Improving the existing "Green Procurement Practice Guide" by constantly taking into consideration of environmental impact;

  ii. Centralizing the purchases of office supplies from various departments to reduce the number of deliveries to be made by suppliers which will lead to reduction in the indirect emissions from transportation;

  iii. "The Initiative on Low-carbon Green Office" was issued to advocate the concept of "green office and low-carbon life" and strengthen employees' environmental awareness.

Aspect A4: Climate Change

The Group acknowledges that climate change poses different kinds of risks as well as opportunities to the Group's operations. According to the recommendations of the Task Force on Climate-Related Financial Disclosures (TCFD), climate risks are classified into transitional risks (the adaptation challenges that companies may face in terms of policies, laws, technologies and markets) and physical risks (the impact that extreme weather events may have on companies).

For physical risks, examples include bad weather such as extreme cold or heat, heavy rain, storm, typhoon, and other extreme weather events that can disrupt operations by damaging power grid, communication infrastructures, obstructing and injuring our staff on the way or during their work, and also disastrous events incidental to such weather such as the fire hazard from overheated equipment in severe heat waves cause by global warming. All these events may bring severe impact to the Group's operations. For transformation risks, which means the risks faced by the Group include the introduction of policies related to energy conservation and emission reduction, stricter emission reporting obligations and compliance requirements, etc.

In response, the Company will identify these risks and prioritize those which have severe impact to take precaution measures first. The Group will also identify, if any, opportunities where changing of the business processes may be possible.

OUR EMPLOYEES

The Group values its employees and is committed to providing a fair and equitable work environment for all employees. In this section, we explained the various policies and practices adopted by the Group with regards to employment, health and safety, development and training, and labor standards.

Aspect B1: Employment

The Group is committed to complying with laws and regulations relating to the employment of labor, which includes but not limits:

- The Labor Law of PRC
  (中華人民共和國勞動法)

- The Labor Contract Law of PRC
  (中華人民共和國勞動合同法)

- Tentative Provisions on Salary Payment
  (工資支付暫行規定)

- Regulations on the Management of Housing Provident Fund
  (住房公積金管理條例)

- Labor Dispute Mediation and Arbitration Law
  (勞動爭議調解仲裁法)

- Regulation on Work-related Injury Insurances
  (工傷保險條例)

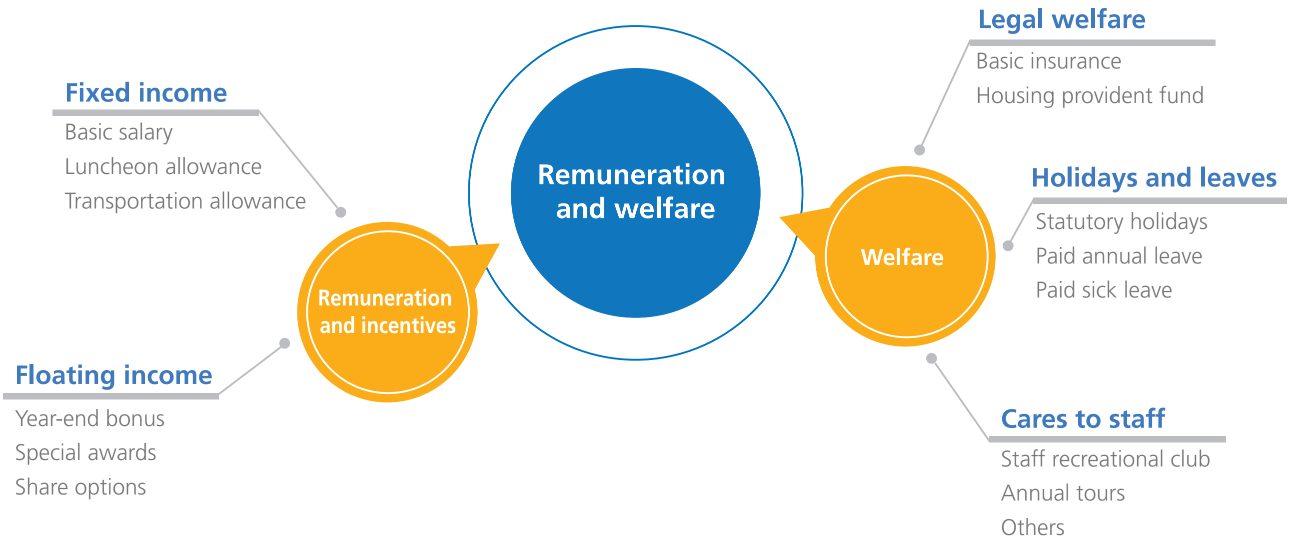
During the Reporting Period, there was no significant breach of any laws and regulations related to the employment of labor (2021: nil).

The Group's Employee Handbook has clear standard policies and procedures to deal with recruitment, employee movement, performance review, salary adjustments, promotions, and termination of employment.

Through these policies and procedures, the Group is committed to ensuring employees are recruited, remunerated, and promoted based on their merit, qualifications, competency, capability, and contribution to the Group. The Group is an equal opportunities employer which is committed to maintaining a diverse workforce regardless of age, gender, family status, sexual orientation, disability, ethnicity, religion, and political beliefs. Discrimination is explicitly prohibited in the workplace.

The Group is also committed to attracting, retaining, and motivating the best candidates and employees. The Group offers competitive remuneration packages to the right employees including year-end bonus and share option offered based on individual performances, as well as standard entitlements including paid annual leave, marriage leave and maternity leave, and other allowances such as meal and trade allowance.

Candidates are recruited from three sources: campus recruitment, online recruitment, and talents recommendation program. This comprehensive approach on candidate recruitment ensures the Group has maximized its reach to appropriate candidates with potential talents. The talents recommendation program enables current employees to recommend their friends, families or old colleagues who are suitable to join the Group.

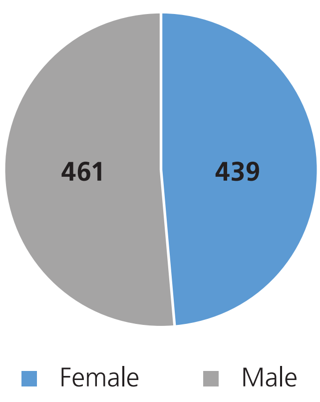


Employees at all levels of the Group are expected to conduct in an appropriate manner, with integrity, impartiality, and honesty.

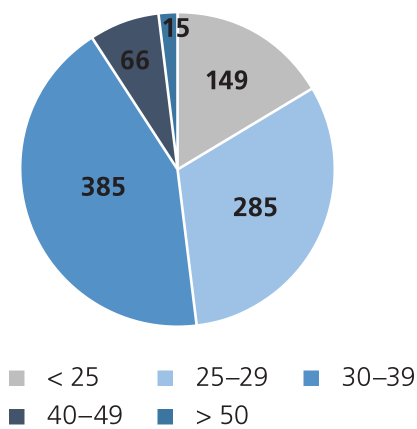
Workforce

As at end of Reporting Period, the Group had total 900 employees (2021: 983), they were based in China. The number and ratios between male and female and different age groups are depicted below:

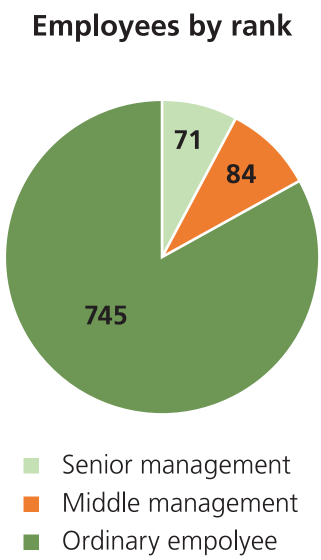
Employees by gender

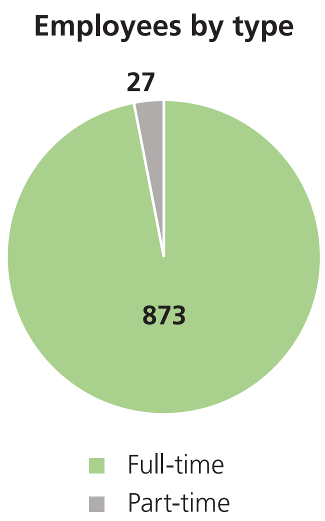


Employees by age



As at the end of the Reporting Period, we achieved a gender-balanced workforce with 461 male and 439 female staff, a male-to-female ratio is approximately 1:1. The majority of our employees were aged below their 40s, showing the success in our commitment in attracting younger generations in joining our dynamic workforce.





As at the end of the Reporting Period, the employees of different functions perform their own duties, forming a stable and effective operations. The part-time employees of the Group constitute 3% of the total employees, which is optimum to support the Group in running the operation efficiently and effectively.

Employee retention

The employee turnover rate (note 1) categorized by gender and age groups were as follows:

Employee Turnover Indicator	57.0%
Turnover rate by gender	
Female	51.6%
Male	62.0%
Turnover rate by age	
< 25	111.7%
25–29	69.8%
30–39	32.5%
40–49	13.4%
> 50	14.8%
Turnover rate by type	
Full-time	45.9%
Part-time	80.6%

Note 1: The percentage are calculated with reference to the "How to prepare an ESG Report? — Appendix III: Reporting Guidance on Social KPIs" issued by the HKEX.

Note 2: Turnover rate = (Number of employee departed during the Reporting Period/Average number of employees in the Reporting Period) x 100%

Average number of staff in the Reporting Period = (Number of employee at the beginning of the Reporting Period + Number of employee at the end of the Reporting Period)/2

During the Reporting Period, a total of 544 (2021: 477) employees left the Group, of these 307 were male and 237 were female and resulting in an overall turnover rate of 57% (2021:49%).

Aspect B2: Health and Safety

Our employees are mainly office-based thus risk to physical health and safety is not a significant concern for the Company. Nonetheless, the Group acknowledges the significance of employees' occupational health and safety and is committed and has engaged in significant efforts in providing and maintaining a safe and healthy working environment to mitigate any occupational or health risks in our employees.

During the Reporting Period, the Group has complied with all requirements of relevant regulations, which include but not limited to the following:

- Prevention and Treatment of Occupational Diseases Law of PRC
(中華人民共和國職業病防治法)

- Fire Prevention Law of PRC
(中華人民共和國消防法)

- Occupational Health and Safety Management System
(職業健康安全管理體系)

- Special Regulation on the Labor Protection of Female Staff
(女職工勞動保護特別規定)

- Measures for the Ascertainment of Work-related Injuries
(工傷認定辦法)

There was no significant work-related injury and fatality recorded for the past three years, including the Reporting Period.

The Group's head office is located in a compound that has a spacious 3 block of office buildings each with 5 floors, totaling a gross floor area of approximately 30,000 square meters. These buildings are surrounded by a staggering 5,000 square meters garden which provides a space for our employees to unwind after a stressful day as well as providing a cleaner air environment to our employees.

To ensure the physical safety of our assets and our employees, the Group has deployed security guards at the office and their surrounding area. Regular inspection and maintenance for the equipment of the building, such as elevator and fire protection equipment are conducted by professional companies.

Moreover, the Group also provides other recreational facilities, such as canteen, basketball court, café, leisure room, nursery room, table tennis tables, yoga room for our employees to have a balanced work-leisure lifestyle, preventing potential long term health risks related to long hours desk work. A "staff recreational club" has been set up to develop a sense of belonging and build a better bonding amongst our employees, where they can participate in many team building activities such as basketball games, yoga class, company travel, and annual dinner, etc. These activities have also helped to promote work-life balance for our employees, so as to ease their working pressure.

Aspect B3: Development and Training

The continuing development and learning needs of our employees are essential to the growth of the Group. The Group has established policies on employee development and training in our "Employee Handbook" in order to streamline the training programs within the Group. The Administration department is responsible for formulating the annual training plan based on the survey results of the training needs of different departments. A range of internal training opportunities for all levels of our employees are divided into three categories according to different targeted employees.

New employee training: New employees' orientation, induction training, "one-on-one" mentorship program, and exchange program.

Work-related trainings: Such as editing training and sales training to improve business skills and technical skills for company's daily operation.

Management trainings: Improving professional capability and developing skills of newly promoted middle and senior management to coach their staff.

The Group has set up a variety of trainings to meet the work requirements and self-development goals of the employees.

Training development

For the delivery of training, the Group has launched "cloud-learning" since 2019, an online training platform for employees to conduct trainings in a more efficient way. Employees can ask questions anytime on the platform even after the training session has ended. Apart from receiving internal training, employees may also be sponsored by the Group to receive external training for the skill and knowledge enrichment. Employees receiving external training are responsible for conducting knowledge transfer internally in order to create a positive learning atmosphere among employees. Additionally, other forms of training are also available including seminars, self-learning by employees and online learning.

During the Reporting Period, there was a total of 1,146 (2021: 908) trained employees and the percentage of total employees who took part in training is 127.3% (2021: 92%) for the Reporting Period. A total of approximately 7,847.75 (2021: 5,211) training hours was completed by these trained employees which took place in PRC, average training hours per employee are 8.7 (2021:5.3) training hours. The details of these trainings are shown in the table below:

Employee Training Indicator	**2022**	2021	Increase/ (Decrease)
Percentage of employees trained (%)	**127.3** [Note]	92	38.4%
Percentage of employees trained by gender (%)			
Male	**51.3**	50	2.6%
Female	**48.7**	50	(2.6%)
Percentage of employees trained by position (%)			
Senior management	**6.9**	18	(61.7%)
Middle management	**8.6**	13	(34.2%)
Ordinary employee	**84.6**	69	22.5%

Note: The percentage of employees trained = Employees trained during the Report Period/Number of employees at the end of the Reporting Period) x 100%

The percentage is over 100% because employees trained during the Report Period are more than employees at the end of the Reporting Period due to employee turnover.

Employee Training Indicator	**2022**	2021	Increase/ (Decrease)
Training hours per capita (hour)	**8.7**	5.3	64.5%
Average training hours completed per employee by gender (hour)			
Male	**8.1**	4.74	70.6%
Female	**9.4**	5.92	58.5%
Average training hours completed per employee by position (hour)			
Senior management	**7.3**	9.71	(25.3%)
Middle management	**9.2**	6.15	49.9%
Ordinary employee	**8.8**	4.75	85.3%

Aspect B4: Labor Standards

As the Company considers child and forced labor unacceptable, it has established clear management procedures to effective control over non-recruitment of both child labor and forced labor. The management procedures clearly stipulated that stringent examination on ID card should be conducted during the recruitment process to verify the authenticity of the candidate's personal information. This helps to ensure there is non-recruitment of child labor during the screening and due diligence process.

Moreover, employee work schedules are set up fairly to ensure that standard working hours (i.e. 40 hours per week) are not exceeded and all employees are provided with appropriate leave entitlements including annual leave, sick leave, marriage leave, maternity leave, examination leave, and compassionate leave.

The Group is committed to complying with Labor Law of PRC (中華人民共和國勞動法) in relations to child and forced labor, as well as other relevant laws and regulations in PRC relating to the protection of rights and interests of labor, and there was no (2021: no) case of non-compliance with these laws and regulations during the Reporting Period.

OUR BUSINESS

In the same way we build and maintain our loyal user base on our portals, we build a harmonious relationship with our stakeholders — online users, customers, suppliers, investors, employees, government bodies and communities. Through their valuable feedback and participation, we build a cornerstone for the Group and also an approach to continuously improve our ESG system in order to operate our business in an environmentally and socially responsible way.

In this section we detailed the various policies and practices adopted by the Company with regards to supply chain management, product responsibility, and anti-corruption.

Aspect B5: Supply Chain Management

In order to better manage the supply chain, we have established "Procurement Process" to standardize the procurement process and to set up criteria and requirements for the selection of suppliers in order to enhance the efficiency of procurement.

We maintain an approved suppliers list to purchase IT services, office equipment, and office supplies. Suppliers on the approved suppliers' list are carefully assessed based on criteria such as the quality of goods and services provided, their reputation in the public and in the industry, and whether or not they have complied with laws and regulations in the PRC. Before the signing of contract with suppliers, we conduct due diligence to have a better understand of their background, for instance verifying the business license and other related business qualifications, identify areas for further investigation and reduces risks associated with the decision before or upon engaging them. We work with qualified suppliers which have no bad business practices, and regularly review, supervise and update the approved suppliers' list to stabilize the quality of our procurements. We review those suppliers that have failed to fulfil our standard, which may then be subjected to removal from the approved list. As at the end of the Reporting Period, we have a total of 529 (2021:728) suppliers, all are from China.

Aspect B6: Product Responsibility

Past-sales service and complaint handling

The Group treats all grievances and complaints seriously and views them as means to consistently improve the quality of the services we offer. The Group has established grievance procedures to receive suggestions and complaints from online users, customers, suppliers and employees as outlined in the later section "Aspect B7: Anti-corruption". During the Reporting Period, the Group has received and handled a total of 85 (2021:74) cases of complaint from third parties, these complaints include possible false information and content on our websites, suspected of infringement, etc. Our handling procedures include deletion of information and content on our websites, provide written commitment to the third-party and make compensation when necessary. The handling procedures and results are filed for our own record. None of these complaints is significant in nature that may have detrimental impact to the Group.

In addition, as an online content provider, we may encounter situation with illegal and inappropriate content, and we treat these seriously. We have established "Measures for the Acceptance and Handle of Reports on illegal and inappropriate information" ("Measures") aiming at fulfilling the responsibility as a website and handling the reporting information in a timely manner. The Measures clarifies the responsibilities of each unit for handling illegal and inappropriate content, sets up the procedures of accepting reports on illegal and inappropriate information and provide recommendation to handle the reports on illegal and inappropriate information.

The content review department is the main department responsible for the reporting of illegal and inappropriate content on website, while the website editing department and technical department are assisting in handling the reported information. We have set up both telephone and mailbox for others to report on illegal and bad information on Pacific Online network. Employees on duty is responsible for answering the call and making relevant phone records; as for the reporting mailbox, staff on duty regularly check the mailbox and maintaining the records.

