


Pacific Online Limited
太平洋網絡有限公司

ANNUAL REPORT 2017

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
Ms. Zhang Cong Min

Independent Non-executive Directors

Mr. Tsui Yiu Wa, Alec
Mr. Thaddeus Thomas Beczak
Mr. Chan Chi Mong, Hopkins

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. Chan Chi Mong, Hopkins

REMUNERATION COMMITTEE

Mr. Tsui Yiu Wa, Alec *(Chairman)*
Mr. Thaddeus Thomas Beczak
Mr. Chan Chi Mong, Hopkins

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

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Services (Cayman Islands) Limited
P.O. Box 10008, Willow House
Cricket Square
Grand Cayman KY1-1001
Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Investor Services Limited
Level 22, Hopewell Centre
183 Queen's Road East
Hong Kong

REGISTERED OFFICE

P.O. Box 10008, Willow House
Cricket Square
Grand Cayman KY1-1001
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

CHAIRMAN'S STATEMENT

On behalf of the board of directors (the "Board") of Pacific Online Limited (the "Company") and its subsidiaries (together, the "Group"), I would like to present the annual results of the Company for year ended 31 December 2017.

In 2017, the Group earned RMB963.6 million in revenue. During the reporting period, the Company streamlined its organizational structure and optimized staffing. Staff numbers have decreased by 10.4% when compared with the same period last year. By adjusting our business model and team structures, the Group has improved its overall business and operations efficiency while simultaneously promoting and developing several new products.

PCauto has increased its revenue by 7.8% when compared with the same period last year and now accounts for 72.5% of the Group's total revenue. PCauto's new 2017 product layout has already achieved results on all fronts. At the dealership level, PCauto has continued to strengthen the business philosophy of its "Auto Merchant+" platform. PCauto has been working tirelessly to create a comprehensive product portfolio for our auto dealer customers, with the main goal being to improve the business of 4S stores through highly efficient products. One such product, our mobile APP "Pocket Auto Salesman", has grown rapidly in the last year. "Pocket Auto Salesman" has attracted industry attention as it now covers more than 6,000 4S stores and sees about 20,000 sales login every day. Our comprehensive service platform for car owners, "Cool Auto Butler", and its partnership with AliPay allows for easier interactions between car owners and car dealers. It has also helped to divert more potential consumers to 4S stores. The great services "Auto Merchant+" provides has resulted in more dealers joining our platform and has brought in a stable and reliable cash flow for PCauto. We expect PCauto's revenue to continue to grow in the year ahead.

PConline's 2018 collaboration with Baidu in its IT sector development focused on using informational streaming videos to achieve effective brand information communication and commercial value. Additionally, the IT content partnership between PConline and JD.com has continued to steadily advance and has been using targeted content to meet users' needs and influence their purchasing decisions. We expect 2018 to be a year of rapid growth in content-driven e-commerce.

PCbaby and PChouse have seen a revenue increase of 5.7% from last year. PCbaby will continue to benefit from the increase in childbirth and the increase in parental spending on infants and children as a result of China's Two-Child Policy. In 2018, PChouse will create a brand ecology that better connects with consumers, designers, and brands through new APP upgrades and national design competitions. In the future, we expect that many more home furnishing and household product brands will use PChouse as a platform to market their products. PClady underwent a difficult restructuring process in 2017. The new business model has obvious advantages in terms of operating costs and better fits the business logic of the new media era.

In 2017, the Company altered its business model, streamlined its overall structure, and made the necessary personnel adjustments. We believe that these changes will reflect positively in the Company's future revenue. Looking forward through 2018, we believe the Company will enter a new growth cycle and be of more value to our customers, shareholders, and employees.

CHAIRMAN'S STATEMENT

APPRECIATION

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

Lam Wai Yan
Chairman

Hong Kong, 29 March 2018

REVENUE

Revenue decreased 1.1% from RMB974.3 million for the year ended 31 December 2016 to RMB963.6 million for the year ended 31 December 2017.

Revenue for PCauto, the Group's automobile portal, increased 7.8% from RMB647.9 million for the year ended 31 December 2016 to RMB698.5 million during the year ended 31 December 2017. The increase in revenue for PCauto was primarily due to increased spending from both auto manufacturers and dealership customers. As a percentage of revenue, PCauto accounted for 66.5% during the year ended 31 December 2016 and 72.5% during the year ended 31 December 2017.

Revenue for PConline, the Group's IT and consumer electronics portal, decreased 14.1% from RMB169.6 million during the year ended 31 December 2016 to RMB145.6 million during the year ended 31 December 2017. The decrease was due to decline in demand from consumer electronics manufacturers. As a percentage of revenue, PConline accounted for 17.4% during the year ended 31 December 2016 and 15.1% during the year ended 31 December 2017.

Revenue for PClady, the Group's lady and fashion portal, decreased 69.0% from RMB62.0 million during the year ended 31 December 2016 to RMB19.2 million during the year ended 31 December 2017. The decrease was mainly due to a major restructuring of the teams and repositioning of strategies. As a percentage of revenue, PClady accounted for 6.4% during the year ended 31 December 2016 and 2.0% during the year ended 31 December 2017.

Revenue from other operations, including PCbaby and PChouse portals, increased by 5.7% from RMB94.9 million during the year ended 31 December 2016 to RMB100.3 million during the year ended 31 December 2017. The increase was mainly due to the booming of property sector and home decoration market. As a percentage of revenue, revenue from other operations accounted for 9.7% during the year ended 31 December 2016 and 10.4% during the year ended 31 December 2017.

COST OF REVENUE

Cost of revenue increased 10.8% from RMB365.0 million during the year ended 31 December 2016 to RMB404.4 million during the year ended 31 December 2017. Gross profit margin was 62.5% during the year ended 31 December 2016 and 58.0% during the year ended 31 December 2017. The increase in cost of revenue was mainly due to increase in outsourcing production costs.

SELLING AND MARKETING COSTS

Selling and marketing costs increased 0.3% from RMB270.9 million during the year ended 31 December 2016 to RMB271.6 million during the year ended 31 December 2017. The increase in advertising expenses was largely offset by the decrease in employee benefit expenses.