Once the Group receives report on illegal and inappropriate information, the following process are being carry out:

1. The content review department classifies, screen and verifies the reported content in detailed;

2. For the legitimate report and/or allegation, deal with them as soon as possible. After the report handling process is completed, promptly revert to the reporter and provide feedbacks where necessary and applicable;

3. Important reporting information involving content that endangers national security, disrupts social order, etc., should be reported to relevant competent authorities in a timely manner; and

4. Information collected in the process of report acceptance and handling shall be sorted and archived timely and kept confidential at all times.

Protection of intellectual property

The Group respects intellectual property ("IP") rights and takes appropriate action to protect intellectual property rights, which gives the business its competitive advantage. The Legal Department is responsible for the registration of the Group's trademarks and patents, and advises on the rights to use images. Unauthorized software is strictly forbidden.

Internally, the Group organizes regular business training on intellectual property rights to improve employees' awareness of intellectual property rights protection and educate them on how to identify the potential infringement of intellectual property rights. The training on intellectual property rights is suitable for newly joined editors, and the content of training include updates on the Advertising Law of PRC (中華人民共和國廣告法), knowledge for copyright and training for photography skills.

The Group also has established "Memo on copyright management" ("Memo") for the purpose to strengthen the management of copyright within the Group, standardize the content of each website, and ensure copyright is use legally. The application scope of the memo includes all websites of the Group, APP and third-party platform accounts such as Weibo and WeChat official account. The memo set out copyright usage rules for content includes but not limited to articles, images, animations and software etc. and procedures of handling infringement complaints.

In the event of first-time infringement offense conducted by our employees, the editorial department would give verbal warning. If losses are caused to the Group, the Group has the right to demand compensation from the responsible person. As for the second-time offense, written warning would be given to the employees and filed by the Human Resources Department.

Externally, the Group has established whistle-blowing procedures for external parties to report any suspicious infringement and misuse of intellectual property rights for further investigation. The whistle-blowing procedures are explained on the Group's website and available to be viewed by external parties.

The Group is committed to complying with relevant laws and regulations for protection of intellectual property, include but not limited to Copyright Law of the People's Republic of China (中華人民共和國著作權法), Civil Code of the People's Republic of China (中華人民共和國民法典) and Regulation on the Protection of the Right to Network Dissemination of Information (信息網絡傳播權保護條例). During the Reporting Period, the Group has not engaged in and has not been threatened with significant claim for infringement of any IP rights, whether as a claimant or as a defendant (2021: nil). The Company has taken all reasonable measures to prevent infringement of IP rights.

Quality assurance

As an online content provider, the Group regularly promotes different products and services of our clients. Although the ultimate responsibility of the quality of these products and services lies with these clients, we still set up "Advertisement publication compliance guide" for the purpose to strengthen the review on advertising materials. The Group is committed to complying with relevant laws and regulations in areas for advertising compliance, include but not limited to "Advertising Law of PRC (中華人民共和國廣告法)", "Regulation on control of advertisements of PRC (中華人民共和國廣告管理條例)", "Interim Measures for the Administration of Internet Advertising" (互聯網廣告管理暫行辦法)"and so on. We review the qualification of business partners and ensure that we only promote products and services from reputable brands. As part of our content review process, we will perform our own tests or trials internally before we officially introducing these products and services to our users.

Moreover, the Group understands that improving its quality, meeting the needs and preferences of consumers are key elements for its sustainable development and thus it has launched a "User Experience Enhancement Program" which aims to listen and understand consumers' requirements and needs. This program includes customer surveys, free download and new products trial, collects feedback for further quality improvement.

Information security and Personal data protection

The Group considers that privacy and security of information are critical operating principles and recognizes the importance of keeping personal information of the users in strict confidence. The Group is committed to complying with relevant laws and regulations including the Cybersecurity Law of PRC (中華人民共和國網絡安全法), the Group Law of PRC (中華人民共和國公司法), Civil Code of PRC (中華人民共和國民法典), E-Commerce Law of PRC (中華人民共和國電子商務法), Personal Information Protection Law of PRC (中華人民共和國個人信息保護法), Data Security Law of PRC (中華人民共和國數據安全法) and Advertising Law of PRC (中華人民共和國廣告法) relating to customer data protection and privacy.

The Group has implemented various information privacy and information security programmes to protect the security of corporate data as well as personal data privacy by adopting multiple means, for instance, password management, information output, dissemination, and backup. All employees have the responsibility to protect information security and for related parties of the Group, such as suppliers, service providers, their responsibilities to safeguard the data security have also be communicated and clarified to them.

Under the information security policy, our employees' duties include the following:

- Learn and understand Company's Information Security System and receive information security-related training;
- Protect the information he/she keeps and own, and establish relevant information security policies, strategies and procedures;
- Obliged to explain all the conducts in handling the information; and
- In the event of suspected cases that information is not properly protected, he/she must promptly report to the security management representative.

In addition to the privacy and information security policy, our employees are bound by the terms of their employment contracts, the employee confidentiality regulations and the employee code of conduct to ensure that confidential information is properly protected and such information is kept in strict confidence, and that any information that has come in their possession as a result of their employment with us will not be disclosed to any person without the prior approval. Any unauthorized copying, dissemination or disclosure of confidential information, including identities and transaction records of customers, is strictly prohibited. The Group has disclosed its personal data protection policy on its website in order to enhance transparency on the above issue. As part of the information privacy and information security programmes, any external parties such as users, contractors and regulators, are welcomed to report complaints, provide suggestions and recommendations regarding our privacy policies through the dedicated channels on our website.

In order to better understand the user's need, the Group may collect the personal information of users with their consent. The Group's practices regarding the collection, use, preservation, disclosure, transfer, protection and access of information are in accordance with the law. We explicitly inform user the Group's data retention practices and the ways in which their data is used and obtain consent from online users and customers before we collect personal information, and use them only for their intended purpose, and destroy these data when they are no longer required.

Aspect B7: Anti-corruption

The Group is committed to adhering to the highest ethical standards and maintaining a corporate culture of integrity and justice for preventing, detecting and reporting all types of fraud, including corruption.

The Employee Handbook stipulates that if an employee receives money, gifts or rebates as bribes, the Group has the right to terminate the employment contract and reserves the right to further legal action. In case there are any reported case regarding corruption, the human resources department together with the relevant functional departments are responsible for investigation and those responsible will be disciplined where proven violation has occurred. Any non-compliance with the laws will be reported to law enforcement authorities for handling. The Group also requires employees to sign a "Written Commitment on Integrity" to prevent any bribery, extortion, fraud and money laundering activities happening during the transactions with supplier and clients. Under this written commitment, employees are committed to maintaining a health and good business relationship with customers, business partners, their colleagues and relatives and do not ask for or give away (including but not limited to transfer, lending, gifting, etc.) any material improper benefits.

As part of our internal grievance handling procedures, external parties such as users, contractors, regulators and other internal employees, can report complaints to us which can include actual or suspected cases of corruption or fraud, through our hotline and email listed at the bottom of the company websites.

Externally, the Group operates online portals for different categories of products and services and has standard procedures for handling complaints. Each portal takes immediate action on receipt of any complaint, resolving such or following up until resolution. Complaints are filed weekly for future reference. Internally, whistle-blowing procedure includes mailboxes for employees to raise concerns or report any misconduct or dishonest activities, such as suspected corruption, fraud and other forms of criminality, directly to the CEO and/or COO.

The Group cooperate with all departments to promote the integrity culture. To guide all employees to understand and abide by the "Written Commitment on Integrity", we carried out anti-corruption trainings and system promotion for employees at different levels, including board of directors and management members.

The Group is committed to complying with relevant laws and regulations in areas for anti-corruption, include but not limited to Anti-Unfair Competition Law of PRC (中華人民共和國反不正當競爭法) and Anti-Money Laundering Law of PRC(中華人民共和國反洗錢法). There was no significant legal case or incident regarding fraud or corruption found by or reported to the Company during the Reporting Period (2021: nil).

OUR COMMUNITY

Aspect B8: Community Investment

The Group encourages employees to contribute their time and efforts in participating in various local community activities and events. The Group creates job opportunities for the community, and also takes part in youth development initiatives and any charitable efforts to provide assistance to the victims who suffered from the natural disasters.

The Board is pleased to present the annual report and the audited consolidated financial statements of the Group for the year ended 31 December 2022.

GROUP REORGANISATION

The Company was incorporated on 27 August 2007 as an exempted company with limited liability under the Companies Law, Cap. 22, (Law 3 of 1961, as combined and revised) of the Cayman Islands. The Company is an investment holding company of the companies now comprising the Group.

The Company's shares have been listed on main board of the Stock Exchange since 18 December 2007. After the completion of group reorganisation as set out in the prospectus of the Company dated 5 December 2007 (the "Prospectus"), pursuant to an agreement dated 12 November 2007, the Company acquired the entire issued capital of Takehigh Industry Limited through a share swap and became the holding company of the companies now comprising the Group.

PRINCIPAL ACTIVITIES

The Company is an investment holding company and its subsidiaries are principally engaged in the provision of internet advertising services in the People's Republic of China. The activities of its subsidiaries are set out in note 17 to the consolidated financial statements. There were no significant changes in the nature of the Group's principal activities during the year.

BUSINESS REVIEW

A review of the Group's business during the year, which includes a discussion of the principal risks and uncertainties facing by the Group, an analysis of the Group's performance using financial key performance indicators, particulars of important events affecting the Group, an indication of likely future developments in the Group's business and discussion on the Company's environmental policies and performances and the relationships with its stakeholders, can be found in the Chairman's Statement, Management Discussion and Analysis, Corporate Governance Report and Environmental, Social and Governance Report contained in this annual report. The review forms part contained in this directors' report.

RESULTS AND DIVIDENDS

The results of the Group for the year ended 31 December 2022 are set out in the consolidated income statement on page 81.

The Board has recommended the payment of a final cash dividend of RMB10 cents per ordinary share for the year ended 31 December 2022 (the "Proposed Final Dividend"), which compares with RMB10 cents for 2021. The final dividend is subject to the shareholders' approval at the Company's forthcoming annual general meeting to be held on Friday, 12 May 2023 (the "2023 AGM"). The Proposed Final Dividend will be paid in cash on Monday, 12 June 2023 to shareholders whose names appear on the register of members of the Company at the close of business on Monday, 22 May 2023.

CLOSURE OF REGISTER OF MEMBERS

For determining the entitlement to attend and vote at the 2023 AGM, the register of members of the Company will be closed from Tuesday, 9 May 2023 to Friday, 12 May 2023, both days inclusive, during which period no transfer of shares of the Company will be registered. In order to be eligible to attend and vote at the 2023 AGM, unregistered holders of shares of the Company should ensure that all share transfer documents accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited, 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong, for registration not later than 4:30 p.m. on Monday, 8 May 2023.

For determining the entitlement to the Proposed Final Dividend, the register of members of the Company will also be closed from Friday, 19 May 2023 to Monday, 22 May 2023, both days inclusive, during which period no transfer of shares of the Company will be registered. In order to be eligible to receive the Proposed Final Dividend, unregistered holders of shares of the Company should ensure that all share transfer documents accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited, at the above address, for registration not later than 4:30 p.m. on Thursday, 18 May 2023.

FINANCIAL SUMMARY

A summary of the published results and assets, liabilities and assets less liabilities of the Group for the last five financial years, as extracted from the audited financial statements, is set out on page 162 of the annual report. This summary does not form part of the audited financial statements.

PROPERTY AND EQUIPMENT

Details of movements in the property and equipment of the Group during the year are set out in note 13 to the consolidated financial statements.

SHARE CAPITAL

Details of movements in the share capital of the Company during the year are set out in note 23 to the consolidated financial statements.

EQUITY-LINKED AGREEMENTS

Details of the equity-linked agreements entered into by the Company are disclosed under the paragraphs headed "Share Option Plan" and "Share Award Scheme" in this directors' report.

SHARE OPTION PLAN

The Company has adopted a Share Option Plan at the annual general meeting of the Company held on 19 May 2017. Summary of the Share Option Plan is as follows:

1. Purpose

   To advance the interests of the Company and its shareholders by enabling the Company to grant share options to attract, retain and reward the eligible persons, to provide to the eligible persons a performance incentive for continued and improved services with the Company and its subsidiaries, and to enhance such persons' contribution to increase the profits by encouraging capital accumulation and share ownership.

2. Participants

   Any directors (whether executive or non-executive and whether independent or not), any employee (whether full-time or part-time), any consultant or adviser of or to the Company or the Group (whether on an employment, contractual or honorary basis and whether paid or unpaid), who, in the absolute opinion of the Board, have contributed to the Company or the Group.

3. Total number of ordinary shares available for issue

   113,320,566 shares, being approximately 10% of the issued share capital as at the date of this annual report.

4. Maximum entitlement of each participant

   Where any grant or further grant of options to a participant would result in the total number of shares issued and to be issued upon exercise of all the options already granted and to be granted to such person (including exercised, cancelled and outstanding options) in the 12-month period up to and including the date of such grant or further grant representing in aggregate over 1% of the total number of shares in issue, such grant or further grant must be separately approved by the shareholders in a general meeting.

   Where any grant or further grant of options to a substantial shareholder or an independent non-executive director of the Company, or any of their respective associates, would result in the total number of shares issued and to be issued upon exercise of all options already granted and to be granted (including exercised, cancelled and outstanding options) to such person in the 12-month period up to and including the date of such grant:

   (a) representing in aggregate over 0.1% of the relevant class of shares in issue; and

   (b) having an aggregate value, based on the closing price of the shares at the date of each grant, in excess of HKD5,000,000,

   such grant or further grant of options must be approved by the shareholders in a general meeting.

5. Period within which the securities must be taken up under an option	An option may be exercised at any time during a period to be determined and notified by the Board to each grantee, but shall not be more than 10 years from the date of grant of options subject to the provisions for early termination set out in the Share Option Plan.
6. Minimum period for which an option must be held before it can be exercised	There is no minimum period for which an option granted must be held before it can be exercised except otherwise imposed by the directors.
7. Acceptance of offer	Options granted must be taken up within 28 days from the date of offer, upon payment of HKD1 per grant.
8. Basis of determining the exercise price	Determined by the Board but shall not be less than the highest of (i) the closing price of the ordinary shares as stated in the Stock Exchange's daily quotations sheet on the date of offer of the grant of options, which must be a trading day; (ii) the average closing price of the ordinary shares as stated in the Stock Exchange's daily quotations sheets for the five trading days immediately preceding the date of offer of the grant of options; and (iii) the nominal value of an ordinary share of the Company.
9. Remaining life of the scheme	It will remain in force for a period of 10 years, commencing on 19 May 2017.

The number of share options available for grant under the mandate of the Share Option Plan as at 1 January 2022 and 31 December 2022 were 113,320,566.

As at 31 December 2022, 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 year ended 31 December 2022.

SHARE AWARD SCHEME

The Board adopted a restricted share award scheme (the "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 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 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 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 been 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 participant 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.

- 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.

- 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 or the Management Committee shall not make any further award of restricted shares which will result in the aggregate number of restricted shares awarded by the Board or the Management Committee 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 total number of shares available for grant under the New Share Award Scheme is 53,208,733 shares, representing approximately 4.7% of the issued share capital as at the date of this annual report.

- The New Share Award Scheme will remain in force for a period of 10 years, commencing on 21 December 2020.

- 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.

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

Involving issue of new shares of the Company

Participants	Date of grant	Vesting date	Number of awarded shares		
			unvested as at 1 January 2022	vested during the year (Note)	unvested as at 31 December 2022
Employees	12 April 2021	15 April 2022	742,000	(742,000)	—
Consultant	12 April 2021	15 April 2022	800,000	(800,000)	—
			1,542,000	(1,542,000)	—

Involving existing shares of the Company

Participants	Date of grant	Vesting date	Number of awarded shares		
			unvested as at 1 January 2022	vested during the year (Note)	unvested as at 31 December 2022
Five highest paid employees	13 April 2021	15 April 2022	1,809,250	(1,809,250)	—
Other employees	13 April 2021	15 April 2022	142,800	(142,800)	—
			1,952,050	(1,952,050)	—

Note: During the year ended 31 December 2022, the 3,494,050 awarded shares were vested on 15 April 2022. The weighted average closing price of the shares immediately before the date on which the awards were vested was HK$1.32.

The number of share awards available for grant under the mandate of the New Share Award Scheme as at 1 January 2022 and 31 December 2022 were 53,208,733.

No share awards have been granted/lapsed/cancelled under the New Share Award Scheme during the year ended 31 December 2022.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's Articles of Association, or the laws of the Cayman Islands, which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the year ended 31 December 2022.

RESERVES

Details of movements in the reserves of the Company and the Group during the year are set out in note 29 and note 24 to the consolidated financial statements, respectively.

DISTRIBUTABLE RESERVES OF THE COMPANY

As at 31 December 2022, the Company had distributable reserves amounting to RMB843.4 million (2021: RMB933.2 million).

Under the Companies Act, Cap. 22 (Law 3 of 1961, as combined and revised) of the Cayman Islands, the share premium account and the retained earnings are distributable to the shareholders of the Company provided that immediately following the date on which any dividend is proposed to be distributed, the Company will be able to pay its debts as they fall due in the ordinary course of business.

MAJOR CUSTOMERS AND SUPPLIERS

In the year under review, sales to the Group's five largest customers accounted for 35.2% of the total sales for the year and sales to the largest customer included therein amounted to 13.8%. Purchases from the Group's five largest suppliers accounted for 17.3% of the total purchases for the year and purchase from the largest supplier included therein amounted to 6.3%.

None of the directors or any of their close associates or any shareholders (which, to the best knowledge of the directors, own more than 5% of the number of issued shares of the Company) had any beneficial interest in the Group's five largest customers or five largest suppliers.

EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2022, the Group had 924 employees (2021: 1,119). The Group determines its staff's remuneration based on factors such as qualifications and years of experience.

COMPLIANCE WITH THE RELEVANT LAWS AND REGULATIONS

As far as the Board is aware, the Company has complied in material respects with the relevant laws and regulations that have a significant impact on the business and operation of the Company.

MANAGEMENT CONTRACTS

No contract concerning the management and administration of the whole or any substantial part of the business of the Group were entered into or existed during the year.

DIRECTORS

The directors of the Company during the year were as follows:

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

In accordance with Article 87 of the Company's Articles of Association, Dr. Lam Wai Yan and Mr. Thaddeus Thomas Beczak shall retire from office by rotation at the 2023 AGM and, be eligible, will offer themselves for re-election at the 2023 AGM.

The Company has received annual confirmations of independence from Mr. Tsui Yiu Wa, Alec, Mr. Thaddeus Thomas Beczak and Mr. Lam Wai Hon, Ambrose pursuant to Rule 3.13 of the Listing Rules. The Company considers the independent non-executive directors to be independent as at the date of this report.

DIRECTORS' SERVICE CONTRACTS

None of the directors being proposed for re-election at the 2023 AGM has a service agreement with the Company, which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

No director nor a connected entity of a director had a material interest, either directly or indirectly, in any transactions, arrangements or contracts of significance to the Group's businesses to which the Company, its subsidiaries, its fellow subsidiaries or its holding companies was a party during the year.

INDEMNITY OF DIRECTORS

A permitted indemnity provision (as defined in the Hong Kong Companies Ordinance) for the benefit of the directors of the Company is currently in force and was in force throughout the year.

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

As at 31 December 2022, 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 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 31 December 2022.

Save as disclosed above, as at 31 December 2022, 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.

DIRECTORS’ RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed in the above paragraphs headed “Share Option Plan” and “Share Award Scheme” in this directors’ report and in note 24 to the consolidated financial statements, at no time during the year were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any director or their respective spouse or minor children, or were any such rights exercised by them; or was the Company, its holding company, or any of its subsidiaries or fellow subsidiaries a party to any arrangement to enable the directors to acquire such rights in any other body corporate.

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

As at 31 December 2022, 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:

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 31 December 2022.

Save as disclosed above, as at 31 December 2022, 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.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

As at 31 December 2022, to the best knowledge of the directors, none of the directors and their respective associates was considered to have any interests in businesses which compete or are likely to compete, either directly or indirectly, with the businesses of the Group, other than those businesses where the directors were appointed as directors to represent the interests of the Company and/or the Group.

CORPORATE GOVERNANCE

Details of the corporate governance are set out in the section headed "Corporate Governance Report" in this annual report.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the directors of the Company as at the date of this annual report, the Company has maintained a sufficient public float.

CONNECTED TRANSACTIONS

A summary of the related party transactions entered into the Group during the year ended 31 December 2022 is contained in note 28 to the consolidated financial statements.

During the year ended 31 December 2022, save for the continuing connected transactions as disclosed below, we have not entered into any connected transaction or continuing connected transaction which should be disclosed pursuant to the requirements of Rule 14A of the Listing Rules.

Structure Contract Transactions

The Group had continuing connected transactions in the form of structure contracts (the "Structure Contract Transactions").

PConline Structure Contracts

The Group conducts its online advertising business through Guangzhou Yingxin Computer Technology Exchange Co., Ltd. ("GZ Yingxin"), Guangdong Pacific Internet Information Service Co., Ltd. ("GDP Internet") and the subsidiaries of GDP Internet under the structure contracts entered into with the Company's wholly-owned subsidiary, Guangzhou Pacific Computer Information Consulting Co., Ltd. ("GZP Computer") (the "Existing PConline Structure Contracts"). GZ Yingxin, a company incorporated in the PRC with limited liability that holds 100% of the equity interest of GDP Internet, was owned as to 40% by Ms. Zhang Cong Min ("Ms. Zhang"), 30% by Ms. Lu Wu Qing ("Ms. Lu") and 30% by Ms. Fan Zeng Chun ("Ms. Fan") (collectively known as "GZ Yingxin Shareholders"). On 10 September 2018, an equity transfer agreement was entered into between Ms. Lu and Ms. Zhang in relation to the transfer of Ms. Lu's equity interest in GZ Yingxin to Ms. Zhang. After the said transfer, as at 31 December 2018, GZ Yingxin was owned as to 70% by Ms. Zhang and 30% by Ms. Fan (collectively known as "Existing GZ Yingxin Shareholders"). On 15 October 2018, the amended and restated PConline structure contracts, entered by GZP Computer, GZ Yingxin, GDP Internet, Ms. Lu, Ms. Zhang and Ms. Fan (the "Amended and Restated PConline Structure Contracts"), had replaced the Existing PConline Structure Contracts. On 14 February 2019, an equity transfer agreement was entered into between Ms. Zhang and Ms. Yang Tian Ying ("Ms. Yang") in relation to the transfer of Ms. Zhang's equity interest in GZ Yingxin to Ms. Yang. After the said transfer, as at 31 December 2019, GZ Yingxin was owned as to 70% by Ms. Yang and 30% by Ms. Fan (collectively known as "New GZ Yingxin Shareholders"). On 15 February 2019, the further amended and restated PConline structure contracts, entered by GZP Computer, GZ Yingxin, GDP Internet and New GZ Yingxin Shareholders (the "Further Amended and Restated PConline Structure Contracts"), had replaced the Amended and Restated PConline Structure Contracts. Pursuant to the Further Amended and Restated PConline Structure Contracts, the Company will operate its online business relating to the portals of PConline, PCauto and PCbady through GZ Yingxin, GDP Internet, and the subsidiaries of GDP Internet.

As a result of the Further Amended and Restated PConline Structure Contracts, the Group can continue to recognize and receive the economic benefit of the business and operations of GZ Yingxin, GDP Internet and the subsidiaries of GDP Internet. The Further Amended and Restated PConline Structure Contracts are also designed to provide the Company with effective control over and (to the extent permitted by PRC law) the right to acquire the equity interests of GZ Yingxin Shareholders in GZ Yingxin and the equity interests of GZ Yingxin in, or assets of, GDP Internet and the subsidiaries of GDP Internet. Further details relating to the Existing PConline Structure Contracts/the Amended and Restated PConline Structure Contracts/the Further Amended and Restated PConline Structure Contracts are disclosed in the section headed "Structure Contracts" in the Prospectus and the Company's announcements dated 16 October 2018 and 18 February 2019.

PClady Structure Contracts

The Company envisaged that one of its existing portals, PClady (www.PClady.com.cn) which is specialized in women lifestyle-related topics, would be able to attract different and specific group of investors. Under the structure contracts entered into with the Company's wholly-owned subsidiary, Guangzhou Fengwang Information Technology Co., Ltd. ("GZFW Technology") on 30 June 2015, the Group conducts its online business relating to PClady portal through Guangzhou Yingyue Computer Technology Co., Ltd. ("GZ Yingyue"), Guangzhou Shangjin Internet Co., Ltd. ("GZS Internet") and Guangzhou Shangjin Advertising Co., Ltd. ("GZS Advertising") (the "PClady Structure Contracts"). GZ Yingyue, a company incorporated in the PRC with limited liability that holds 100% of the equity interest of GZS Internet and GZS Advertising (a wholly-owned subsidiary of GZS Internet), was owned as to 60% by Ms. Zhang and 40% by Ms. Lu, (collectively known as "GZ Yingyue Shareholders"). On 10 September 2018, an equity transfer agreement was entered into between Ms. Lu and Ms. Yang Tian Ying ("Ms. Yang") in relation to the transfer of Ms. Lu's equity interest in GZ Yingyue to Ms. Yang. After the said transfer, as at 31 December 2018, GZ Yingyue was owned as to 60% by Ms. Zhang and 40% by Ms. Yang (collectively known as "Existing GZ Yingyue Shareholders"). On 15 October 2018, the amended and restated PClady structure contracts, entered by GZFW Technology, GZ Yingyue, GZS Internet, Ms. Lu, Ms. Zhang and Ms. Yang (the "Amended and Restated PClady Structure Contracts"), had replaced the PClady Structure Contracts. On 14 February 2019, an equity transfer agreement was entered into between Ms. Zhang and Ms. Fan in relation to the transfer of Ms. Zhang's equity interest in GZ Yingyue to Ms. Fan. After the said transfer, as at 31 December 2019, GZ Yingyue was owned as to 60% by Ms. Fan and 40% by Ms. Yang (collectively known as "New GZ Yingyue Shareholders"). On 15 February 2019, the further amended and restated PClady structure contracts, entered by GZFW Technology, GZ Yingyue, GZS Internet and New GZ Yingyue Shareholders (the "Further Amended and Restated PClady Structure Contracts"), had replaced the Amended and Restated PClady Structure Contracts. Pursuant to the Further Amended and Restated PClady Structure Contracts, the Company will operate its online business relating to the portal of PClady through GZ Yingyue, GZS Internet and GZS Advertising.

As a result of the Further Amended and Restated PClady Structure Contracts, the Group can continue to recognize and receive the economic benefit of the business and operations of GZ Yingyue, GZS Internet and GZS Advertising. The Further Amended and Restated PClady Structure Contracts are also designed to provide the Company with effective control over and (to the extent permitted by PRC law) the right to acquire the equity interests of GZ Yingyue Shareholders in GZ Yingyue and the equity interests of GZ Yingyue in, or assets of, GZS Internet and GZS Advertising. Further details relating to the PClady Structure Contracts/the Amended and Restated PClady Structure Contracts/the Further Amended and Restated PClady Structure Contracts are disclosed in the Company's announcements dated 2 July 2015, 16 October 2018 and 18 February 2019.

PChouse Structure Contracts

The Company operates its online business through Guangzhou Yingyou Information Technology Co., Ltd. ("GZ Yingyou"), Guangzhou Shangcong Online Technology Co., Ltd. ("GZ Shangcong Online") and Guangzhou Shangcong Advertising Co., Ltd. ("GZ Shangcong Advertising") ("the "PChouse Structure Contracts"). GZ Yingyou, a company incorporated in the PRC with limited liability that holds 100% of the equity interest of GZ Shangcong Online, was owned as to 60% by Ms. Zhang and 40% by Ms. Yang (collectively known as "GZ Yingyou Shareholders") as at 31 December 2019. On 14 February 2019, an equity transfer agreement was entered into between Ms. Zhang and Ms. Fan in relation to the transfer of Ms. Zhang's equity interest in GZ Yingyou to Ms. Fan. After the said transfer, as at 31 December 2019, GZ Yingyou was owned as to 60% by Ms. Fan and 40% by Ms. Yang (collectively known as "New GZ Yingyou Shareholders"). On 15 February 2019, the amended and restated PChouse structure contracts, entered by Guangzhou Yurui Information Technology Co., Ltd. ("GZYR Technology"), GZ Yingyou, GZ Shangcong Online and New GZ Yingyou Shareholders (the "Amended and Restated PChouse Structure Contracts"), had replaced the Existing PChouse Structure Contracts. Pursuant to the Amended and Restated PChouse Structure Contracts, the Company will operate its online business relating to the portal of PChouse through GZ Yingyou, GZ Shangcong Online, and GZ Shangcong Advertising.

As a result of the Amended and Restated PChouse Structure Contracts, the Group is able to recognize and receive the economic benefit of the business and operations of GZ Yingyou, GZ Shangcong Internet and GZ Shangcong Advertising. The Amended and Restated PChouse Structure Contracts are also designed to provide the Company with effective control over and (to the extent permitted by PRC law) the right to acquire the equity interests of GZ Yingyou Shareholders in GZ Yingyou and the equity interests of GZ Yingyou in, or assets of, GZ Shangcong Online. Further details relating to the PChouse Structure Contracts/Amended and Restated PChouse Structure Contracts are disclosed in the Company's announcements dated 7 August 2018 and 18 February 2019.

During the year ended 31 December 2022, the revenue subject to the Amended and Restated PConline Structure Contracts/Further Amended and Restated PConline Structure Contracts, the Amended and Restated PClady Structure Contracts/Further Amended and Restated PClady Structure Contracts and PChouse Structure Contracts/Amended and Restated PChouse Structure Contracts (collectively the "Contracts") was RMB795 million. As at 31 December 2022, the total assets subject to the Contracts was RMB572 million.

Risk factors in relation to the Contracts

The risks associated with the Contracts were set out in the Prospectus and the Company's announcements dated 2 July 2015, 7 August 2018, 16 October 2018 and 18 February 2019 (the "Announcements") and are highlighted as follows:

- If the PRC government finds that the Contracts with the structure for operating the Group's businesses in China do not comply with the applicable PRC laws and regulations, or if these regulations or their interpretations change in the future, the Group could be subject to severe consequences, including the nullification of the contractual arrangements and the relinquishment of the Group's interest in the domestic entities.

- The Company relies on the Contracts to control and obtain the economic benefits from the Group's domestic entities, which may not be as effective in providing operational control as direct ownership.

- Certain terms of the Contracts may not be enforceable under the PRC laws.

- The Existing GZ Yingxin Shareholders/New GZ Yingxin Shareholders, Existing GZ Yingyou Shareholders/New GZ Yingyou Shareholders and Existing GZ Yingyue Shareholders/New GZ Yingyue Shareholders may have conflicts of interest with the Group, which may materially and adversely affect the Group's business.

- GZP Computer, GZFW Technology and GZYR Technology's ability to acquire the respective entire equity interests in GZ Yingxin, GDP Internet, GZ Yingyue, GZS Internet, GZ Yingyou and GZS Shangcong Online may be subject to the limitations and substantial costs.

- The Contracts may be subject to the scrutiny of the PRC tax authorities and additional tax may be imposed.

In light of the above risks associated with the Contracts, the Group has adopted relevant procedures and internal control measures to ensure the effective operation of the Group and the implementation of the Contracts, including (i) discuss and make all necessary modification to the Contracts in order to maintain the economic interests; (ii) regular report by relevant divisions of the Group to the senior management of the Company in relation to the compliance of the Contracts; (iii) regular report by the senior management of the Group to the Board any non-compliance issues; (iv) retain legal adviser and/or other professional to assist the Group to deal with specific issues arising from the Contracts, if required; and (v) annual review by the independent non-executive directors of the Company the compliance of the Contracts.

As at the date of this annual report, there has been no material change in the Contracts and/or the circumstances under which they were adopted.

The independent non-executive directors of the Company have reviewed the continuing connected transactions for the year ended 31 December 2022 and confirmed the Structure Contract Transactions had been entered into in accordance with the relevant provisions of the structure contracts; the terms of the structure contracts remain unchanged and consistent with those disclosed in the Prospectus and the Announcements; and no dividends have been made by GZ Yingxin to Existing GZ Yingxin Shareholders/New GZ Yingxin Shareholders, by GZ Yingyou to Existing GZ Yingyou Shareholders/New GZ Yingyou Shareholders and by GZ Yingyue to Existing GZ Yingyue Shareholders/New GZ Yingyue Shareholders; and any new structural contractual arrangements entered into, renewed and/or “cloned” during the year ended 31 December 2022 are fair and reasonable so far as the Company is concerned and in the interests of the Company and its shareholders as a whole.

The auditor of the Company was engaged to report on the Group’s continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised) “Assurance Engagements Other Than Audits or Reviews of Historical Financial Information” and with reference to Practice Note 740 “Auditor’s Letter on Continuing Connected Transactions under the Hong Kong Listing Rules” issued by the Hong Kong Institute of Certified Public Accountants. The auditor of the Company has issued its unqualified letter containing its findings and conclusions in respect of the aforesaid continuing connected transactions in accordance with Listing Rule 14A.56. A copy of the auditor’s letter has been provided by the Company to the Stock Exchange.

AUDITOR

A resolution will be proposed at the 2023 AGM to re-appoint Messrs. PricewaterhouseCoopers as auditor of the Company.

On behalf of the Board
Lam Wai Yan
Chairman

27 March 2023

pwc

羅兵咸永道

To the Shareholders of Pacific Online Limited
(incorporated in the Cayman Islands with limited liability)

QUALIFIED OPINION

What we have audited

The consolidated financial statements of Pacific Online Limited (the "Company") and its subsidiaries (the "Group"), which are set out on pages 81 to 161, comprise:

- the consolidated balance sheet as at 31 December 2022;
- the consolidated income statement for the year then ended;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include significant accounting policies and other explanatory information.

Our qualified opinion

In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion section of our report, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2022, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

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BASIS FOR QUALIFIED OPINION

As explained in Note 21 to the consolidated financial statements, the Group invested in a private fund (the "Fund") which was classified as investment in financial assets measured at fair value in the consolidated balance sheet. Based on the net asset value statement provided by the Fund's administrator, management assessed the fair value of the investment in financial assets was RMB40,600,000 as at 31 December 2022 and RMB67,546,000 as at 1 January 2022, of which RMB8,753,000 represented certain investments in cryptocurrencies (the "Cryptocurrency Investments") as at 31 December 2022 and RMB39,036,000 as at 1 January 2022. For the year ended 31 December 2022, the fair value loss of the investment in financial assets recognised in the consolidated income statement was RMB26,946,000, of which RMB30,283,000 was attributable to the Cryptocurrency Investments.

The Fund stored the Cryptocurrency Investments in two custodians appointed by the Fund (the "Custodians") and in wallets under self-custody. With respect to the Cryptocurrency Investments stored with the Custodians, service auditor's assurance reports on the systems and controls of one of the Custodians were not available. Though we were able to obtain the independent service auditor's assurance reports of the other one Custodian, such reports did not cover certain controls of that custodian relating to management of the private keys and the associated digital wallets. As we were not given access to both of the Custodians, we were unable to carry out any alternative testing of their internal controls. With respect to the Cryptocurrency Investments stored in wallets under self-custody by the Fund, we were unable to test the Fund's controls or processes on wallet creation and key generation, as well as preservation and backup of the private keys. The same audit scope limitations were in place in the year 2021 resulting in the issuance of a qualified opinion on the consolidated financial statements for the year ended 31 December 2021.

Given the abovementioned scope limitations, there were no other satisfactory procedures that we could perform to satisfy ourselves as to the existence and sole ownership of the Cryptocurrency Investments of the Fund as at 31 December 2022 and 1 January 2022, and the changes in fair value of the Cryptocurrency Investments for the year ended 31 December 2022. Therefore, we were unable to determine whether any adjustment were necessary in respect of the balance of the Fund's Cryptocurrency Investments as at 31 December 2022 and 1 January 2022, which has consequential impacts on the Group's investment in financial assets as at 31 December 2022 and 1 January 2022 and the changes in fair value of the Group's investment in financial assets for the year ended 31 December 2022.