ADMINISTRATIVE EXPENSES

Administrative expenses decreased by 5.8% from RMB101.5 million during the year ended 31 December 2016 to RMB95.6 million during the year ended 31 December 2017, mainly due to less rental and depreciation expenses during the year.

PRODUCT DEVELOPMENT EXPENSES

Product development expenses decreased by 3.5% from RMB78.0 million during the year ended 31 December 2016 to RMB75.2 million during the year ended 31 December 2017. The decrease was due to decrease in the number of product development staff and other related expenses.

OTHER INCOME

Other income was RMB10.3 million during the year ended 31 December 2017 and RMB10.4 million during the year ended 31 December 2016. The Group had less investment income on held-to-maturity financial assets but it received more government grants during the year.

FINANCE INCOME AND COST

Net finance income decreased 85.0% from RMB10.9 million during the year ended 31 December 2016 to RMB1.6 million during the year ended 31 December 2017. The decrease was mainly due to the loss in foreign exchange in 2017 and gain in foreign exchange in 2016.

INCOME TAX EXPENSE

Income tax expense decreased 21.9% from RMB29.0 million during the year ended 31 December 2016 to RMB22.6 million during the year ended 31 December 2017.

NET PROFIT

Net profit decreased 30.3% from RMB151.2 million during the year ended 31 December 2016 to RMB105.3 million during the year ended 31 December 2017.

LIQUIDITY AND FINANCIAL RESOURCES

As of 31 December 2017, the Group had short-term deposits and cash totaling RMB445.1 million, compared with RMB396.0 million as of 31 December 2016.

In 2017, net cash generated from operating activities was RMB157.5 million, net cash generated from investing activities was RMB34.0 million, net cash used in financing activities was RMB138.3 million, with a net increase in cash and cash equivalents of RMB53.2 million for year 2017.

In 2016, net cash generated from operating activities was RMB126.2 million, net cash generated from investing activities was RMB6.6 million, net cash used in financing activities was RMB156.0 million, with a net decrease in cash and cash equivalents of RMB23.2 million for year 2016.

The Company had no external debt as of 31 December 2016 and 31 December 2017.

BANK BORROWINGS

As of both 31 December 2017 and 31 December 2016, 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 2017, the Group had no material acquisitions or disposals of subsidiaries and associates.

CHARGES ON ASSETS

As at 31 December 2017, 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 66, 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 65, 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"), aged 43, 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. Mr. Wang has been the director of Kwong Fong Industries Corporation (a company listed on the Taiwan Stock Exchange) since June 2012.

Ms. Zhang Cong Min ("Ms. Zhang"), aged 50, is an executive director and the Chief Operating Officer of the Company and a director of certain subsidiaries of the Company. 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.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Tsui Yiu Wa, Alec ("Mr. Tsui"), aged 68, 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 has been as an independent non-executive director of China Oilfield Services Limited and China Power International Development Limited respectively (both companies are listed on the main board of The Stock Exchange of Hong Kong Limited). Currently, Mr. Tsui is an independent non-executive director of Industrial and Commercial Bank of China (Asia) Limited. Mr. Tsui also acts as an independent non-executive director of the following listed companies:

Name of listed companies
COSCO SHIPPING International (Hong Kong) Co., Ltd.
DTXS Silk Road Investment Holdings Company Limited
Kangda International Environmental Company Limited
Summit Ascent Holdings Limited
ATA Inc.
Melco Resorts & Entertainment Limited
(formerly known as "Melco Crown Entertainment Limited")
Melco Resorts and Entertainment (Philippines) Corporation
(formerly known as "Melco Crown (Philippines) Resorts Corporation")

DIRECTORS' AND SENIOR MANAGEMENT'S PROFILES

Mr. Thaddeus Thomas Beczak ("Mr. Beczak"), aged 67, 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 has been an independent non-executive director of China Minsheng Financial Holding Corporation Limited from February 2016 until July 2017. Currently, Mr. Beczak is acting as non-executive director of a number of non-listed companies, including MUFG Securities Asia (Singapore) Limited and MUFG Securities Asia Limited. Mr. Beczak also acts as an independent non-executive director of the following listed companies:

Name of listed companies
Phoenix Media Investment (Holdings) Limited
(formerly known as "Phoenix Satellite Television Holdings Limited")
Singapore Exchange Limited

Mr. Chan Chi Mong, Hopkins ("Mr. Chan"), aged 60, is an independent non-executive director and a member of the audit committee and remuneration committee of the Company. He joined the Group in May 2012. Mr. Chan is the founder member of the Institute of Leadership and Management, U.K. Mr. Chan has over 20 years' experiences in finance and management. He served as the vice president and associate director of Dean Witter Reynolds (H.K.) Ltd., and the executive director of Silver Grant International Finance Ltd. He was appointed as Justice of the Peace by the Government of the Hong Kong Special Administrative Region on 1 July 2015. He is the supervisor of Hong Kong Pui Ching Primary School. In social service, he is the board chairman of Baptist Oi Kwan Social Service. Currently, Mr. Chan is acting as independent non-executive director of Talent Property Group Limited (a company listed on the main board of The Stock Exchange of Hong Kong Limited).

SENIOR MANAGEMENT

Ms. Lu Wu Qing ("Ms. Lu"), aged 49, is the senior vice president and chief administrative officer of the Group and joined the Group in 2003. Prior to joining the Group, Ms. Lu worked as a deputy manager of the administrative department of Guangdong Pacific Electronic Technology Mall Co., Ltd. (廣東太平洋電子科技廣場有限公司). She obtained a bachelor's degree in Computer Software from Sun Yat-sen University (中山大學) in 1990.

Ms. Fan Zeng Chun ("Ms. Fan"), aged 47, 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 (浙江治金經濟專科學校) with a Certificate of Industrial Economics (經濟系工業經濟專業專科).

Mr. Wong Huk Yung, Hudson ("Mr. Wong"), aged 52, 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 2017.

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 2017, save for the deviation from the code provision A.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.

All directors have timely access to all relevant information as well as the advice and services of the Company Secretary and senior management. Any director may request independent professional advice in appropriate circumstances at the Company's expenses, upon reasonable request made to the Board.