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

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

Independence

We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matters described in Basis for Qualified Opinion section, we have determined the matter described below to be the key audit matter to have communicated in our report.

Key audit matter identified in our audit relates to recoverability of trade receivables.

Key Audit Matter	**How our audit addressed the Key Audit Matter**
Recoverability of Trade Receivables Refer to Note 4(a) (critical accounting estimates and judgments) and Note 20 (trade receivables) to the consolidated financial statements. As at 31 December 2022, the net book value of trade receivables amounted to RMB432,665,000 (after the provision of RMB200,563,000), which approximated to 35% of the Group's total assets. The Group applied the HKFRS 9 simplified approach to measure lifetime expected credit losses ("ECL") allowance for trade receivables. Management estimated the ECL rate, individually, for the trade receivables identified as significant to the Group or with objective evidence of impairment, by considering the market conditions, their knowledge about the customers (including their reputation, financial capability and payment history), the current and forward-looking information on macroeconomic factors, and the subsequent settlement of each customer.	Our audit procedures in relation to management's assessment on the impairment of trade receivables included: We understood, evaluated and validated, on a sampling basis, the key controls in place over management's assessment on ECL of trade receivables and assessed the inherent risk of material misstatement by considering the degree of estimation uncertainty and other inherent risk factors; We obtained the documentation of management's assessment on ECL of trade receivables. We discussed with management to understand the ECL model and estimates used to assess the ECL rate. We evaluated the management's estimated ECL by considering the reputation and financial capability of the customers against the publicly available information, and the cash collection performance against the historical payment records. We also considered and evaluated the appropriateness of the impairment model adopted by management.

Key Audit Matter	**How our audit addressed the Key Audit Matter**
Recoverability of Trade Receivables (continued) Management estimated the ECL rate, collectively, for other insignificant trade receivables, by considering the market conditions, the aging profile, and the current and forward-looking information on macroeconomic factors that relevant to determine the ability of customers to settle the receivables in the future. The judgements and estimations are subject to high degree of estimation uncertainty. The inherent risk in relation to the assessment of ECL of trade receivables is considered relatively higher due to uncertainty of significant assumptions used. We focused on this area because of the significance of the trade receivables balance and management's judgements involved in the impairment assessment.	We tested, on a sampling basis, the accuracy of the trade receivables aging report prepared by management. We compared the historical credit losses incurred with the historical ECL. We evaluated whether management's assessment on the current and forward-looking macroeconomic factors that impact the ability of customers to settle the trade receivables in the future was appropriate by considering the external market information. We checked the subsequent settlement of trade receivables on a sampling basis to the relevant bank receipts. We found that management's judgments and estimates used in the assessment of recoverability of trade receivables were supported by available evidence.

OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises all of the information included in the annual report other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. As described in the Basis for Qualified Opinion section above, we were unable to obtain sufficient appropriate evidence about the fair value of the Cryptocurrency Investments of RMB8,753,000 and the changes in fair value loss of the Cryptocurrency Investments of RMB30,283,000. Accordingly, we are unable to conclude whether or not the other information is materially misstated with respect to this matter.

RESPONSIBILITIES OF DIRECTORS AND THOSE CHARGED WITH GOVERNANCE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. We report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but it is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

INDEPENDENT AUDITOR'S REPORT

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matter. We describe the matter in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Au Chi Ho.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 27 March 2023

CONSOLIDATED INCOME STATEMENT

	Note	Year ended 31 December 2022 RMB'000	2021 RMB'000
Revenue	5	**813,728**	852,153
Cost of revenue	6	**(482,602)**	(452,785)
Gross profit		**331,126**	399,368
Selling and marketing costs	6	**(189,188)**	(210,486)
Administrative expenses	6	**(64,472)**	(78,807)
Product development expenses	6	**(65,138)**	(66,727)
Net impairment losses on trade and other receivables	3.1(b)	**(16,945)**	(44,985)
Other income	8	**15,600**	11,324
Other (losses)/gains	21	**(26,946)**	36,685
Operating (loss)/profit		**(15,963)**	46,372
Finance income		**12,957**	6,909
Finance cost		**(6)**	(44)
Finance income — net	9	**12,951**	6,865
(Loss)/profit before income tax		**(3,012)**	53,237
Income tax expense	10	**(3,998)**	(1,386)
(Loss)/profit for the year		**(7,010)**	51,851
Attributable to:			
— Equity holders of the Company		**(6,654)**	49,920
— Non-controlling interests		**(356)**	1,931
		(7,010)	51,851
(Losses)/earnings per share for (loss)/profit attributable to equity holders of the Company for the year			
— Basic and diluted (RMB)	11	**(0.59) cents**	4.41 cents

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Year ended 31 December	
	2022	2021
	RMB'000	RMB'000
(Loss)/profit for the year	**(7,010)**	51,851
Other comprehensive income	**—**	—
Other comprehensive income for the year, net of tax	**—**	—
Total comprehensive (loss)/income for the year	**(7,010)**	51,851
Attributable to:		
— Equity holders of the Company	**(6,654)**	49,920
— Non-controlling interests	**(356)**	1,931
	(7,010)	51,851

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

CONSOLIDATED BALANCE SHEET

	Note	As at 31 December 2022 RMB'000	2021 RMB'000
ASSETS			
Non-current assets			
Right-of-use assets	14	**14,774**	15,261
Property and equipment	13	**174,540**	180,342
Investment properties	15	**51,803**	53,563
Intangible assets	16	**7,841**	7,802
Deferred income tax assets	19	**68,502**	60,289
Investment in financial assets	21	**40,600**	67,546
		358,060	384,803
Current assets			
Trade and note receivables, other receivables and prepayments	20	**473,254**	429,406
Prepayments for current income tax		**—**	14,650
Short-term bank deposits with original terms of over three months	22	**—**	90,740
Cash and cash equivalents	22	**399,985**	391,010
		873,239	925,806
Total assets		**1,231,299**	1,310,609
EQUITY			
Ordinary shares	23	**10,504**	10,491
Reserves	24	**831,680**	947,811
Equity attributable to equity holders of the Company		**842,184**	958,302
Non-controlling interests		**4,634**	4,990
Total equity		**846,818**	963,292

CONSOLIDATED BALANCE SHEET

	Note	As at 31 December 2022 RMB'000	 2021 RMB'000
LIABILITIES			
Non-current liabilities			
Lease liabilities	14	**28**	31
Current liabilities			
Accruals and other payables	25	**290,058**	266,345
Contract liabilities	5	**48,756**	43,102
Current income tax liabilities		**45,287**	37,321
Lease liabilities	14	**352**	518
		384,453	347,286
Total liabilities		**384,481**	347,317
Total equity and liabilities		**1,231,299**	1,310,609

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

	Note	Attributable to equity holders of the Company			Non-controlling interests	Total equity
		Ordinary shares	Reserves	Subtotal		
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Balance as at 1 January 2021		10,491	1,049,655	1,060,146	5,309	1,065,455
Comprehensive income						
Profit for the year		—	49,920	49,920	1,931	51,851
Total comprehensive income		—	49,920	49,920	1,931	51,851
Transactions with shareholders						
Cash dividends relating to 2020	12	—	(147,120)	(147,120)	(2,250)	(149,370)
Share Award Scheme						
— purchase of shares held for share award scheme	24(a)	—	(7,736)	(7,736)	—	(7,736)
— value of employee services	24(a)	—	3,092	3,092	—	3,092
Balance as at 31 December 2021		10,491	947,811	958,302	4,990	963,292
Comprehensive loss						
Loss for the year		—	(6,654)	(6,654)	(356)	(7,010)
Total comprehensive loss		—	(6,654)	(6,654)	(356)	(7,010)
Transactions with shareholders						
Cash dividends relating to 2021	12	—	(113,164)	(113,164)	—	(113,164)
Share Award Scheme						
— shares issued	23	13	(13)	—	—	—
— value of employee services	24(a)	—	3,700	3,700	—	3,700
Balance as at 31 December 2022		**10,504**	**831,680**	**842,184**	**4,634**	**846,818**

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

CONSOLIDATED STATEMENT OF CASH FLOWS

	Note	Year ended 31 December 2022 RMB'000	2021 RMB'000
Cash flows from operating activities			
Cash generated from operations	26(a)	**11,332**	164,671
Income tax refund received/(paid)		**10,405**	(35,117)
Net cash generated from operating activities		**21,737**	129,554
Cash flows from investing activities			
Placement of short-term bank deposits with original terms of over three months		**(121,760)**	(139,749)
Receipt from maturity of short-term bank deposits with original terms of over three months		**212,500**	166,258
Interest received		**8,919**	6,252
Purchase of property and equipment	13	**(3,166)**	(3,579)
Disposals of property and equipment	13	**237**	252
Purchase of intangible assets	16	**(48)**	(8)
Receipt from redemption of investment		**—**	31,924
Dividends received	8	**376**	496
Net cash generated from investing activities		**97,058**	61,846
Cash flows from financing activities			
Cash dividends paid	12	**(113,164)**	(149,370)
Lease payments	26(b)	**(771)**	(748)
Purchase of shares held for share award scheme		**—**	(7,736)
Net cash used in financing activities		**(113,935)**	(157,854)
Net increase in cash and cash equivalents		**4,860**	33,546
Cash and cash equivalents at beginning of year		**391,010**	356,807
Exchange gains on cash and cash equivalents	9	**4,115**	657
Cash and cash equivalents at end of year	22	**399,985**	391,010

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

1. GENERAL INFORMATION

(a) General information

Pacific Online Limited (the "Company") was incorporated on 27 August 2007 as an exempted company with limited liability under the Company Law, Cap.22, (Law 3 of 1961, as combined and revised) of the Cayman Islands. The address of its registered office is Second Floor, Century Yard, Cricket Square, P.O. Box 902, Grand Cayman, KY1-1103, Cayman Islands.

The Company and its subsidiaries (together, the "Group") are principally engaged in the provision of internet advertising services in the People's Republic of China (the "PRC").

The Company has its shares listed on The Stock Exchange of Hong Kong Limited since 18 December 2007.

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

These consolidated financial statements have been approved for issue by the board of directors (the "Board") of the Company on 27 March 2023.

(b) Operations of the online advertising business of the Group

The PRC laws and regulations limit foreign ownership of companies providing value-added telecommunications services, which include online advertising through the internet. In order for the Group to provide such services in the PRC, the following arrangements have been made:

— ***Establishment of Guangzhou Yingxin Computer Technology Exchange Co., Ltd. (廣州英鑫計算機科技交流有限公司, "GZ Yingxin")***

GZ Yingxin, a PRC limited liability company, was established on 25 November 2003 by Ms. Zhang Cong Min, Ms. Fan Zeng Chun and Ms. Lu Wu Qing, employees of Takehigh Industrial Limited (裕向實業有限公司) ("Takehigh") and its subsidiaries (together, the "Takehigh Group"), who are PRC citizens as its legal owners (the "3 Registered Owners"). Takehigh also made loans to the 3 Registered Owners for financing their initial working capital in establishing GZ Yingxin. Through the execution of various contracts and agreements (collectively defined as "Structure Contracts", see below for more details) among the Takehigh Group, GZ Yingxin and the 3 Registered Owners, the Takehigh Group controls GZ Yingxin. GZ Yingxin has been accounted for as a subsidiary of the Takehigh Group.

1. GENERAL INFORMATION (CONTINUED)

(b) Operations of the online advertising business of the Group (Continued)

— ***Transfer/acquisition of equity ownership of certain PRC operating companies to GZ Yingxin***

Through various equity transfer arrangements commenced after the establishment of GZ Yingxin, all the equity interests of two operating companies in the PRC, Guangzhou Pacific Advertising Co., Ltd. (廣州市太平洋廣告有限公司, "GZP Advertising") and Guangdong Pacific Internet Information Service Co., Ltd. (廣東太平洋互聯網信息服務有限公司, "GDP Internet") were transferred to GZ Yingxin in August 2007.

Thereafter, GZ Yingxin became the holding company of GDP Internet and GZP Advertising.

— ***Structure Contracts arrangements made between Takehigh Group and GZ Yingxin Group***

In addition to GZ Yingxin's arrangement, Structure Contracts have also been executed among Guangzhou Pacific Computer Information Consulting Co., Ltd. (廣州太平洋電腦信息諮詢有限公司, "GZP Computer"), a subsidiary of the Takehigh Group, the subsidiaries of GZ Yingxin, and the 3 Registered Owners. Through these contractual arrangements, Takehigh can exercise effective financial and operational control over GZ Yingxin and its subsidiaries (collectively the "GZ Yingxin Group"). Takehigh and GZP Computer are also entitled to substantially all the operating profits and residual benefits generated by GZ Yingxin Group under these arrangements. In particular, the 3 Registered Owners are required under the contractual arrangements made with the Takehigh Group to transfer their interests in GZ Yingxin to the Takehigh Group or its designee, upon the Takehigh Group's request at the lowest amount of consideration permitted by PRC law and upon the time when the relevant PRC law and regulations allow such to do so.

Further, the Takehigh Group owns the intellectual property developed by GDP Internet and it also receives the cash flows derived from the operations of GDP Internet and its subsidiaries through the levying of service and consultancy fees. The ownership interests in GZ Yingxin and GDP Internet have also been pledged by the 3 Registered Owners to the Takehigh Group.

As a result of the contractual arrangements, Takehigh has rights to variable returns from its involvement with GZ Yingxin Group and has ability to affect those returns through its power over GZ Yingxin Group and is considered to control GZ Yingxin Group.

1. GENERAL INFORMATION (CONTINUED)

(b) Operations of the online advertising business of the Group (Continued)

— ***Similar Structure Contracts arrangements made subsequent to GZ Yingxin Group***

Similar Structure Contracts were also executed for other PRC operating companies established by the Group subsequently. All these PRC operating companies are treated as controlled structured entities of the Company and their financial statements have been consolidated by the Company.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This note provides a list of the significant accounting policies adopted in the preparation of these consolidated financial statements. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of preparation

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

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

(ii) Historical cost convention

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation (Continued)

(iii) New and amended standards adopted by the Group

The Group has applied the following amendments or annual improvements for the first time for their annual reporting period commencing 1 January 2022:

- Property, Plant and Equipment: Proceeds before Intended Use — Amendments to Hong Kong Accounting Standards ("HKAS") 16;
- Onerous Contracts — Cost of Fulfilling a Contract — Amendments to HKAS 37;
- Annual Improvements to HKFRS Standards 2018–2020;
- Reference to the Conceptual Framework — Amendments to HKFRS 3; and
- Amendments to AG 5 Merger Accounting for Common Control Combinations.

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

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

Certain new accounting standards, amendments to accounting standards and interpretations have been published that are not mandatory for 31 December 2022 reporting periods and have not been early adopted by the Group. These standards, amendments or interpretations are not expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation (Continued)

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

		Effective for annual periods beginning on or after
HKFRS 17	Insurance Contracts	1 January 2023
Amendments to HKFRS 17	Amendments to HKFRS 17	1 January 2023
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies	1 January 2023
Amendments to HKAS 8	Definition of Accounting Estimates	1 January 2023
Amendments to HKFRS 4	Extension of the Temporary Exemption from Applying HKFRS 9	1 January 2023
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction	1 January 2023
Hong Kong Interpretation 5 (2020)	Hong Kong Interpretation 5 (2020) Presentation of Financial Statements — Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause (HK Int 5 (2020))	1 January 2024
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current	1 January 2024
Amendments to HKFRS 10 and HKAS 28	Sale or contribution of assets between an investor and its associate or joint venture	To be determined

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Principles of consolidation and equity accounting

2.2.1 Subsidiaries

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity where the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

The directors of the Company have concluded that it is appropriate to include the PRC operating companies under Structure Contracts as stated in Note 17(a) in its consolidated financial statements, notwithstanding lack of the legal ownership, because as described in Note 1(b), the Company has rights to variable returns from its involvement with these companies and has the ability to affect those returns through its power over these companies and is considered to control these companies. Consequently, the Company regards these companies as consolidated structured entities under HKFRSs.

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Non-controlling interests in the results and equity of subsidiaries are shown separately in the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated balance sheet, respectively.

2.2.2 Associates

Associates are all entities over which the Group has significant influence but not control or joint control. This is generally the case where the Group holds between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting (Note 2.2.3), after initially being recognised at cost.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Principles of consolidation and equity accounting (Continued)

2.2.3 Equity accounting

Under the equity method of accounting, the investments are initially recognised at cost and adjusted thereafter to recognise the Group's share of the post-acquisition profits or losses of the investee in profit or loss, and the Group's share of movements in other comprehensive income of the investee in other comprehensive income. Dividends received or receivable from associates are recognised as a reduction in the carrying amount of the investment.

Where the Group's share of losses in an equity-accounted investment equals or exceeds its interest in the entity, including any other unsecured long-term receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the other entity.

Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in these entities. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of equity-accounted investees have been changed where necessary to ensure consistency with the policies adopted by the Group.

The carrying amount of equity-accounted investments is tested for impairment in accordance with the policy described in Note 2.9.

2.2.4 Changes in ownership interests

The Group treats transactions with non-controlling interests that do not result in a loss of control as transactions with equity owners of the Group. A change in ownership interest results in an adjustment between the carrying amounts of the controlling and non- controlling interests to reflect their relative interests in the subsidiary. Any difference between the amount of the adjustment to non-controlling interests and any consideration paid or received is recognised in a separate reserve within equity attributable to owners of the Group.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Principles of consolidation and equity accounting (Continued)

2.2.4 Changes in ownership interests (Continued)

When the Group ceases to consolidate or equity account for an investment because of a loss of control or significant influence, any retained interest in the entity is remeasured to its fair value with the change in carrying amount recognised in profit or loss. This fair value becomes the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable HKFRSs.

If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income are reclassified to profit or loss where appropriate.

2.2.5 Business combinations

The acquisition method of accounting is used to account for all business combinations, regardless of whether equity instruments or other assets are acquired. The consideration transferred for the acquisition of a subsidiary comprises the:

- fair values of the assets transferred;
- liabilities incurred to the former owners of the acquired business;
- equity interests issued by the Group;
- fair value of any asset or liability resulting from a contingent consideration arrangement, and
- fair value of any pre-existing equity interest in the subsidiary.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquired entity on an acquisition-by-acquisition basis either at fair value or at the non-controlling interest's proportionate share of the acquired entity's net identifiable assets.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Principles of consolidation and equity accounting (Continued)

2.2.5 Business combinations (Continued)

Acquisition-related costs are expensed as incurred. The excess of the:

- consideration transferred,
- amount of any non-controlling interest in the acquired entity, and
- acquisition-date fair value of any previous equity interest in the acquired entity.

Over the fair value of the net identifiable assets acquired is recorded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the business acquired, the difference is recognised directly in profit or loss as a bargain purchase.

Contingent consideration is classified either as equity or a financial liability. Amounts classified as a financial liability are subsequently remeasured to fair value with changes in fair value recognised in profit or loss.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date. Any gains or losses arising from such remeasurement are recognised in profit or loss.

2.3 Separate financial statements

Interests in subsidiaries are accounted for at cost less impairment. Cost includes direct attributable costs of investment. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

Impairment testing of the interests in subsidiaries is required upon receiving a dividend from these investments if the dividend exceeds the total comprehensive income of the subsidiary in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.4 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-makers. The chief operating decision-makers, who are responsible for allocating resources and assessing performance of the operating segments, have been identified as the executive directors that make strategic decisions.

2.5 Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in RMB, which is the functional and presentation currency of all the individual entities of the Group.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at year end exchange rates are generally recognised in profit or loss. They are deferred in equity if they relate to qualifying cash flow hedges and qualifying net investment hedges or are attributable to part of the net investment in a foreign operation.

Foreign exchange gains and losses are presented in the statement of profit or loss on a net basis within finance income — net.

Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Translation differences on assets and liabilities carried at fair value are reported as part of the fair value gain or loss. For example, translation differences on non-monetary assets and liabilities such as equities held at fair value through profit or loss ("FVPL") are recognised in profit or loss as part of the fair value gain or loss and translation differences on non-monetary assets such as equities classified as financial assets at fair value through other comprehensive income ("FVOCI") are recognised in other comprehensive income.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.5 Foreign currency translation (Continued)

(c) Group companies

The results and financial position of all the group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;

- income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and

- all resulting exchange differences are recognised in other comprehensive income.

On consolidation, exchange differences arising from the translation of the net investment in foreign operations are taken to shareholders' equity. On the disposal of a foreign operation, all of the currency translation differences accumulated in equity in respect of that operation attributable to the equity holders of the Company are reclassified to profit or loss.

In the case of a partial disposal that does not result in the Group losing control over a subsidiary that includes a foreign operation, the proportionate share of accumulated currency translation differences are re-attributed to non-controlling interests and are not recognised in profit or loss. For all other partial disposals, the proportionate share of the accumulated exchange difference is reclassified to profit or loss.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.6 Property and equipment

Property and equipment are stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of any component accounted for as a separate asset is derecognised when replaced. All other repairs and maintenance are charged to the consolidated income statement during the reporting period in which they are incurred.

Depreciation on property and equipment is calculated using the straight-line method to allocate their costs to their residual values over their estimated useful lives, as follows:

Buildings	39–47 years
Building improvements	10 years
Leasehold improvements	the shorter of their useful lives and the lease terms
Computers and servers	3–5 years
Motor vehicles	5 years
Furniture, fittings and equipment	5 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 2.9).

Gains and losses on disposals are determined by comparing proceeds with carrying amount and are recognised within administrative expenses in the consolidated income statement.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.7 Investment properties

Investment properties, principally freehold office buildings, are held for long-term rental yields and are not occupied by the Group. Investment property is initially measured at cost, including related transaction costs and where applicable borrowing costs. The Group adopts the cost model for subsequent measurement for investment properties.

2.8 Intangible assets

(a) Computer software and technology

Acquired computer software and technology are capitalised on the basis of costs incurred to acquire and bring to use the specific software. These costs are amortised over their estimated useful lives of two years.

(b) Club membership

Club membership is stated at cost less impairment losses, if any. No amortisation is charged as the club membership has an indefinite useful life because the Company has the contractual right to control over the asset and legal rights with no definite period.

2.9 Impairment of non-financial assets

Assets that have an indefinite useful life, for example club membership, are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows ("cash generating units"). Non-financial assets that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.10 Investments and other financial assets

(a) Classification

The Group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through other comprehensive income, or through profit or loss), and
- those to be measured at amortised cost.

The classification depends on the Group's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or other comprehensive income. For investments in equity instruments that are not held for trading, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at FVOCI.

The Group reclassifies debt investments when and only when its business model for managing those assets changes.

(b) Recognition and derecognition

Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the Group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.10 Investments and other financial assets (Continued)

(c) Measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at FVPL, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

Debt instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset.

Trade and note receivables, other receivables that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other gains/(losses) (if any), together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the consolidated income statement.

Equity instruments

The Group subsequently measures all equity investments at fair value. Where the Group's management has elected to present fair value gains and losses on equity investments in other comprehensive income, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognised in profit or loss as other income when the Group's right to receive payments is established.

Changes in the fair value of financial assets at FVPL are recognised in other gains/(losses) in the consolidated income statement as applicable. Impairment losses (and reversal of impairment losses) on equity investments measured at FVOCI are not reported separately from other changes in fair value.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.10 Investments and other financial assets (Continued)

(d) Impairment

The Group assesses on a forward looking basis the expected credit losses associated with its debt instruments carried at amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade receivables, the Group applies the simplified approach permitted by HKFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables. Impairment on note receivables and other receivables is measured as either 12- month expected losses or lifetime expected losses. If a significant increase in credit risk of a receivable occurred since initial recognition, then impairment is measured as lifetime expected credit losses.

2.11 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount is reported in the consolidated balance sheet where the Group currently has a legally enforceable right to offset the recognised amounts, and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The Group has also entered into arrangements that do not meet the criteria for offsetting but still allow for the related amounts to be set off in certain circumstances, such as bankruptcy or the termination of a contract.

2.12 Trade and note receivables, other receivables

Trade and note receivables are amounts due from customers for services performed in the ordinary course of business and amounts due from issuing financial institutions in respect of note receivables received from customers to settle trade receivable, respectively. They are generally due for settlement within one year and therefore are all classified as current assets.

Trade and note receivables, other receivables are recognised initially at the amount of consideration that is unconditional unless they contain significant financing components, when they are recognised at fair value. The Group holds the trade and note receivables, other receivables with the objective of collecting the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest method. See Note 2.10 for further information about the Group's accounting for trade and note receivables, other receivables and for a description of the Group's impairment policies.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.13 Cash and cash equivalents

For the purpose of presentation in the consolidated statement of cash flows, cash and cash equivalents include cash on hand, deposits held at call with banks, and other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

2.14 Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Where any group company purchases the Company's equity share capital (treasury shares), the consideration paid, including any directly attributable incremental costs (net of income taxes) is deducted from equity attributable to the Company's equity holders until the shares are cancelled or reissued. Where such shares are subsequently reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to the Company's equity holders.

2.15 Accruals and other payables

These amounts represent liabilities for goods and services provided to the Group prior to the end of financial year which are unpaid. Accruals and other payables are presented as current liabilities unless payment is not due within 12 months after the reporting period. Accruals and other payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method unless the effect of discounting would be immaterial, in which case they are stated at cost.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.16 Current and deferred income tax

The income tax expense or credit for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

(a) Current income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company and its subsidiaries and associates operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation and considers whether it is probable that a taxation authority will accept an uncertain tax treatment. The group measures its tax balances either based on the most likely amount or the expected value, depending on which method provides a better prediction of the resolution of the uncertainty.

(b) Deferred income tax

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill. Deferred income tax is also not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss and does not give rise to equal taxable and deductible temporary differences. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred tax assets are recognised only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in foreign operations where the Company is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.16 Current and deferred income tax (Continued)

(b) Deferred income tax (Continued)

Deferred tax assets and liabilities are offset where there is a legally enforceable right to offset current tax assets and liabilities and where the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Current and deferred tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

2.17 Employee benefits

(a) Short-term obligation

Liabilities for wages and salaries, including non-monetary benefits that are expected to be settled wholly within 12 months after the end of the period in which the employees render the related service are recognised in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled. The liabilities are presented as current employee benefit obligations in the consolidated balance sheet.

(b) Pension obligations

The group companies incorporated in the PRC contributes based on certain percentage of the salaries of the employees to a defined contribution retirement benefit plan organised by relevant government authorities in the PRC on a monthly basis. The government authorities undertake to assume the retirement benefit obligations payable to all existing and future retired employees under these plans and the Group has no further obligation for post- retirement benefits beyond the contributions made.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.17 Employee benefits (Continued)

(b) Pension obligations (Continued)

The group companies incorporated in Hong Kong operate a defined contribution plan, the assets of which are generally held in a separate trustee-administered fund. These group companies pay fixed contribution into such defined contribution plan and have no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee services in the current and prior periods.

Contributions to these defined contributions plans are expensed as incurred.

(c) Housing benefits

Full-time PRC employees of the Group are entitled to participate in government-sponsored housing funds. The Group contributes to these funds based on certain percentages of the salaries of these employees on a monthly basis. The Group's liability in respect of these funds is limited to the contribution payable in each period. Contributions to the housing funds are expensed as incurred.

2.18 Share-based payment

The Group operates a number of share-based compensation plans (including share option schemes and share award schemes), under which the Group receives services from employees as consideration for equity instruments (including share options, restricted shares and awarded shares) of the Company. The fair value of the employee services received in exchange for the grant of equity instruments of the Company is recognised as an expense over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied, and credited to share-based compensation reserve under equity.

For grant of share options, the total amount to be expensed is determined by reference to the fair value of the options granted:

— including any market performance conditions;

— excluding the impact of any service and non-market performance vesting conditions, and

— including the impact of any non-vesting conditions.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.18 Share-based payment (Continued)

For grant of restricted shares and awarded shares, the total amount to be expensed is determined by reference to the market value of the Company's shares at the grant date for no cash consideration from employees. Where restricted shares and awarded shares are forfeited due to a failure by the employee to satisfy the service and non-market performance conditions, any expenses previously recognised in relation to such shares are reversed effective from the date of the forfeiture.

From the perspective of the Company, the Company grants its equity instruments to employees of its subsidiaries to exchange for their services related to the subsidiaries. Accordingly, the share-based compensation expenses, which are recognised in the consolidated financial statements, are treated as part of the "interests in subsidiaries" in the Company's balance sheet.

When the options are exercised, the proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium.

2.19 Revenue recognition

The Group derives its advertising services revenues from placing online advertisements such as banners, links and logos on the Group's websites in the PRC as well as organising offline activities for its customers under fixed-price contracts.

The majority of the online advertisement are provided for a fixed period of time with no guaranteed minimum impression level. Therefore, revenue from providing online advertisements is recognised based on the actual service provided as at the end of the reporting period as proportion of the total services to be provided because the customer receives and use the benefits simultaneously. The proportion is determined based on the actual displaying hours of the advertisement relative to the total expected displaying hours. Revenue derived from offline activities services is recognised at a point in time when the activity is completed and accepted by the customer.

Some contracts include multiple deliverables, such as providing online advertisement services and organising offline activities to help the customers promote their products. The contracts are therefore accounted for by two separate performance obligations.

Where the contracts include multiple performance obligations, the transaction price will be allocated to each performance obligation based on the relative stand-alone selling prices. Where these are not directly observable, they are estimated based on expected cost plus margin.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.19 Revenue recognition (Continued)

Estimates of revenues, cost or extent of progress towards completion are revised if circumstances change. Any resulting increases or decreases in estimated revenues or costs are reflected in profit or loss in the period in which the circumstances that give rise to the revision become known by management.

For advertising contracts, the Group collected fixed amount as agreed in contracts on a payment schedule. If the services rendered exceed the payments, a contract asset is recognised. If the payments exceed the services rendered, a contract liability is recognised. The Group invoiced on a regular basis based on the services rendered and the consideration is recorded as receivables when invoiced.

2.20 Earnings per share

(a) Basic earnings per share

Basic earnings per share is calculated by dividing:

- the profit attributable to owners of the Company, excluding any costs of servicing equity other than ordinary shares;
- by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year and excluding shares held for employee share scheme.

(b) Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account:

- the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares, and
- the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

2.21 Dividend income

Dividends are received from financial assets measured at FVPL. Dividends are recognised as other income in profit or loss when the right to receive payment is established.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.22 Interest income

Interest income is presented as finance income where it is earned from financial assets that are held for cash management purposes. Any other interest income is included in other income.

Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset except for financial assets that subsequently become credit- impaired. For credit-impaired financial assets the effective interest rate is applied to the net carrying amount of the financial asset (after deduction of the loss allowance).

2.23 Product development expenses

Expenditure on product development research is expensed as incurred.

Expenditure on development or from the development phase of an individual project is recognised as an internally generated intangible if, and only if, the Group can demonstrate all of the following:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- its intention to complete the intangible asset and use or sell it;
- its ability to use or sell the intangible asset;
- how the intangible asset will generate probable future economic benefits;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset, and
- its ability to measure reliably the expenditure attributable to the intangible asset during its development.

Other development expenditures that do not meet these criteria are recognised as expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.24 Leases

Leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- variable lease payments that are based on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable by the Group under residual value guarantees;
- the exercise price of a purchase option if the Group is reasonably certain to exercise that option, and
- payments of penalties for terminating the lease, if the lease term reflects the Group exercising that option.

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the Group, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.24 Leases (Continued)

To determine the incremental borrowing rate, the Group:

- where possible, uses recent third-party financing received by the individual lessee as a starting point, adjusted to reflect changes in financing conditions since third party financing was received;

- uses a build-up approach that starts with a risk-free interest rate adjusted for credit risk for leases held by the Group, which does not have recent third party financing, and

- makes adjustments specific to the lease, for example, term, country, currency and security.

The Group is exposed to potential future increases in variable lease payments based on an index or rate, which are not included in the lease liability until they take effect. When adjustments to lease payments based on an index or rate take effect, the lease liability is reassessed and adjusted against the right-of-use asset.

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability;

- any lease payments made at or before the commencement date less any lease incentives received;

- any initial direct costs, and

- restoration costs.

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Payments associated with short-term leases are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less without a purchase option.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.24 Leases (Continued)

Lease income from operating leases where the Group is a lessor is recognised in income on a straight-line basis over the lease term (Note 8). Initial direct costs incurred in obtaining an operating lease are added to the carrying amount of the underlying asset and recognised as expense over the lease term on the same basis as lease income. The respective leased assets are included in the balance sheet based on their nature.

Lease prepayment for land use right is up-front payment to acquire long-term interest in land. Lease prepayment is carried at cost less accumulated depreciation and impairment losses. Depreciation is provided to write off the cost of lease prepayment on a straight-line basis over the remaining periods of the lease which are from 35 years to 45 years.

2.25 Dividend distribution

Dividend distribution to the Company's equity holders is recognised as a liability in the Group's financial statements in the period in which the dividends are approved by the Company's shareholders or directors, where appropriate.

2.26 Government grants

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions.

Government grants relating to costs are deferred and recognised in the consolidated income statement over the period necessary to match them with the costs that they are intended to compensate.

Government grants relating to the purchase of property and equipment are included in non- current liabilities as deferred income and are credited to the consolidated income statement on a straight-line basis over the expected lives of the related assets.

3. FINANCIAL RISK MANAGEMENT

3.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, price risk, cash flow and fair value interest rate risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

(a) Market risk

(i) 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 during the year ended 31 December 2022 (2021: same).

As at 31 December 2022, the exchange rate of RMB to HKD and USD were 0.8933 and 6.9646 respectively. If RMB had strengthened/weakened by 0.5% against the HKD/USD with all other variables held constant, total comprehensive income for the year would have been RMB314,000 (2021: RMB592,000) lower/higher, mainly as a result of net foreign exchange losses/gains in HKD/USD denominated cash at bank.

3. FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (Continued)

(a) Market risk (Continued)

(ii) Price risk

The Group is exposed to price risk because of investments held by the Group and classified in the consolidated balance sheet as financial assets at fair value through profit or loss. 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 31 December 2022, post-tax profit for the year would have been approximately RMB2,030,000 (2021: RMB3,377,000) higher/lower.

(iii) Cash flow and fair value interest rate risk

Interest rate risk relates to the risk that fair value or cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's interest rate risk mainly arises from deposits held in banks which are interest bearing. Any change in the interest rate promulgated by banks from time to time is not considered to have significant impact to the Group.

For deposits held in banks which are interest bearing, as at 31 December 2022, if the market interest rates had been 0.5% higher/lower with all other variables held constant, post-tax profit for the year would have been RMB1,717,000 (2021: RMB2,153,000) higher/lower, mainly as a result of higher/lower interest income on bank deposits.

Other financial assets and liabilities do not have material interest rate risk.

3. FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (Continued)

(b) Credit risk

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

(i) Risk management

Credit risk is managed on a group basis.

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, future economic environment 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.

Note receivables are normally bank acceptance note, the directors are of the opinion that no significant credit risk exists.

For other receivables, the Group made periodic collective assessment as well as individual assessment on the recoverability based on past experience and forward-looking information and other factors.

None of the Group's trade receivables, note receivables and other receivables has any collateral. However, the Group has policies in place to ensure that sales are made to customers with appropriate credit history and the Group performs periodic credit evaluations of its customers.

The Group has three types of assets that are subject to the expected credit loss model:

- trade receivables;
- other receivables; and
- other financial assets at amortised costs.

3. FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (Continued)

(b) Credit risk (Continued)

(i) Risk management (Continued)

Trade receivables

The Group applies the HKFRS 9 simplified approach to measuring the expected credit losses which uses a lifetime expected loss allowance for all trade receivables. To measure the expected credit losses of trade receivables, individual credit evaluation on significant customers and debtors is performed by management. These evaluation focused on the customer and debtor's payment history and current and future ability for payment taking into account the information specific to the customer and debtor as well as pertaining to the current and future general economic environment in which the customer and debtor operated.