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 2017:

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
Ms. Zhang Cong Min

Independent Non-executive Directors

Mr. Tsui Yiu Wa, Alec
Mr. Thaddeus Thomas Beczak
Mr. Chan Chi Mong, Hopkins

Executive Committee

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

Audit Committee

Mr. Tsui Yiu Wa, Alec *(Chairman)*
Mr. Thaddeus Thomas Beczak
Mr. Chan Chi Mong, Hopkins

Remuneration Committee

Mr. Tsui Yiu Wa, Alec *(Chairman)*
Mr. Thaddeus Thomas Beczak
Mr. Chan Chi Mong, Hopkins

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 2017 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.

Chairman and Chief Executive Officer

Code provision A.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 shall submit himself/herself for re-election by shareholders at the first general meeting and any new director appointed by the Board as an addition to the Board shall submit himself/herself for re-election by shareholders at the next following annual general meeting.

Pursuant to the above provisions in the Articles of Association, Mr. Ho Kam Wah, Ms. Zhang Cong Min and Mr. Thaddeus Thomas Beczak shall retire by rotation at the forthcoming 2018 annual general meeting of the Company (the "2018 AGM"). It is noted that all the above three retiring directors will offer themselves for re-election. 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 2017, 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, Ms. Zhang Cong Min, Mr. Tsui Yiu Wa, Alec, Mr. Thaddeus Thomas Beczak and Mr. Chan Chi Mong, Hopkins, 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 2017 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 2017 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	3/4	—	—	—	1/1
Mr. Wang Ta-Hsing	3/4	—	—	—	1/1
Ms. Zhang Cong Min	4/4	—	—	—	1/1
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. Chan Chi Mong, Hopkins	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. Chan Chi Mong, Hopkins, 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 controls, 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 2017, 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 2016, 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 effectiveness of the Company's internal audit function; and

— Review and discussion of the interim financial statements, results announcement and report for the six months ended 30 June 2017 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. Chan Chi Mong, Hopkins, 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 B.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 2017, 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 B.1.5 of the CG Code, the annual remuneration of the members of senior management by band for the year ended 31 December 2017 is set out below:

	Number of individuals
HKD0 to HKD2,500,000	3
HKD2,500,001 to HKD5,000,000	2
	5

Details of the remuneration of each director of the Company for the year ended 31 December 2017 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.

In assessing the Board composition, the Nomination Committee would take into account various aspects set out in the Board diversity policy, including but not limited to gender, age, cultural and educational background, professional qualifications, skills, knowledge and industry and regional experience. The Nomination Committee would discuss and agree on measurable objectives for achieving diversity on the Board, where necessary, and recommend them to the Board for adoption.

In identifying and selecting suitable candidates for directorship, the Nomination Committee would consider the candidate's character, qualifications, experience, independence and other relevant criteria necessary to complement the corporate strategy and achieve Board diversity, where appropriate, before making recommendation to the Board. External recruitment professionals might be engaged to carry out selection process when necessary.

During the year ended 31 December 2017, 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 2017 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 D.3.1 of the CG Code.

During the year ended 31 December 2017, 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 2017.

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, compliance 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, establishing and maintaining appropriate and effective risk management and internal control systems.

The Board, supported by the Audit Committee as well as the management, has engaged an independent advisory firm to conduct 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 2017. The review also covered the adequacy of resources in accounting, financial reporting and internal audit functions as well as the adequacy of staff qualifications and experiences.

The Company identifies risks from a long-term perspective instead of concentrating only on medium and short-term risks. Regular reviews of the online advertising industry are conducted to provide guidance. Research on laws, regulations and industrial standards is also conducted to enable the Company to anticipate potential changes and to consult with relevant experts on issues as necessary.

In setting up the risk management and internal control systems, 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 for achieving the Company's business objectives

An independent risk assessment and internal control review of the adequacy and effectiveness of the risk management and internal control systems has been 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 analyze the risk sources identified and to make reasonable estimates 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 analyze existing and emerging risks
- Identify and assess 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

The risk management function in place in the Company is top-down, involving the Board, the Audit Committee, the legal department and key business units. All these play an important role in ensuring that risks are properly managed.

During the independent review, key issues in relation to financial, information technology, operational and legal compliance controls and risk management functions have been examined, on which 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, 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.

EXTERNAL AUDITOR 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 2017 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 2017 are analyzed below:

Type of services provided by the Group's external auditors	**Fees paid/ payable** (RMB)
Audit services (including interim review)	3,625,000
Non-audit services*	459,000
TOTAL	4,084,000

* The non-audit services conducted by the external auditors include providing professional services on tax filings and other relevant services.

COMPANY SECRETARY

During the year ended 31 December 2017, 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: 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.

During the year under review, the Company has not made any changes to its Articles of Association. 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).

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.

This Environmental, Social and Governance ("ESG") Report summarises the initiatives, programmes and performance of the Company, while demonstrating its commitment to sustainability.

The Company's principle activity is the provision of internet advertising services in mainland China, primarily through the different internet portals which it operates. This ESG Report covers these business operations in the head office in Guangzhou during the year under review.

The Board recognizes the importance of strong ESG performance in meeting the changing expectations of stakeholders and enhancing the performance of the Company. The Board has taken the overall responsibility for the Company's ESG strategy and reporting. It is committed to environmental protection and endeavours to promote an environmental culture among all employees to enhance the sustainability of the Company.

With a view to improving its ESG disclosures, the Company has taken the initiative to formulate policies, measure relevant data, monitor progress and report to investors and other stakeholders on its achievement, in accordance with the Environmental, Social and Governance Reporting Guide (Appendix 27 to the Listing Rules) and other related rules.

The Company values the business and ESG concerns of its key stakeholders — employees, investors, customers, suppliers, government bodies and communities. It communicates with them through different channels such as conferences, electronic platforms and public events. In formulating operational strategies and ESG measures, the Company takes into account the stakeholders' expectations. It endeavours to improve its performance through collaborating with the stakeholders, thereby creating greater value for the community.

SUBJECT AREA A — ENVIRONMENTAL ASPECTS

Aspect A1: Emissions

The Company has been persistent in conducting business in an environmentally responsible manner. Its mission is to reduce the possible environmental impact from its operations, and to mitigate risks for the society in the most effective way. The Company has implemented various energy-saving measures as described under "Aspect A2: Use of resources", as well as waste reduction measures as described under "Aspect A3: The environment and natural resources", and will actively pursue other environmental-friendly measures.