Trade receivables not subject to individual credit evaluation or individually assessed as not impaired, management collectively assessed the expected credit losses taking into account of the ageing analysis and the history of bad debt losses in respect of those groups of customers and debtors. The historical loss rates are adjusted to reflect current and forward-looking information affecting the ability of the customers and debtors to settle the trade receivables.

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

	Year ended 31 December	
	2022	2021
	RMB'000	RMB'000
At beginning of the year	**187,727**	147,132
Impairment charge	**16,883**	44,985
Receivables written off	**(4,047)**	(4,390)
At end of the year	**200,563**	187,727

3. FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (Continued)

(b) Credit risk (Continued)

(i) Risk management (Continued)

Trade receivables (Continued)

Trade receivables are written off when management considers there is no reasonable expectation of recovery. Subsequent recoveries of amounts previously written off are credited to profit or loss.

All of the above impairment charge relate to trade receivables arising from contracts with customers.

Other receivables

The Group's other receivables (excluding prepayments and prepaid value-added tax) were mainly advance to employees and third parties and refundable deposits. Impairment on other receivables is measured as either 12-month expected credit losses or lifetime expected credit losses, depending on whether there has been a significant increase in credit risk since initial recognition. The Group considered there has been no significant increase in credit risk since the initial recognition of other receivables.

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

	Year ended 31 December	
	2022	2021
	RMB'000	RMB'000
At beginning of the year	**—**	—
Impairment charge	**62**	—
At end of the year	**62**	—

3. FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (Continued)

(b) Credit risk (Continued)

(i) Risk management (Continued)

Other financial assets at amortised costs

Other financial assets at amortised cost include notes receivables and cash and cash equivalents.

The issuing financial institutions of notes receivable of the Group are reputable local commercial banks or state-owned banks. The directors were of the view that the expected credit losses are not material as historically they had no history of default and the debtors had a strong capacity to meet its contractual cash flow obligations in the near term.

While cash and cash equivalents are also subject to impairment requirements of HKFRS 9, the identified impairment loss was immaterial.

(c) Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset.

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 year ended 31 December 2022 (2021: same). Management considers that the Group does not have significant liquidity risk.

3. FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (Continued)

(c) Liquidity risk (Continued)

The table below analyses the Group's non-derivative financial liabilities into relevant maturity groupings based on the remaining period at end of each reporting period to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

	On demand or less than 1 year RMB'000	Between 1 and 2 years RMB'000	Total RMB'000
As at 31 December 2022			
Accruals and other payables (excluding other tax payable, and salaries payable)	**227,966**	**—**	**227,966**
Lease liabilities (including interest payables)	**360**	**29**	**389**
	228,326	**29**	**228,355**
As at 31 December 2021			
Accruals and other payables (excluding other tax payable, and salaries payable)	209,654	—	209,654
Lease liabilities (including interest payables)	532	32	564
	210,186	32	210,218

3. FINANCIAL RISK MANAGEMENT (CONTINUED)

3.2 Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt. The Group monitors capital on the basis of the gearing ratio. This ratio is equal to total liabilities divided by total assets at the end of corresponding year. Besides, the Group's strategy, which was unchanged during year ended 31 December 2022 and 2021, was to maintain the gearing ratio within 40%.

The gearing ratio as at 31 December 2022 and 2021 were as follows:

	As at 31 December	
	2022	2021
	RMB'000	RMB'000
Total liabilities	**384,481**	347,317
Total assets	**1,231,299**	1,310,609
Gearing ratio	**31%**	27%

3.3 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.

3. FINANCIAL RISK MANAGEMENT (CONTINUED)

3.3 Fair value estimation (Continued)

	Level 1 RMB'000	**Level 2 RMB'000**	**Level 3 RMB'000**	**Total RMB'000**
Financial assets				
Investment in financial assets				
As at 31 December 2022	**—**	**—**	**40,600**	**40,600**

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Financial assets				
Investment in financial assets				
As at 31 December 2021	—	—	67,546	67,546

Level 1: The fair value of financial instruments traded in active markets (such as publicly traded derivatives, and financial assets at fair value through profit or loss equity securities) 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.

3. FINANCIAL RISK MANAGEMENT (CONTINUED)

3.3 Fair value estimation (Continued)

Specific valuation techniques used to value financial instruments include:

- The use of 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 year ended 31 December 2022 are presented in Note 21.

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

3.4 Fair value of financial assets and liabilities measured at amortised cost

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

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

The preparation of financial statements requires the use of accounting estimates which, by definition, will seldom equal the actual results. Management also needs to exercise judgement in applying the Group's accounting policies.

Estimates and judgements are continually evaluated. They are based on historical experience and other factors, including expectations of future events that may have a financial impact on the entity and that are believed to be reasonable under the circumstances.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS (CONTINUED)

(a) Impairment of receivables

The Group records impairment of receivables with an assessment made by management on the recoverability of trade and note receivables and other receivables, which is based on assumptions about risk of default and expected loss rates. The Group uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the Group's past history, existing market conditions as well as forward looking estimates at the end of each reporting period.

Where the expectation is different from the original estimate, such difference will impact both the carrying value of trade and note receivables, other receivables and the impairment charge in the period in which such estimate has been changed.

(b) Income taxes and deferred taxation

The Group is mainly subject to income tax in the PRC. There are transactions (including entitlement to preferential tax treatment and deductibility of expenses) where the ultimate tax determination is uncertain until the final tax position is confirmed by relevant tax authorities. In addition, the Group recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

Deferred tax assets are recognised for all temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available in the future against which the temporary differences, the carry forward of unused tax credits and unused tax losses could be utilised. Deferred income tax is determined using tax rates and laws that have been enacted or substantively enacted at the balance sheet date and which are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled. The directors consider that there would be adequate taxable profits to be generated in the future in order to utilise these deferred tax assets recognised.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS (CONTINUED)

(c) Fair value of investment in financial assets

Investment in financial assets is carried at their fair value. The fair value of the investment in financial assets was determined by reference to valuations conducted on the underlying investments which involves certain assumptions, like relevant underlying financial projections and market information of recent transactions (such as recent fund raising transactions undertaken by the investees). Favourable or unfavourable changes to these assumptions may result in changes in the fair value of the Group's investment in financial assets.

5. SEGMENT INFORMATION

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

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

The chief operating decision-makers consider the advertising business from the perspective of the different internet portals which it operates. As all revenues of the Group are generated from customers in the PRC, they are not further evaluated on a geographic basis.

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

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

5. SEGMENT INFORMATION (CONTINUED)

There were no inter-segment sales for the year ended 31 December 2022 (2021: same). The revenue from external parties reported to the chief operating decision-makers is measured in a manner consistent with that in the consolidated income statement.

	PCauto RMB'000	**PConline** RMB'000	**Others** RMB'000	**Total** RMB'000
For the year ended 31 December 2022				
Timing of revenue recognition				
— Over time	**498,980**	**88,689**	**28,250**	**615,919**
— At a point in time	**184,768**	**9,292**	**3,749**	**197,809**
Revenue	**683,748**	**97,981**	**31,999**	**813,728**
For the year ended 31 December 2021				
Timing of revenue recognition				
— Over time	552,059	85,509	36,825	674,393
— At a point in time	164,838	6,208	6,714	177,760
Revenue	716,897	91,717	43,539	852,153

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

	Year ended 31 December	
	2022 **RMB'000**	2021 RMB'000
Revenue recognised that was included in the balance of contract liabilities at the beginning of the year	**43,102**	48,118

5. SEGMENT INFORMATION (CONTINUED)

Though the Company is domiciled in the Cayman Islands, for the year ended 31 December 2022, all revenues of the Group were derived from external customers and they were all generated from the PRC (2021: same).

As at 31 December 2022, other than club membership included in the intangible assets and investment in financial assets, majority of other non-current assets of the Group were located in the PRC (31 December 2021: same).

For the year ended 31 December 2022, revenues of approximately RMB112,311,000 (2021: RMB93,436,000) are derived from a single external customer accounting for ten percent or more of the Group's revenues.

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

6. EXPENSES BY NATURE

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

	Year ended 31 December	
	2022	2021
	RMB'000	RMB'000
Employee benefit expenses (Note 7)	**272,966**	276,394
Outsourcing production cost	**239,912**	206,885
Service commission to advertising agencies	**100,349**	115,159
Advertising expenses	**92,096**	104,564
Technology service fees	**19,727**	24,182
Depreciation and amortisation expenses		
— Depreciation of property and equipment (Note 13)	**8,731**	12,272
— Depreciation of investment properties (Note 15)	**1,760**	1,750
— Depreciation of right-of-use assets (Note 14)	**1,083**	1,035
— Amortisation of intangible assets (Note 16)	**9**	285
Travelling and entertainment expenses	**7,402**	8,775
Bandwidth and server custody fees	**18,547**	18,094
Other taxes and surcharge	**15,482**	6,570
Conference and office expenses	**4,499**	4,892
Auditors' remuneration		
— Audit services	**3,670**	3,670
— Non-audit services	**324**	375
Expenses related to short term leases	**1,294**	1,559
Professional fees	**1,486**	1,459
Impairment loss of intangible assets (Note 16)	**—**	1,000
Other expenses	**12,063**	19,885
Total cost of revenue, selling and marketing costs, administrative expenses and product development expenses	**801,400**	808,805

7. EMPLOYEE BENEFIT EXPENSES

Product development expenses are mainly included in employee benefit expenses and depreciation of property and equipment and amortisation of intangible assets. No product development expenses were capitalised for the year ended 31 December 2022 (2021: same).

	Year ended 31 December	
	2022	2021
	RMB'000	RMB'000
Wages, salaries and bonuses and other benefits	**227,681**	232,268
Social security contributions	**11,263**	11,147
Contributions to pension schemes (a)	**21,586**	20,833
Contributions to housing fund	**12,436**	12,146
	272,966	276,394

(a) Pension schemes — defined contribution plans

The PRC employees of the Group participate in defined contribution retirement schemes, which are administrated and operated by the local government authorities, based on laws and regulations in the PRC. Each employee covered by these schemes is entitled to, after their retirement from the Group, a monthly pension as determined by these schemes. The only obligation of the Group with respect to the retirement benefits scheme is to make the specified contribution under the scheme.

All the Hong Kong employees of the Group participate in a mandatory provident scheme (the "MPF Scheme"). Under the MPF Scheme, each company of the Group in Hong Kong (the employer) and its employees make monthly contributions to the scheme at 5% of the employees' earnings as defined under the Mandatory Provident Fund legislation. The contributions from each of the employers and employees are subject to a cap of HKD1,500 per month and thereafter contributions are voluntary.

The Group has no other obligations for the payment of retirement and other post-retirement benefits of employees or retirees other than the payments mentioned above.

7. EMPLOYEE BENEFIT EXPENSES (CONTINUED)

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year include one (2021: one) director whose emolument is reflected in the analysis shown in Note 7(c). The emoluments payable to the remaining four (2021: four) individuals during the year are as follows:

	Year ended 31 December	
	2022 **RMB'000**	2021 RMB'000
Basic salaries, housing allowances, other allowances and benefits in kind	**9,034**	14,944
Contributions to pension schemes	**217**	240
	9,251	15,184

During the year ended 31 December 2022, the emoluments of the remaining four (2021: four) individuals fell within the following bands:

	Number of individuals Year ended 31 December	
	2022	2021
Emolument bands		
HKD1,500,001 to HKD2,000,000	**1**	—
HKD2,000,001 to HKD2,500,000	**1**	1
HKD2,500,001 to HKD3,000,000	**1**	—
HKD3,500,001 to HKD4,000,000	**1**	—
HKD5,000,001 to HKD5,500,000	**—**	2
HKD5,500,001 to HKD6,000,000	**—**	1
	4	4

7. EMPLOYEE BENEFIT EXPENSES (CONTINUED)

(c) Benefits and interests of directors

Directors' and chief executive's emoluments

The remuneration of every director and the chief executive for the year ended 31 December 2022 is set out below:

Name of director	Fees RMB'000	Salaries RMB'000	Discretionary bonuses RMB'000	Housing allowance RMB'000	Employer's contributions to a retirement benefit scheme RMB'000	Total RMB'000
Chairman and chief executive officer ("CEO")						
Dr. Lam Wai Yan	—	804	639	1,773	—	3,216
Executive directors						
Mr. Wang Ta-Hsing ("Mr. Wang")	—	375	—	—	16	391
Mr. Ho Kam Wah	—	4	—	—	—	4
Independent non-executive directors						
Mr. Tsui Yiu Wa, Alec	375	—	—	—	—	375
Mr. Thaddeus Thomas Beczak	375	—	—	—	—	375
Mr. Lam Wai Hon, Ambrose	375	—	—	—	—	375
Total	1,125	1,183	639	1,773	16	4,736

The remuneration of every director and the chief executive for the year ended 31 December 2021 is set out below:

Name of director	Fees RMB'000	Salaries RMB'000	Discretionary bonuses RMB'000	Housing allowance RMB'000	Employer's contributions to a retirement benefit scheme RMB'000	Total RMB'000
Chairman and chief executive officer ("CEO")						
Dr. Lam Wai Yan	—	755	2,058	1,665	—	4,478
Executive directors						
Mr. Wang	—	339	—	—	15	354
Mr. Ho Kam Wah	—	4	—	—	—	4
Independent non-executive directors						
Mr. Tsui Yiu Wa, Alec	349	—	—	—	—	349
Mr. Thaddeus Thomas Beczak	349	—	—	—	—	349
Mr. Lam Wai Hon, Ambrose	349	—	—	—	—	349
Total	1,047	1,098	2,058	1,665	15	5,883

7. EMPLOYEE BENEFIT EXPENSES (CONTINUED)

(c) Benefits and interests of directors (Continued)

Directors' and chief executive's emoluments (Continued)

During the year ended 31 December 2022, none (2021: none) of the directors waived or agreed to waive any emoluments and no emoluments were paid by the Group to any of the directors or the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office (2021: same).

During the year, no retirement benefits, payments or benefits in respect of termination of directors' services were paid or made, directly or indirectly, to the directors; nor are any payable (2021: same). No consideration was provided to or receivable by third parties for making available directors' services (2021: same). There are no loans, quasi-loans or other dealings in favour of the directors, their controlled bodies corporate and connected entities (2021: same).

No director of the Company and their connected entities had a material interest, directly or indirectly, in any significant transactions, arrangements and contracts in relation to the Company's business to which the Company was or is a party that subsisted at the end of the year or at any time during the year (2021: same).

8. OTHER INCOME

	Year ended 31 December	
	2022	2021
	RMB'000	RMB'000
Rental income	**6,446**	6,400
Additional deduction of input value-added tax	**5,514**	3,180
Government grants (i)	**3,264**	1,248
Dividend income on investment in financial assets	**376**	496
	15,600	11,324

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

9. FINANCE INCOME — NET

	Year ended 31 December	
	2022	2021
	RMB'000	RMB'000
Finance income		
— Interest income from bank deposits	**8,842**	6,252
— Net foreign exchange gains	**4,115**	657
	12,957	6,909
Finance cost		
— Interest expense on lease liabilities	**(6)**	(44)
	(6)	(44)
Finance income — net	**12,951**	6,865

10. INCOME TAX EXPENSE

	Year ended 31 December	
	2022	2021
	RMB'000	RMB'000
PRC current tax	**12,211**	6,394
Deferred taxation (Note 19)	**(8,213)**	(5,008)
	3,998	1,386

The Company, which is a Cayman Islands corporation, is not subject to any profits tax. The subsidiaries of the Group incorporated in Hong Kong were not subject to Hong Kong profits tax as they had no assessable income arising in or derived from Hong Kong during the year ended 31 December 2022 (2021: same).

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

10. INCOME TAX EXPENSE (CONTINUED)

Pursuant to the PRC Corporate Income Tax Law ("CIT Law"), the CIT rate for domestic enterprises and foreign invested enterprises is 25%. In addition, the CIT Law provides for, among others, a preferential tax rate of 15% for enterprises qualified as High and New Technology Enterprises ("HNTE"). GZP Computer and GDP Internet, the principal operating subsidiaries of the Company, successfully renewed the certificate of HNTE in 2020. Therefore, the applicable income tax rate is 15% for the three years from 2020 to 2022. Guangzhou Kuche Information Technology Co., Ltd. (廣州酷車信息科技有限公司, "GZ Kuche"), a PRC operating subsidiary of the Company, was successfully renewed as HNTE in 2020 and the applicable income tax rate is 15% for the three years from 2020 to 2022. Guangzhou Yurui Information Technology Co., Ltd. (廣州裕睿信息科技有限公司, "GZ Yurui"), a PRC operating subsidiary of the Company, was successfully renewed as HNTE in 2022 and the applicable income tax rate is 15% for the three years from 2022 to 2024(2021: same). Guangzhou Fengwang Technology Co., Ltd. (廣州鋒網資訊科技有限公司, "GZ Fengwang"), a PRC operating subsidiary of the Company, was formally designated as HNTE in 2022 and the applicable income tax rate is 15% for the three years from 2022 to 2024 (2021: same). All the other PRC entities of the Group are subject to CIT at a rate of 25% in accordance with CIT Law. Assuming that there is no change to the relevant laws and regulations, the directors consider four subsidiaries, including GZP Computer, 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.

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.

10. INCOME TAX EXPENSE (CONTINUED)

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

	Year ended 31 December	
	2022	2021
	RMB'000	RMB'000
(Loss)/profit before income tax expense	**(3,012)**	53,237
Tax calculated at the statutory tax rate of 25% (2021: 25%)	**(753)**	13,309
Tax effects of		
— Tax concessions available to certain PRC subsidiaries (a)	**(1,057)**	(1,583)
— Loss/(profit) not subject to tax	**7,098**	(9,170)
— Expenses not deductible for tax purposes	**904**	855
— Utilisation of previously unrecognised tax losses	**(1,667)**	(913)
— Unrecognised tax losses	**3,593**	3,337
— Under provision of prior year	**2,050**	2,044
— Additional deduction on product development expenses	**(7,731)**	(7,843)
Withholding tax on the earnings to be remitted by PRC subsidiaries	**1,561**	1,350
Income tax expense	**3,998**	1,386

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

11. (LOSSES)/EARNINGS PER SHARE

(a) Basic (losses)/earnings per share

Basic (losses)/earnings per share is calculated by dividing the (loss)/profit attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the year (excluding the ordinary shares purchased by the Group and held for the Share Award Scheme (Note 24(a)).