The Company is primarily engaged in the online advertising business, where its business activities do not involve any industrial process. Direct emissions by the Company were primarily attributed to the use of Company's motor vehicles during the year.

The amounts of the different types of air emissions during the year by the Company were as follows:

Types of Air Emissions	Air Emission Source(s)	Total Volume Emitted (approximately in kilograms)	Intensity of Emission (approximately in kilograms per facility) (Note)
Nitrogen Oxides (NOx)	Vehicles	849.40	77.20
Sulphur Oxides (SOx)	Vehicles	0.15	0.01
Particulate Matter (PM)	Vehicles	62.54	5.70

Note: Intensity is measured by dividing the total volume emitted by 11 vehicles (being the average number of vehicle of the Company from 1 January 2017 to 31 December 2017).

During the year, the majority of greenhouse gas ("GHG") emissions were indirectly emitted as a result of the consumption of purchased electricity at the Guangzhou head office (scope 2). There were also indirect GHG emissions as a result of business air travel (scope 3). Apart from direct air emissions, the Company's motor vehicles also generated a smaller amount of GHG emissions during their use (scope 1).

The amounts of different types of GHG emissions during the year were as follows:

Greenhouse gas emissions	Air Emission Source(s)	Total Volume Emitted (approximately in Tonnes)	Total Volume Emitted (%)
Scope 1			
Direct emissions or removals from sources	Combustion of fuels in mobile sources (e.g. motor vehicles)	17.32	0.9%
Scope 2			
Energy indirect emissions	Purchased electricity	1,545.93	85.1%
Scope 3			
Other indirect emissions	Business travel by employees Electricity use for fresh water and sewage processing	254.57	14.0%
Total		1,817.82	100.0%

From January to December 2017, approximately 17.32 tonnes of direct GHG emissions (Scope 1) were emitted by the Company, with an average monthly emission of 1.44 tonnes, resulting from the fuel consumption by the Company's use of 11 motor vehicles for operational needs.

A total of 1,545.93 tonnes of indirect GHG emissions (Scope 2) were emitted from the use of purchased electricity at the Guangzhou head office. With the exception of the summer months — when more electricity was purchased for the use of air-conditioners, resulting in higher emissions — the energy consumption has been relatively stable throughout the year.

Approximately 23.18 tonnes of GHG emissions (Scope 3) were emitted from the electricity use for fresh water and sewage processing (both for business purpose and daily operational needs), and approximately 231.39 tonnes as a result of business air travel by employees. This is a total of 254.57 tonnes of GHG emissions (Scope 3) generated by the Company, with an average monthly GHG emission of 21.21 tonnes.

The Company did not generate any hazardous waste during the year, and had generated only an insignificant amount of non-hazardous waste during the year — from the disposal of office supplies at the head office.

Aspect A2: Use of resources

As detailed under "Aspect A1: Emissions", electricity consumption was a major source of indirect GHG emissions during the year 2017. Other resources used in the Guangzhou head office include printing paper and water.

The use of resources by consumption type during the year was as follows:

Consumption types	**Amount (Unit)**
Electricity	1,930,480 (kWh)
Water	66,254 (Tonnes)
Paper	2 (Tonnes)

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

- Staff is encouraged to use video/telephone conferencing to reduce business travel and energy consumption. The Company uses a large amount of paper for printing annual reports every year, but the number of copies has been monitored to the minimum level to avoid wastage.

- Various energy-saving guidelines included in the Office Management Policy (e.g. turning off computers and office equipment when leaving the office, closing windows when the air conditioning is in use, etc.), and the inclusion of further guidelines on the efficient use of resources to raise the awareness of staff on the importance of protecting the environment.

- The Company has implemented energy and water saving practices, resulting in low consumption levels. Water-efficient sensor taps are installed to avoid unnecessary water wastage. The workplace temperature has been maintained at a comfortable level to encourage energy conservation and to reduce emissions. In relation to this, the Company has made reference to the relevant standard recommended by the General Office of the State Council, i.e. setting air-conditioning temperature at 26.0°C during the summer period.

Aspect A3: Environment and natural resources

The Company's business operation does not involve in the significant use of natural resources, and hence it has very little adverse impact on the environment in this respect.

The Company endeavours to comply with applicable environmental laws and regulations. During 2017, the Group has complied with the relevant environmental laws and regulations of the People's Republic of China, including but not limited to the Environmental Protection Law, the Water Pollution Prevention and Control Law, the Law on the Prevention and Control of Air Pollution and the Environmental Protection Law of Solid Waste Pollution.

The Company has adopted effective measures to reduce wastage. These include, for example, use of sunlight to reduce electricity usage in washrooms wherever possible, the adoption of appropriate disposal procedures for disposal of electronic waste, ensuring the employees are fully aware of the importance of minimising the impact on the environment and natural resources when conducting Company operations. The Group regularly monitors the consumption volumes and encourages staff to sort and recycle waste products wherever possible.

SUBJECT AREA B — SOCIAL ASPECTS

Employment and Labour Practices

Aspect B1: Employment

The Group values its employees and is committed to providing a fair and equitable workplace environment to all employees.

The Staff Handbook has standard policies and procedures to deal with recruitment, employee movement, performance review, salary adjustments promotions and terminations of employment.

The Group endeavours to ensure employees are recruited, remunerated and promoted based on their merit, qualifications, competence, suitability and contribution to the Group. The Group is an equal opportunities employer which is committed to maintaining a diverse workforce without regard to age, gender, family status, sexual orientation, disability, ethnicity, religion and political beliefs. Any form of discrimination is prohibited in the workplace.

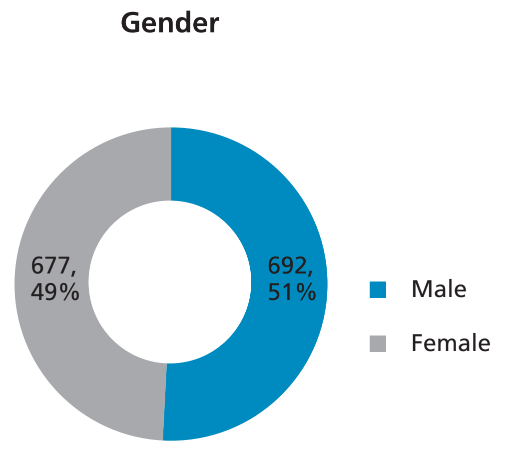
Employees at all levels of the Company are expected to conduct themselves in an appropriate manner, with integrity, impartiality and honesty.