11. (LOSSES)/EARNINGS PER SHARE (CONTINUED)

(a) Basic (losses)/earnings per share (Continued)

	Year ended 31 December	
	2022	2021
(Loss)/profit attributable to equity holders of the Company (RMB'000)	**(6,654)**	49,920
Weighted average number of ordinary shares for basic (losses)/earnings per share (thousand shares)	**1,130,087**	1,130,878
Basic (losses)/earnings per share (RMB)	**(0.59) cents**	4.41 cents

(b) Diluted (losses)/earnings per share

Diluted (losses)/earnings per share adjusts the figures used in the determination of basic (losses)/earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares, and the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

Diluted (losses)/earnings per share equals to basic (losses)/earnings per share as there were no potential diluted shares outstanding for the year ended 31 December 2022 (2021: same).

12. DIVIDENDS

A final dividend in respect of the year ended 31 December 2021 of RMB10.00 cents per ordinary share (2020: RMB13.00 cents per ordinary share) was approved by the shareholders at the annual general meeting on 30 May 2022. Such final dividend for 2021 totalling RMB113,164,000 was paid in 2022, which has already excluded the dividend related to the ordinary shares held for the share award scheme of RMB396,000 (final dividend for 2020 of RMB149,370,000 excluding the dividend related to the ordinary shares held for the share award scheme of RMB307,000 (Note 24(a)).

The directors recommended the payment of a final dividend of RMB10 cents per ordinary share in cash for the year ended 31 December 2022, totalling RMB113,560,000 based on the ordinary shares in issue as of 31 December 2022. Such final dividend is to be approved by the shareholders at the annual general meeting of the Company to be held on 12 May 2023. These consolidated financial statements do not reflect this dividend payable.

13. PROPERTY AND EQUIPMENT

	Buildings RMB'000	Building improvements RMB'000	Computers and servers RMB'000	Motor vehicles RMB'000	Furniture, fittings and equipment RMB'000	Total RMB'000
As at 1 January 2021						
Cost	205,028	52,697	36,437	6,122	12,634	312,918
Accumulated depreciation	(33,052)	(41,724)	(28,454)	(3,460)	(9,541)	(116,231)
Net book amount	171,976	10,973	7,983	2,662	3,093	196,687
Year ended 31 December 2021						
Opening net book amount	171,976	10,973	7,983	2,662	3,093	196,687
Additions	—	1,023	808	10	1,738	3,579
Disposals	—	—	(18)	(22)	(212)	(252)
Transfers (Note 15)	(7,400)	—	—	—	—	(7,400)
Depreciation charge (Note 6)	(4,105)	(4,859)	(1,784)	(692)	(832)	(12,272)
Closing net book amount	160,471	7,137	6,989	1,958	3,787	180,342
As at 1 January 2022						
Cost	**195,761**	**53,720**	**37,007**	**5,878**	**12,951**	**305,317**
Accumulated depreciation	**(35,290)**	**(46,583)**	**(30,018)**	**(3,920)**	**(9,164)**	**(124,975)**
Net book amount	**160,471**	**7,137**	**6,989**	**1,958**	**3,787**	**180,342**
Year ended 31 December 2022						
Opening net book amount	**160,471**	**7,137**	**6,989**	**1,958**	**3,787**	**180,342**
Additions	**220**	**723**	**1,005**	**648**	**570**	**3,166**
Disposals	**—**	**—**	**(42)**	**(121)**	**(74)**	**(237)**
Depreciation charge (Note 6)	**(4,194)**	**(1,546)**	**(1,212)**	**(858)**	**(921)**	**(8,731)**
Closing net book amount	**156,497**	**6,314**	**6,740**	**1,627**	**3,362**	**174,540**
As at 31 December 2022						
Cost	**195,981**	**54,443**	**37,946**	**5,550**	**10,558**	**304,478**
Accumulated depreciation	**(39,484)**	**(48,129)**	**(31,206)**	**(3,923)**	**(7,196)**	**(129,938)**
Net book amount	**156,497**	**6,314**	**6,740**	**1,627**	**3,362**	**174,540**

Depreciation expense has been charged to the consolidated income statement as follows:

	Year ended 31 December	
	2022 RMB'000	2021 RMB'000
Cost of revenue	**4,644**	4,767
Selling and marketing costs	**2,727**	4,154
Administrative expenses	**687**	2,578
Product development expenses	**673**	773
	8,731	12,272

14. LEASES

This note provides information for leases where the Group is a lessee.

(a) Amounts recognised in the consolidated balance sheet

The consolidated balance sheet shows the following amounts relating to leases:

Right-of-use assets

	Land used rights RMB'000	Properties RMB'000	Total RMB'000
At 1 January 2021			
Cost	18,390	1,348	19,738
Accumulated depreciation	(3,342)	(971)	(4,313)
Net book amount	15,048	377	15,425
Year ended 31 December 2021			
Opening net book amount	15,048	377	15,425
Addition	—	871	871
Depreciation charges (Note 6)	(324)	(711)	(1,035)
Closing net book amount	14,724	537	15,261
At 31 December 2021			
Cost	18,390	1,432	19,822
Accumulated depreciation	(3,666)	(895)	(4,561)
Net book amount	14,724	537	15,261
Year ended 31 December 2022			
Opening net book amount	**14,724**	**537**	**15,261**
Addition	**—**	**596**	**596**
Depreciation charges (Note 6)	**(324)**	**(759)**	**(1,083)**
Closing net book amount	**14,400**	**374**	**14,774**
At 31 December 2022			
Cost	**18,390**	**2,028**	**20,418**
Accumulated depreciation	**(3,990)**	**(1,654)**	**(5,644)**
Net book amount	**14,400**	**374**	**14,774**

14. LEASES (CONTINUED)

(a) Amounts recognised in the consolidated balance sheet (Continued)

Lease liabilities

	As at 31 December	
	2022	2021
	RMB'000	RMB'000
Current	**352**	518
Non-current	**28**	31
	380	549

(b) Amounts recognised in the consolidated income statement

The consolidated income statement shows the following amounts relating to leases:

Depreciation charge of right-of-use assets

	Year ended 31 December	
	2022	2021
	RMB'000	RMB'000
Land used rights	**324**	324
Properties	**759**	711
	1,083	1,035
Interest expenses included in finance cost (Note 9)	**6**	44
Expense relating to short-term leases (included in cost and administrative expenses) (Note 6)	**1,294**	1,559

The total cash outflow for leases for the year ended 31 December 2022 was RMB2,065,000 (2021: RMB2,307,000).

15. INVESTMENT PROPERTIES

	Buildings RMB'000
As at 1 January 2021	
Cost	59,934
Accumulated depreciation	(12,021)
Net book amount	47,913
Year ended 31 December 2021	
Opening net book amount	47,913
Transfer from owner-occupied properties	7,400
Depreciation charge (Note 6)	(1,750)
Closing net book amount	53,563
As at 31 December 2021	
Cost	69,203
Accumulated depreciation	(15,640)
Net book amount	53,563
Year ended 31 December 2022	
Opening net book amount	**53,563**
Depreciation charge (Note 6)	**(1,760)**
Closing net book amount	**51,803**
As at 31 December 2022	
Cost	**69,203**
Accumulated depreciation	**(17,400)**
Net book amount	**51,803**

Minimum lease payments receivable on leases of investment properties of the Group are as follows:

	As at 31 December	
	2022 **RMB'000**	2021 RMB'000
Not later than one year	**5,305**	5,865
Later than one year but not later than five years	**180**	4,635
	5,485	10,500

16. INTANGIBLE ASSETS

	Computer software and technology RMB'000	Club membership RMB'000	Total RMB'000
As at 1 January 2021			
Cost	15,607	8,793	24,400
Accumulated amortisation and impairment	(15,321)	—	(15,321)
Net book amount	286	8,793	9,079
Year ended 31 December 2021			
Opening net book amount	286	8,793	9,079
Additions	8	—	8
Amortisation charge (Note 6)	(285)	—	(285)
Impairment charge (Note 6)	—	(1,000)	(1,000)
Closing net book amount	9	7,793	7,802
As at 31 December 2021			
Cost	15,615	8,793	24,408
Accumulated amortisation and impairment	(15,606)	(1,000)	(16,606)
Net book amount	9	7,793	7,802
Year ended 31 December 2022			
Opening net book amount	**9**	**7,793**	**7,802**
Additions	**48**	**—**	**48**
Amortisation charge (Note 6)	**(9)**	**—**	**(9)**
Closing net book amount	**48**	**7,793**	**7,841**
As at 31 December 2022			
Cost	**15,663**	**8,793**	**24,456**
Accumulated amortisation and impairment	**(15,615)**	**(1,000)**	**(16,615)**
Net book amount	**48**	**7,793**	**7,841**

16. INTANGIBLE ASSETS (CONTINUED)

Amortization has been charged to the consolidated income statement as follows:

	Year ended 31 December	
	2022	2021
	RMB'000	RMB'000
Cost of revenue	**6**	3
Administrative expenses	**3**	282
	9	285

17. SUBSIDIARIES

The Group's subsidiaries at 31 December 2022 are set out below. Unless otherwise stated, they have share capital consisting solely of ordinary shares, and the proportion of ownership interests held equals the voting rights held by the Group. The place of incorporation or registration is also their principal place of business.

Name	Place of incorporation and kind of legal entity	Principal activities and place of operation	Particulars of issued share capital or registered capital	Interest held	
				2022	2021
Pacific E-Commerce Limited (太平洋在線有限公司)	Hong Kong, limited liability company	Investment holding in Hong Kong	HKD2	**100%**	100%
New Forest Limited (新林有限公司)	Hong Kong, limited liability company	Investment holding in Hong Kong	HKD1	**100%**	100%
Takehigh	Hong Kong, limited liability company	Investment holding in Hong Kong	HKD11,875	**100%**	100%
Winsom Technology Limited (偉信科技有限公司)	Hong Kong, limited liability company	Investment holding in Hong Kong	HKD10,000	**100%**	100%
Smooth Choice Limited (輝淩有限公司)	Hong Kong, limited liability company	Investment holding in Hong Kong	HKD100	**100%**	100%
Fortune Asset Limited (福聲有限公司)	Hong Kong, limited liability company	Investment holding in Hong Kong	HKD1	**100%**	100%
Unique Fast Limited (快尊有限公司)	Hong Kong, limited liability company	Investment holding in Hong Kong	HKD100	**100%**	100%
GZP Computer	The PRC, wholly foreign owned enterprise	Information technology and software development and provision of computer information consultancy services in the PRC	RMB80,000,000	**100%**	100%

17. SUBSIDIARIES (CONTINUED)

Name	Place of incorporation and kind of legal entity	Principal activities and place of operation	Particulars of issued share capital or registered capital	Interest held 2022	Interest held 2021
GZP Advertising (a)	The PRC, limited liability company	Provision of advertising services in the PRC	RMB500,000	100%	100%
GDP Internet (a)	The PRC, limited liability company	Provision of online advertising services in the PRC	RMB10,000,000	100%	100%
GZ Yingxin	The PRC, limited liability company	Provision of computer technology services in the PRC	RMB5,700,000	100%	100%
Shanghai Pan-Pacific Information Technology Co., Ltd. (上海環宇太平洋信息科技有限公司)	The PRC, wholly foreign owned enterprise	Not yet commenced formal operations	USD140,000	100%	100%
Guangzhou Fengwang Technology Co., Ltd. (廣州鋒網資訊科技有限公司)	The PRC, wholly foreign owned enterprise	Information technology and software development and provision of computer information consultancy services in the PRC	RMB3,500,000	100%	100%
Guangzhou Pacific Online Technology Co., Ltd. (廣州太平洋網絡科技有限公司)	The PRC, limited liability company	Not yet commenced formal operations	RMB500,000	100%	100%
Shanghai Yingzhen Online Technology Co., Ltd. (上海英臻網絡科技有限公司)	The PRC, limited liability company	Not yet commenced formal operations	RMB500,000	100%	100%
Beijing Taihe Xinyang Online Technology Co., Ltd. (北京太合新洋網絡科技有限公司)	The PRC, limited liability company	Not yet commenced formal operations	RMB500,000	100%	100%
Guangzhou Chuangcheng Online Technology Co., Ltd. (廣州創程網絡科技有限公司)	The PRC, limited liability company	Not yet commenced formal operations	RMB500,000	100%	100%
Guangzhou Yingyue Computer Technology Co., Ltd. (廣州英悅計算機科技有限公司) (a)	The PRC, limited liability company	Information technology and software development and provision of computer information consultancy services in the PRC	RMB3,200,000	100%	100%
Guangzhou Shangjin Internet Co., Ltd. (廣州尚進網絡有限公司) (a)	The PRC, limited liability company	Provision of online advertising services in the PRC	RMB3,000,000	100%	100%

17. SUBSIDIARIES (CONTINUED)

Name	Place of incorporation and kind of legal entity	Principal activities and place of operation	Particulars of issued share capital or registered capital	Interest held 2022	Interest held 2021
Guangzhou Shangjin Advertising Co., Ltd. (廣州市尚謹廣告有限公司) (a)	The PRC, limited liability company	Provision of advertising services in the PRC	RMB500,000	**100%**	100%
GZ Yurui	The PRC, wholly foreign owned enterprise	Information technology and software development and provision of computer information consultancy services in the PRC	RMB2,000,000	**100%**	100%
Guangzhou Yingyou Information Technology Co., Ltd. (廣州英佑信息科技有限公司) (a)	The PRC, limited liability company	Information technology and software development and provision of computer information consultancy services in the PRC	RMB2,000,000	**100%**	100%
Guangzhou Shangcong Online Technology Co., Ltd. (廣州尚聰網絡技術有限公司) (a)	The PRC, limited liability company	Provision of online advertising services in the PRC	RMB2,000,000	**100%**	100%
Guangzhou Shangcong Advertising Co., Ltd. (廣州市上聰廣告有限公司) (a)	The PRC, limited liability company	Provision of advertising services in the PRC	RMB500,000	**100%**	100%
Guangzhou Yingku Online Co., Ltd. (廣州英酷網絡有限公司)	The PRC, limited liability company	Not yet commenced formal operations	RMB1,200,000	**100%**	100%
GZ Kuche	The PRC, limited liability company	Operation of online platform for automobile maintainers	RMB5,000,000	**70%**	70%
Guangzhou Chuangren Software and Information Technology Service Co., Ltd. (廣州創仁軟件和信息技術服務有限公司)	The PRC, limited liability company	Information technology and software development and provision of computer information consultancy services in the PRC	RMB500,000	**100%**	100%

(a) The Company does not have legal ownership in the equity of these PRC operating companies. Nevertheless, as described in Note 1(b), through Structure Contracts entered into with the registered owners of these PRC operating companies, the Company and its legally owned subsidiaries control these PRC operating companies by way of controlling their voting rights. As a result, these PRC operating companies are presented as controlled structured entities of the Company.

17. SUBSIDIARIES (CONTINUED)

(b) In connection with the implementation of the Share Award Scheme of the Group mentioned in Note 24(a), the Company has set up a structured entity, and its particulars are as follows:

Structured entity	Principal activities
Share Award Scheme Trust	Administering and holding the Company's shares acquired for a share award scheme which is set up for the benefits of eligible directors and employees of the Group

As the Company has rights to variable returns from the contributions of the employees who are awarded with the shares by the scheme through their continued employment with the Group and has ability to affect those returns through its power to govern the financial and operating policies of the Share Award Scheme Trust, the directors of the Company consider that it is appropriate to consolidate the Share Scheme Trust in accordance with the requirements of HKFRSs.

The Company has set up a new consolidated trustee due to the renewal of the Share Award Scheme(Note 24(a)). The contract terms of the new trustee have no material difference from those of the former.

(c) Significant restrictions

Cash and short-term deposits held in the PRC are subject to local exchange control regulations. These regulations provide for restrictions on exporting capital from the PRC, other than through normal dividends.

The carrying amount of the assets included within the consolidated financial statements to which these restrictions apply was RMB377,796,000 as at 31 December 2022 (31 December 2021: RMB340,074,000).

18. FINANCIAL INSTRUMENTS BY CATEGORY

(a) The Group holds the following financial instruments:

As at 31 December 2022	**Financial assets at amortised cost RMB'000**	**Investment in financial assets RMB'000**	**Total RMB'000**
Current assets			
Trade and note receivables, other receivables excluding prepayments (Note 20)	**462,183**	**—**	**462,183**
Cash and cash equivalents (Note 22)	**399,985**	**—**	**399,985**
Non-current assets			
Investment in financial assets (Note 21)	**—**	**40,600**	**40,600**
Total	**862,168**	**40,600**	**902,768**

31 December 2021	Financial assets at amortised cost RMB'000	Investment in financial assets RMB'000	Total RMB'000
Current assets			
Trade and note receivables, other receivables excluding prepayments (Note 20)	422,794	—	422,794
Short-term bank deposits with original terms of over three months (Note 22)	90,740	—	90,740
Cash and cash equivalents (Note 22)	391,010	—	391,010
Non-current assets			
Investment in financial assets (Note 21)	—	67,546	67,546
Total	904,544	67,546	972,090

18. FINANCIAL INSTRUMENTS BY CATEGORY (CONTINUED)

(a) (Continued)

	Financial liabilities at amortised cost As at 31 December	
	2022	2021
	RMB'000	RMB'000
Current liabilities		
Accruals and other payables excluding other tax payable and salaries payable (Note 25)	**227,966**	209,654
Lease liabilities (Note 14)	**352**	518
Non-current liabilities		
Lease liabilities (Note 14)	**28**	31
Total	**228,346**	210,203

The Group's exposure to various risks associated with the financial instruments is disclosed in Note 3. The maximum exposure to credit risk at the end of the reporting period is the carrying amount of each class of financial assets mentioned above.