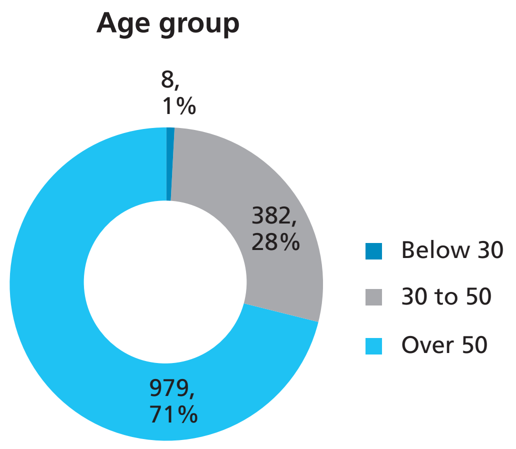
In 2017, the Group has fully complied with relevant laws and regulations of the People's Republic of China, including the Company Law, the Contract Law, the Labor Contract Law and the Regulations on Labor Inspection and Security, as well as other relevant laws and regulations of jurisdictions in which the Company employs staff. During the year, there was no breach of legislation. The Group is based in mainland China and has no offshore activities in foreign countries.

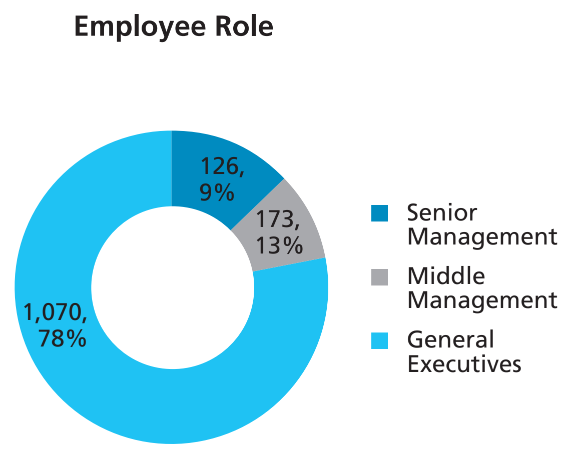
As at 31 December 2017, the Company had a total of 1,369 staff, of which 10 staff worked as part-time. There were 692 male staff, and 677 female staff. Most of the staff (979) were less than 30 years old and 382 were between 30 and 50 years old. Only 8 staff were over 50 years old.

There were three types of employee roles, classified as senior management, middle management and general executives. As at 31 December 2017, 1,070 employees were in the general executive role, while the number of employees in senior management and middle management role was 126 and 173 respectively.

The ratios between male and female, different age groups, and different employee roles are depicted below:



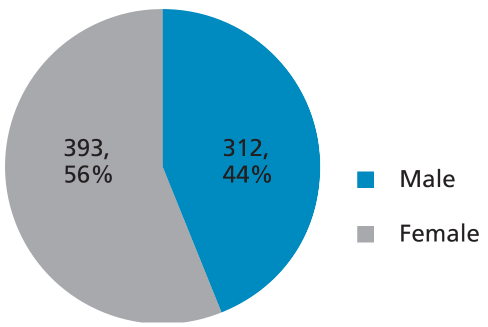




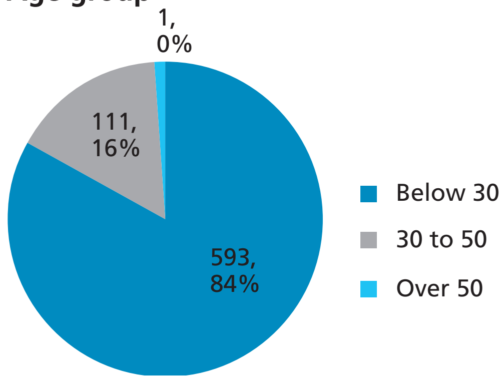
In 2017, a total of 705 employees left the Company. Of these, 312 were male and 393 were female employees. The majority of the turnover was from employees aged below 30 years old.

The proportion of the employee turnover categorised by gender and age groups were as follows:

Employee Turnover by Gender



Employee Turnover by Age group



Aspect B2: Health and safety

The Company is committed to providing and maintaining a safe and healthy working environment for all employees. The Company premises are surrounded by a garden which helps to purify the air, and thus is beneficial to the staff's general health. Security guards are employed to ensure there is no unauthorized entry.

The employees of the Company are mainly office-based, performing IT-related duties and providing customer support services, thus safety issues are not a significant concern.

In 2017, the Company complied with the Labor Law and the Law of the People's Republic of China on the Protection of Labor Rights and Interests — in addition to other relevant laws and regulations of jurisdictions in which the Group employs staff. There was no significant work-related injury and no fatality in 2017.

Aspect B3: Development and training

The Company attaches importance to the continuing development of professional knowledge and skills, and the provision of relevant training to employees.

The Company Staff Handbook has established policies on staff development and training. Various level of employees, including directors, take training courses/activities on company operations. Employees participate in environment-related programmes as well, including talks, stakeholder engagement programmes and recycling activities.

In addition, employees are encouraged to foster a low-carbon and sustainable working environment in the office, and to support continuous improvement of the Company's environmental performance. For example, staff members are encouraged to undertake the following:

- Investigate and explore additional means to enhance the energy efficiency of electrical appliances, such as air-conditioning, lighting and electrical installations, and other office equipment in working areas, where possible;
- Provide and promote the use of green facilities such as waste separation bins and used battery collection points;
- Make suggestions to improve the existing "Green Procurement Practice Guide" so as to provide updated information on how to take into account environmental considerations during the procurement process.

In 2017, the Company's employees completed a total of 7,557 training hours for a total training headcount of 616. All of the training took place in mainland China.

	Training Headcounts	Number of employees*	Total training hours	Average Training hours
By Gender				
Male	330	692	3,947	5.7
Female	286	677	3,610	5.3
Total	616	1,369	7,557	5.5
By Category				
Senior Management	63	126	868	6.9
Middle Management	32	173	425	2.5
General Executives	521	1,070	6,264	5.9
Total	616	1,369	7,557	5.5

* As at year end

Aspect B4: Labour standards

The Company complies with all applicable labour laws and regulations on employment in the People's Republic of China, where the Company and its subsidiaries operate.

The Company considers child and forced labour unacceptable practices which must be prevented by all means. The Company has instituted a comprehensive screening and recruiting process to prohibit the use of such labour.

Employee work schedules are set up fairly to keep within standard working hours and all employees are provided with appropriate leave entitlements including annual leave, sick leave, marriage leave, maternity leave, examination leave and compassionate leave.

Operating Practices

Aspect B5: Supply chain management

The Company has established policies on supply chain management, including criteria and procedures for the selection of suppliers, which are mainly IT companies in China. The Company purchases IT services, office equipment and supplies through a list of approved suppliers. The Company assesses and selects suppliers based on the quality of goods and services provided, and regularly updates the list of approved suppliers list to maintain control of the suppliers' quality.

Aspect B6: Product responsibility

As the Company is an online content provider, promoting the products/services of its clients, product responsibility lies with these clients.

The Company operates online portals for different categories of products/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.

The Company takes appropriate action to protect intellectual property rights, which gives the business its competitive edge. The Legal Department is responsible for the registration of the Company's self-created trademarks and patents, and advises on the rights to use images. Unauthorized software is strictly forbidden.

The Company is committed to complying with relevant laws and regulations on customer data protection and privacy. Any unauthorized copying, dissemination or disclosure of confidential information, including identities and transaction records of registered members of portals, are strictly prohibited.

Aspect B7: Anti-corruption

The Company 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.

Whistle-blowing procedures include mailboxes for employees to report directly to the CEO and/or COO any misconduct or dishonest activities, such as suspected corruption, fraud and other forms of criminality.

The Staff Handbook stipulates that if an employee receives money, gifts or rebates as bribes, the Company has the right to terminate the employment contract and reserves the right to further legal action.

There was no significant legal case or incident regarding fraud or corruption found by or reported to the Company during the year.

Community

Aspect B8: Community Investment

The Company encourages employees to contribute their time and efforts in participating in various local community activities and events. The Company creates job opportunities for the community, and also takes part in youth development initiatives and recovery efforts in the wake of significant 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 2017.

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 15 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 2017 are set out in the consolidated income statement on page 56.

The Board has recommended the payment of a final cash dividend of RMB11.35 cents per ordinary share for the year ended 31 December 2017 (the "Proposed Final Dividend") (2016: RMB11.35 cents), subject to the shareholders' approval at the 2018 AGM to be held on Friday, 18 May 2018. The Proposed Final Dividend will be paid in cash on Friday, 8 June 2018 to shareholders whose names appear on the register of members of the Company at the close of business on Wednesday, 30 May 2018.

CLOSURE OF REGISTER OF MEMBERS

For determining the entitlement to attend and vote at the 2018 AGM, the register of members of the Company will be closed from Tuesday, 15 May 2018 to Friday, 18 May 2018, 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 2018 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, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, for registration not later than 4:30 p.m. on Monday, 14 May 2018.

For determining the entitlement to the Proposed Final Dividend, the register of members of the Company will also be closed from Monday, 28 May 2018 to Wednesday, 30 May 2018, 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 Friday, 25 May 2018.

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 132 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 paragraph headed "Share Option Plan" in this directors' report and in note 24 to the consolidated financial statements.

SHARE OPTION PLAN

The Company has adopted a Pre-IPO Share Option Plan and a Post-IPO Share Option Plan ("Post-IPO Share Option Plan I") on 23 November 2007. All options under the Pre-IPO Share Option Plan have been granted. The Post-IPO Share Option Plan I has been terminated upon adoption of a new share option plan of the Company ("Post-IPO Share Option Plan II") pursuant to a shareholder's resolution passed at the annual general meeting of the Company held on 19 May 2017.

Summary of the share option plans of the Company is as follows:

	Details	**Pre-IPO Share Option Plan**	**Post-IPO Share Option Plan II**
1.	Purpose	To recognize the contribution to the Group by the executive directors, certain senior management staff and employees of the Group and to retain those persons whose contributions are important to the long-term growth and profitability of the Group.	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 executive directors, senior management staff and employees of the Group.	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	No further option could be granted under the Pre-IPO Share Option Plan.	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	Determined by the Board.	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.

	Details	Pre-IPO Share Option Plan	Post-IPO Share Option Plan II
5.	Period within which the securities must be taken up under an option	An option may be exercised 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 Pre-IPO Share Option Plan.	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 Post-IPO Share Option Plan II.
6.	Minimum period for which an option must be held before it can be exercised	The minimum period for which an option granted must be held before it can be exercised is as follow: **Minimum Period** — **Number of options exercisable** 24 months from the date of grant — 1st phase options, being one-third of the total number of options granted 36 months from the date of grant — 2nd phase options, being a further one-third of the total number of options granted 48 months from the date of grant — 3rd phase options, being a further one-third of the total number of options granted	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 14 days from the date of offer, upon payment of HKD1 per grant.	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.	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	Expired on 28 November 2007.	It will remain in force for a period of 10 years, commencing on 19 May 2017.

During the year ended 31 December 2017, movements of the Pre-IPO Share Option Plan of the Company are as follows:

				Number of share options			
Category	**Date of grant**	**Exercise period**[1]	**Exercise price per share**	**As at 1 January 2017**	**Exercised during the year**	**Lapsed during the year**	**As at 31 December 2017**
Employees in aggregate	23 November 2007	23 November 2009–22 November 2017	HKD1.32	2,198,212	(1,650,000)	(548,212)	—
	23 November 2007	23 November 2010–22 November 2017	HKD1.71	2,703,179	—	(2,703,179)	—
	23 November 2007	23 November 2011–22 November 2017	HKD1.96	1,938,433	—	(1,938,433)	—
Total				6,839,824	(1,650,000)	(5,189,824)	—

Notes:

(1) The vesting period of the share options is from the date of grant until the commencement of the exercise period.

(2) No share options have been granted/cancelled under the Pre-IPO Share Option Plan during the year ended 31 December 2017.