19. DEFERRED INCOME TAX

The analysis of deferred tax assets is as follows:

	At 31 December	
	2022	2021
	RMB'000	RMB'000
Deferred income tax assets:		
— to be recovered within 12 months	**19,909**	7,860
— to be recovered after more than 12 months	**48,593**	52,429
	68,502	60,289

19. DEFERRED INCOME TAX (CONTINUED)

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

	Provision for impairment of trade receivables RMB'000	Accrued advertising and other expenses RMB'000	Advertising expenses in excess of allowance RMB'000	Tax losses RMB'000	Total RMB'000
As at 1 January 2021	33,075	8,614	5,662	7,930	55,281
Credited/(charged) to the consolidated income statement (Note 10)	9,192	(1,813)	(369)	(2,002)	5,008
As at 31 December 2021	42,267	6,801	5,293	5,928	60,289
(Charged)/credited to the consolidated income statement (Note 10)	(11)	4,260	3,555	409	8,213
As at 31 December 2022	**42,256**	**11,061**	**8,848**	**6,337**	**68,502**

The Group only recognises deferred income tax assets for cumulative tax losses if it is probable that future taxable amounts will be available to utilise those tax losses. Management will continue to assess the recognition of deferred income tax assets in future reporting periods. As at 31 December 2022, the Group did not recognise deferred income tax assets of RMB16,549,000 (2021: RMB15,903,000) in respect of cumulative tax losses amounting to RMB75,576,000 (2021: RMB65,810,000).

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

	As at 31 December	
	2022 RMB'000	2021 RMB'000
Expire in 2022	**—**	5,122
Expire in 2023	**9,001**	9,001
Expire in 2024	**4,810**	8,190
Expire in 2025	**7,679**	10,966
Expire in 2026	**2,131**	2,131
Expire in 2027	**25,167**	—
Expire over 5 years	**26,788**	30,400
	75,576	65,810

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

20. TRADE AND NOTE RECEIVABLES, OTHER RECEIVABLES AND PREPAYMENTS

	As at 31 December	
	2022	2021
	RMB'000	RMB'000
Trade receivables, net of impairment provision (a)	**432,665**	387,376
Other receivables, net of impairment provision (b)	**12,404**	17,263
Prepaid value-added tax	**8,694**	12,419
Prepayments to suppliers	**2,377**	6,612
Notes receivable	**17,114**	5,736
	473,254	429,406

As at 31 December 2022, trade and note receivables, other receivables and prepayments were all denominated in RMB (31 December 2021: same).

(a) Trade receivables, net of impairment provision

Credit terms granted by the Group are generally within a period of three months to one year. The ageing analysis of the trade receivables (net of impairment provision of RMB200,563,000 (31 December 2021: RMB187,727,000)) based on recognition date is as follows:

	As at 31 December	
	2022	2021
	RMB'000	RMB'000
Current to 6 months	**323,535**	281,620
6 months to 1 year	**101,122**	81,693
1 year to 2 years	**6,451**	8,939
Above 2 years	**1,557**	15,124
	432,665	387,376

20. TRADE AND NOTE RECEIVABLES, OTHER RECEIVABLES AND PREPAYMENTS (CONTINUED)

(b) Other receivables, net of impairment provision

	As at 31 December	
	2022	2021
	RMB'000	RMB'000
Advance to employees	**5,808**	10,053
Rental receivables	**268**	886
Others	**6,328**	6,324
	12,404	17,263

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.

21. 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 year ended 31 December 2022, the Fund made certain investment in cryptocurrencies ("Cryptocurrency Investments"). The Group neither have control nor significant influence over the Fund. As at 31 December 2022, the Group held 33.95% (31 December 2021: 27.4%) interests of the Fund. As at 31 December 2022, the Group classified the investment in the Fund as financial assets at fair value through profit or loss (31 December 2021: same).

Management assessed the fair value of the Group's investment in financial assets as at 31 December 2022 based on the net asset value of the Fund provided by the Fund's administrator and calculated the portion attributable to the Group.

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

21. INVESTMENT IN FINANCIAL ASSETS (CONTINUED)

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

	As at 31 December	
	2022	2021
	RMB'000	RMB'000
Equity Investments	**27,440**	25,605
Cryptocurrency Investments	**8,753**	39,036
Other investments	**4,407**	2,905
At end of the year	**40,600**	67,546

During the year ended 31 December 2022 and 2021, movement on investment in financial assets is as follows:

	Year ended 31 December	
	2022	2021
	RMB'000	RMB'000
At the beginning of the year		
Changes in fair value:	**67,546**	62,785
— Equity Investments	**1,835**	(1,151)
— Cryptocurrency Investments	**(30,283)**	36,037
— Other investments	**1,502**	1,799
Redemption	**—**	(31,924)
At the end of the year	**40,600**	67,546

22. CASH AND CASH EQUIVALENTS AND SHORT-TERM BANK DEPOSITS WITH ORIGINAL TERMS OF OVER THREE MONTHS

	As at 31 December	
	2022	2021
	RMB'000	RMB'000
Cash at bank and on hand	**240,985**	162,510
Short-term bank deposits	**159,000**	319,240
Less:	**399,985**	481,750
Short-term bank deposits with original terms of over three months	**—**	(90,740)
Cash and cash equivalents	**399,985**	391,010

As at 31 December 2022, except for the cash on hand, most of the cash and cash equivalents of the Group were placed in listed state-owned banks or listed commercial banks in mainland China or Hong Kong (31 December 2021: same). Management did not expect any losses from non-performance by these counterparties.

23. ORDINARY SHARES

	Authorised ordinary shares		
	Number of shares (in thousand)	HKD'000	RMB'000
As at 31 December 2021 and 2022	100,000,000	1,000,000	969,200

	Issued and fully paid up		
	Number of shares (in thousand)	HKD'000	RMB'000
As at 1 January 2022	1,134,055	11,341	10,491
Employees share option schemes — issued shares (a)	1,542	15	13
As at 31 December 2022	1,135,597	11,356	10,504

23. ORDINARY SHARES (CONTINUED)

(a) During the year ended 31 December 2022, 1,542,000 shares were issued by the Company. A credit of RMB13,000 to ordinary shares was recorded in the Group's consolidated balance sheet.

(b) As at 31 December 2022, the total number of issued ordinary shares of the Company was 1,135,597,000 shares (31 December 2021: 1,134,055,000 shares) which included 3,960,000 shares (31 December 2021: 5,112,000) held under the Share Award Scheme (Note 24 (a)).

24. RESERVES

	Share premium RMB'000	Merger reserve RMB'000	Capital redemption reserve RMB'000	Shares held for Share Award Scheme RMB'000	Statutory reserve funds RMB'000	Other reserve RMB'000	Retained earnings RMB'000	Total RMB'000
Aa at 1 January 2021	399,201	4	306	(2,139)	43,418	31,588	577,277	1,049,655
Share Award Scheme (a)								
— value of employee services	—	—	—	3,092	—	—	—	3,092
— purchase of shares held for share award scheme	—	—	—	(7,736)	—	—	—	(7,736)
Profit for the year	—	—	—	—	—	—	49,920	49,920
Cash dividends relating to 2020	—	—	—	—	—	—	(147,120)	(147,120)
Transfer to retained earnings	—	—	—	—	—	(31,588)	31,588	—
Appropriation to statutory reserves funds	—	—	—	—	706	—	(706)	—
As at 31 December 2021	399,201	4	306	(6,783)	44,124	—	510,959	947,811
Share Award Scheme (a)								
— shares issued	**1,613**	**—**	**—**	**(1,626)**	**—**	**—**	**—**	**(13)**
— value of employee services	**—**	**—**	**—**	**3,700**	**—**	**—**	**—**	**3,700**
Loss for the year	**—**	**—**	**—**	**—**	**—**	**—**	**(6,654)**	**(6,654)**
Cash dividends relating to 2021	**—**	**—**	**—**	**—**	**—**	**—**	**(113,164)**	**(113,164)**
Appropriation to statutory reserves funds	**—**	**—**	**—**	**—**	**275**	**—**	**(275)**	**—**
As at 31 December 2022	**400,814**	**4**	**306**	**(4,709)**	**44,399**	**—**	**390,866**	**831,680**

24. RESERVES (CONTINUED)

(a) 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.

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

	Awarded shares (thousands)	**Shares to be awarded** (thousands)	**Total** (thousands)
As at 1 January 2022	**—**	**5,112**	**5,112**
Issued	**—**	**1,542**	**1,542**
Granted	**3,494**	**(3,494)**	**—**
Vested and transferred	**(3,494)**	**—**	**(3,494)**
As at 31 December 2022	**—**	**3,160**	**3,160**
As at 1 January 2021	—	2,933	2,933
Purchased	—	5,112	5,112
Granted	19,803	(2,933)	16,870
Forfeited	(16,870)	—	(16,870)
Vested	(2,933)	—	(2,933)
As at 31 December 2021	—	5,112	5,112

24. RESERVES (CONTINUED)

(a) Share Award Scheme (Continued)

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 year ended 31 December 2022, 1,542,000 shares were issued by the Company. A credit of RMB13,000 to ordinary shares and a credit of RMB1,613,000 to share premium were recorded in the Group's consolidated balance sheet.

During the year ended 31 December 2022, 3,494,000 shares originally held by the trustee were granted and vested and then transferred to certain employees upon the grant of such Awarded Shares.

The fair value of the Awarded Shares granted and vested during the year ended 31 December 2022 and their vesting period are as follows:

Total value of shares at grant dates (RMB)	**Number of shares granted** (thousands)	**Market price at grant dates** (RMB)	**Vesting period**
3,700,000	3,494	1.06	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 RMB3,700,000 was recognised for employee services received in respect of the Share Award Scheme for the year ended 31 December 2022 (2021: RMB3,092,000).

If shares have been transferred to employees and the employees leave the Group before the vesting period stipulated in the agreement with the Group, the employees are required to pay back the Group in cash amounting to the fair value of the shares at grant date in proportion to the unserviced period. An asset of RMB149,000 (2021: RMB1,782,000) was recognised in other receivable in the consolidated balance sheet as at 31 December 2022 and expenses of RMB1,633,000 was recognised in profit or loss during the year ended 31 December 2022 (2021: RMB610,000).

During the year ended 31 December 2022, the Share Award Scheme Trust received cash dividend amounting to RMB396,000 (2021: RMB307,000) which will be used to pay for the fees of trust or purchase a maximum number of shares as specified by the Board.

24. RESERVES (CONTINUED)

(b) Statutory reserve

In accordance with the PRC regulations and the articles of the association of the PRC companies comprising the Group, before distributing the net profit of each year, each of the companies registered in the PRC is required to set aside 10% of its statutory net profit for the year after offsetting any prior year's losses as determined under the PRC accounting regulations to the statutory surplus reserve fund. When the balance of such reserve reaches 50% of each company's share capital, any further appropriation is optional. The statutory surplus reserve fund can be utilised to offset prior years' losses or to issue bonus shares, provided that the balance of such reserve is not less than 25% of the entity's registered capital after the bonus issue.

25. ACCRUALS AND OTHER PAYABLES

	As at 31 December	
	2022	2021
	RMB'000	RMB'000
Accrued expenses (a)	**216,109**	197,454
Salaries payable	**50,637**	50,194
Other tax payable	**11,455**	6,497
Other payables	**11,857**	12,200
	290,058	266,345

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

As at 31 December 2022, The fair value of accruals and other payables approximated their carrying amounts (31 December 2021: same).

26. CASH FLOW INFORMATION

(a) Cash generated from operations

Reconciliation of (loss)/profit before income tax to cash generated from operations is as follows:

	Year ended 31 December	
	2022	2021
	RMB'000	RMB'000
(Loss)/profit before income tax	**(3,012)**	53,237
Adjustments for:		
— Impairment charge of trade receivables and other receivables	**16,945**	44,985
— Impairment charge of intangible assets	**—**	1,000
— Fair value change of investment in financial assets	**26,946**	(36,685)
— Finance income — net	**(12,951)**	(6,865)
— Depreciation of property and equipment (Note 13)	**8,731**	12,272
— Depreciation of investment property (Note 15)	**1,760**	1,750
— Dividend income on investment in financial assets (Note 8)	**(376)**	(496)
— Depreciation of right-of-use asset (Note 14)	**1,083**	1,035
— Amortisation of intangible assets (Note 16)	**9**	285
— Non-cash employee benefit expenses — Share Award Scheme	**3,700**	3,092
	42,835	73,610
Changes in working capital:		
— Trade and note receivables, other receivables and prepayments	**(60,870)**	178,052
— Accruals and other payables	**23,713**	(82,005)
— Contract liabilities	**5,654**	(5,016)
— Restricted cash	**—**	30
Cash generated from operations	**11,332**	164,671

26. CASH FLOW INFORMATION (CONTINUED)

(b) This section sets out a reconciliation of liabilities arising from financing activities:

	Lease liabilities RMB'000
Net debt as at 1 January 2021	(382)
Cash flows	748
Addition of lease liabilities	(871)
Interest expenses	(44)
Net debt as at 31 December 2021	(549)
Cash flows	**771**
Addition of lease liabilities	**(596)**
Interest expenses	**(6)**
Net debt as at 31 December 2022	**(380)**

27. COMMITMENTS

(a) Operating lease commitments

The Group leases offices and buses under non-cancellable operating lease agreements. The Group has recognised right-of-use assets for these leases, except for short-term leases, see Note 14 for further information.

The future aggregate minimum lease payments under non-cancellable operating leases not recognised in the consolidated financial statements are as follows:

	As at 31 December	
	2022 **RMB'000**	2021 RMB'000
Not later than one year	**64**	58

28. RELATED PARTY TRANSACTIONS

Related parties are those parties that have the ability to control the other party 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
Beijing Pacific Times Property Management Co., Ltd.	Controlled by executive director Mr. Wang

(b) Related party transactions

	Year ended 31 December	
	2022	2021
	RMB'000	RMB'000
Rental expenses for office:		
Kexim	**283**	273
Property management service for office:		
Beijing Pacific Times Property Management Co., Ltd.	**10**	10

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

28. RELATED PARTY TRANSACTIONS (CONTINUED)

(c) Balances with related parties

	As at 31 December	
	2022	2021
	RMB'000	RMB'000
Included in lease liabilities:		
Kexim	**—**	260

(d) Key management personnel compensation

Key management includes the executive directors, the CEO and other senior executives. The aggregate compensation to key management for employee services excluding the executive directors and the CEO whose details have been reflected in Note 7 is as follows:

	Year ended 31 December	
	2022	2021
	RMB'000	RMB'000
Basic salaries, housing allowances and benefits in kind	**9,305**	15,202
Contributions to pension schemes	**312**	210
	9,617	15,412

29. BALANCE SHEET AND RESERVE MOVEMENT OF THE COMPANY

	Note	As at 31 December 2022 RMB'000	As at 31 December 2021 RMB'000
ASSETS			
Non-current assets			
Intangible assets		7,793	7,793
Interests in subsidiaries		295,074	291,387
Dividend due from subsidiaries		21,000	16,000
		323,867	315,180
Current assets			
Amounts due from subsidiaries		68,226	67,835
Dividend due from subsidiaries		463,000	561,000
Cash and cash equivalents		11,126	12,359
		542,352	641,194
Total assets		866,219	956,374
EQUITY AND LIABILITIES			
Equity			
Ordinary shares		10,504	10,491
Reserves	(a)	843,355	933,239
Total equity		853,859	943,730
Current liabilities			
Accruals and other payables		1,761	2,240
Amounts due to subsidiaries		10,599	10,404
Total current liabilities		12,360	12,644
Total equity and liabilities		866,219	956,374

29. BALANCE SHEET AND RESERVE MOVEMENT OF THE COMPANY (CONTINUED)

(a) Reserve movement of the Company

	Share premium RMB'000	Capital redemption reserve RMB'000	Contributed surplus RMB'000	Shares held for Share Award Scheme RMB'000	Retained earnings RMB'000	Total RMB'000
As at 1 January 2021	384,201	306	88,277	(2,139)	600,298	1,070,943
Share Award Scheme						
— value of employee services	—	—	—	3,092	—	3,092
— purchase of shares held for share award scheme	—	—	—	(7,736)	—	(7,736)
Profit for the year	—	—	—	—	14,060	14,060
Cash dividends relating to 2020	—	—	—	—	(147,120)	(147,120)
As at 31 December 2021	384,201	306	88,277	(6,783)	467,238	933,239
Share Award Scheme						
— shares issued	**1,613**	**—**	**—**	**(1,626)**	**—**	**(13)**
— value of employee services	**—**	**—**	**—**	**3,700**	**—**	**3,700**
Profit for the year	**—**	**—**	**—**	**—**	**19,593**	**19,593**
Cash dividends relating to 2021	**—**	**—**	**—**	**—**	**(113,164)**	**(113,164)**
As at 31 December 2022	**385,814**	**306**	**88,277**	**(4,709)**	**373,667**	**843,355**

30. SUBSEQUENT EVENT

There are no material subsequent event that required additional disclosure in its financial statements for the year ended 31 December 2022.

FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last five financial years, as extracted from the published audited financial statements and restated reclassified/represented as appropriate, is set out below.

	Year ended 31 December				
RESULTS	**2022**	2021	2020	2019	2018
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Revenue	**813,728**	852,153	967,470	990,823	1,022,699
(Loss)/profit before income tax	**(3,012)**	53,237	191,287	187,768	161,257
Income tax expense	**(3,998)**	(1,386)	(27,713)	(33,088)	(27,944)
(Loss)/profit for the year	**(7,010)**	51,851	163,574	154,680	133,313
Attributable to:					
Equity holders of the Company	**(6,654)**	49,920	161,887	153,124	132,747
ASSETS, LIABILITIES AND ASSETS LESS LIABILITIES					
Total assets	**1,231,299**	1,310,609	1,513,699	1,417,795	1,410,909
Total liabilities	**384,481**	347,317	448,244	411,751	414,176
Total assets less liabilities	**846,818**	963,292	1,065,455	1,006,044	996,773