As at 31 December 2017, the Company has no outstanding share options under the Post-IPO Share Option Plan I and Post-IPO Share Option Plan II. No share options have been granted/exercised/cancelled/lapsed under the Post-IPO Share Option Plan I and Post-IPO Share Option Plan II during the year ended 31 December 2017.

Further details of the share option plans of the Company are set out in note 24 to the consolidated financial statements.

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.

During the year, no shares were granted. Further details in relation to the Share Award Scheme are set out in note 24 to the consolidated financial statements.

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 2017.

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 2017, the Company had distributable reserves amounting to RMB1,019.0 million (2016: RMB1,063.7 million).

Under the Companies Law, 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 30.1% of the total sales for the year and sales to the largest customer included therein amounted to 8.5%. Purchases from the Group's five largest suppliers accounted for 26.7% of the total purchases for the year and purchase from the largest supplier included therein amounted to 12.1%.

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 2017, the Group had 1,369 employees (2016: 1,528). 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
Ms. Zhang Cong Min

Independent Non-executive Directors:
Mr. Tsui Yiu Wa, Alec
Mr. Thaddeus Thomas Beczak
Mr. Chan Chi Mong, Hopkins

In accordance with Article 87 of the Company's Articles of Association, Mr. Ho Kam Wah, Ms. Zhang Cong Min and Mr. Thaddeus Thomas Beczak shall retire from office by rotation at the 2018 AGM. The above retiring directors, being eligible, will offer themselves for re-election at the 2018 AGM.

The Company has received annual confirmations of independence from Mr. Tsui Yiu Wa, Alec, Mr. Thaddeus Thomas Beczak and Mr. Chan Chi Mong, Hopkins 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 2018 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 2017, 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:

(1) 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	308,064,561	27.16%
Mr. Ho Kam Wah	Long	Interests held by a controlled corporation (Note)	99,348,480	8.76%
	Long	Beneficial owner	3,491,565	0.31%
			102,840,045	9.07%
Ms. Zhang Cong Min	Long	Beneficial owner	30,933,814	2.73%
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 2017.

(2) Interests in shares of associated corporations

Name of associated corporations	Name of director	Long/Short position	Capacity	Amount of registered capital (RMB)	Percentage of interest of associated corporations
Guangzhou Yingxin Computer Technology Exchange Co., Ltd. ("GZ Yingxin")	Ms. Zhang Cong Min	Long	Beneficial owner	2,280,000	40%
Guangzhou Yingyue Computer Technology Co., Ltd. ("GZ Yingyue")	Ms. Zhang Cong Min	Long	Beneficial owner	1,920,000	60%

Save as disclosed above, as at 31 December 2017, none of the directors or chief executive of the Company had any interests or short positions in the shares, 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 OF THE COMPANY

As at 31 December 2017, 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	308,064,561	(1)	27.16%
Gallop Assets Management Limited	Long	Beneficial owner	296,172,030	(2)	26.12%
J.P. Morgan Trust Company (Bahamas) Limited as trustee of The Gallop Trust	Long	Trustee	296,172,030	(2)	26.12%
Treasure Field Holdings Limited	Long	Beneficial owner	99,348,480	(3)	8.76%

Notes:

(1) Ms. Ma Muk Lan was deemed to be interested in 308,064,561 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 2017.

Save as disclosed above, as at 31 December 2017, 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 2017, 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 2017 is contained in note 28 to the consolidated financial statements.

During the year ended 31 December 2017, 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.

1. Tenancy Agreement 2016

On 30 December 2015, the Group entered into the tenancy agreement (the "Tenancy Agreement 2016") with Kexim Company Limited ("Kexim") for a term of 3 years commencing from 1 January 2016 to 31 December 2018. Under the terms of the Tenancy Agreement 2016, Kexim leased to the Group certain premises and properties for general office uses.

Mr. Wang Ta-Hsing, a director of the Company, has interests in Kexim. Therefore, Kexim is considered as Mr. Wang Ta-Hsing's associate and the connected person of the Company under the Listing Rules.

During the year ended 31 December 2017, the total amount of fees paid by the Group under the Tenancy Agreement 2016 was RMB216,000 and the annual cap amount was RMB320,000.

2. Advertising Agreement 2016

On 30 December 2015, the Group entered into the advertising agreement with Kexim (the "Advertising Agreement 2016") for a term of 3 years commencing from 1 January 2016 to 31 December 2018. Under the terms of the Advertising Agreement 2016, Kexim authorised the Company to lease the advertising boards on the external walls of the relevant property(ies) which were owned by Kexim and/or its respective subsidiaries as well as to receive and collect all revenue in connection with the leasing of such advertising boards, and the Company is responsible for obtaining all necessary government approvals for placing such outdoor advertisements and for paying the associated costs thereof.

Mr. Wang Ta-Hsing, a director of the Company, has interests in Kexim. Therefore, Kexim is considered as Mr. Wang Ta-Hsing's associate and the connected person of the Company under the Listing Rules.

During the year ended 31 December 2017, the total amount of fees paid by the Group under the Advertising Agreement 2016 was RMB1,993,000 and the annual cap amount was RMB5,000,000.

3. Property Management Service Agreement 2016

On 30 December 2015, the Company entered into the property management service agreement ("Property Management Service Agreement 2016") with Beijing Pacific Times Property Management Co., Ltd. (北京太平洋時代物業管理有限公司) ("BPT Property Management") for a term of 3 years commencing from 1 January 2016 to 31 December 2018. Under the terms of the Property Management Service Agreement 2016, BPT Property Management agreed to provide and the Group agreed to receive property management services in relation to the premises owned or rented by the Group.

Mr. Wang Ta-Hsing, a director of the Company, has interests in BPT Property Management. Therefore, BPT Property Management is considered as Mr. Wang Ta-Hsing's associate and the connected person of the Company under the Listing Rules.

During the year ended 31 December 2017, the total amount of fees paid by the Group under the Property Management Service Agreement 2016 was RMB153,000 and the annual cap was RMB700,000.

4. **Structure Contract Transactions**

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

Existing Structure Contracts

The Group conducts its online advertising business through 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 Structure Contracts"). GZ Yingxin, a company incorporated in the PRC with limited liability that holds 100% of the equity interest of GDP Internet, is owned as to 40% by Ms. Zhang Cong Min, 30% by Ms. Lu Wu Qing and 30% by Ms. Fan Zeng Chun (collectively known as "GZ Yingxin Shareholders"). As a result of the Existing Structure Contracts, the Group is able to recognize and receive the economic benefit of the business and operations of GZ Yingxin, GDP Internet and the subsidiaries of GDP Internet. The Existing 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 Structure Contracts are disclosed in the section headed "Structure Contracts" in the Prospectus.

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 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), is owned as to 60% by Ms. Zhang Cong Min and 40% by Ms. Lu Wu Qing, (collectively known as "GZ Yingyue Shareholders"). As a result of the PClady Structure Contracts, the Group is able to recognize and receive the economic benefit of the business and operations of GZ Yingyue, GZS Internet and GZS Advertising. The 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 are disclosed in the Company's announcement dated 2 July 2015 (the "Announcement").

During the year ended 31 December 2017, the revenue subject to the Existing Structure Contracts and PClady Structure Contracts was RMB948 million. As at 31 December 2017, the total assets subject to the Existing Structure Contracts and PClady Structure Contracts was RMB788 million.

Risk factors in relation to the Existing Structure Contracts and PClady Structure Contracts

The risks associated with the Existing Structure Contracts and PClady Structure Contracts were set out in the Prospectus and the Announcement and are highlighted as follows:

- If the PRC government finds that the Existing Structure Contracts and PClady Structure 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 Existing Structure Contracts and PClady Structure Contracts to control and obtain the economic benefits from GDP Internet and GZS Internet, the operating entities in the PRC, which may not be as effective in providing operational control as direct ownership.

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

In light of the above risks associated with the Existing Structure Contracts and PClady Structure Contracts, the Group has adopted relevant procedures and internal control measures to ensure the effective operation of the Group and the implementation of the Existing Structure Contracts and PClady Structure Contracts, including (i) discuss and make all necessary modification to the Existing Structure Contracts and PClady Structure 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 Existing Structure Contracts and PClady Structure 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 Existing Structure Contracts and PClady Structure Contracts, if required; and (v) annual review by the independent non-executive directors of the Company the compliance of the Existing Structure Contracts and PClady Structure Contracts.

As at the date of this annual report, there has been no material change in the Existing Structure Contracts and PClady Structure 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 2017 and confirmed as follows:

(I) The continuing connected transaction related to Tenancy Agreement 2016, Advertising Agreement 2016 and Property Management Service Agreement 2016 had been:

a) entered into by the Group in the ordinary and usual course of business;

b) entered into by the Group on normal commercial terms or better; and

c) entered into by the Group in accordance with the respective agreements governing such transactions on terms that are fair and reasonable and in the interests of the Company's shareholders as a whole.

(II) 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 Announcement; and no dividends have been made by GZ Yingxin to GZ Yingxin Shareholders and by GZ Yingyue to GZ Yingyue Shareholders; and any new structural contractual arrangements entered into, renewed and/or "cloned" during the year ended 31 December 2017 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 his unqualified letter containing his 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 2018 AGM to re-appoint Messrs. PricewaterhouseCoopers as auditor of the Company.

On behalf of the Board
Lam Wai Yan
Chairman

29 March 2018

INDEPENDENT AUDITOR'S REPORT

羅兵咸永道

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

OPINION

What we have audited

The consolidated financial statements of Pacific Online Limited (the "Company") and its subsidiaries (the "Group") set out on pages 56 to 131, which comprise:

- the consolidated balance sheet as at 31 December 2017;
- 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 a summary of significant accounting policies.

Our opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2017, 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.

BASIS FOR OPINION

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.

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

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

Key Audit Matter: Recoverability of Trade Receivables	**How our audit addressed the Key Audit Matter**
Refer to Note 4(a) (critical accounting estimates and judgments) and Note 19 to the consolidated financial statements. As at 31 December 2017, the net book value of trade receivables amounted to RMB565,643,000 (after the provision of RMB69,602,000), which approximated to 40% of the Group's total assets. We focused on this area because management made subjective judgements over the timing of recognition of impairment of trade receivables and the estimation of the size of such impairment.	With respect to management's individual credit evaluations for customers, we evaluated and tested the key controls over credit risk management. These key controls were related to the identification of which receivables were impaired, estimation of the recoverable amount of impaired debts and the resulting impairment provisions. We obtained a breakdown of each individual customer's recoverability assessment from management. Where impairment was individually provided, we tested a sample of the receivables to check the impairment was evidenced properly in relation to the time and the size of the provision made.

Key Audit Matter: Recoverability of Trade Receivables	How our audit addressed the Key Audit Matter
At each period end, management performed individual credit evaluations on key customers and some other customers primarily comprising online advertising agencies. These evaluations focused on the customer's payment history and current ability to pay, and took into account information specific to the customer as well as pertaining to the economic environment in which the customer operated. For receivables which were not subject to individual evaluations or individually assessed but not impaired, management collectively assessed the possibility of impairment taking into account of the ageing analysis and the history of bad debt losses incurred in respect of those groups of customers. All of these assessments involved significant judgements made by management.	In addition, we examined a sample of receivables of individually assessed customers which had not been identified by management as potentially impaired and formed our own judgement as to whether that was appropriate based on the external evidence obtained from our independent research on publicly available information and examination of payment records in the current year in respect of the relevant counterparties. We found no material exceptions in these tests. In respect of the collective assessment, we challenged the underlying information referenced by the management through validation of receivables ageing reports and comparison of historical bad debt losses incurred. Based on our audit procedures, we were satisfied that management's assessments were reasonable and consistent with the evidence that we obtained.

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. We have nothing to report in this regard.

RESPONSIBILITIES OF DIRECTORS AND AUDIT COMMITTEE 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.

The Audit Committee is 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 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 the Audit Committee 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 the Audit Committee 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, related safeguards.

From the matters communicated with the Audit Committee, 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 Ho Chiu Yin, Ivan.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 29 March 2018

CONSOLIDATED INCOME STATEMENT

		Year ended 31 December	
		2017	2016
	Note	**RMB'000**	RMB'000
Revenue	5	**963,599**	974,261
Cost of revenue	6	**(404,411)**	(365,011)
Gross profit		**559,188**	609,250
Selling and marketing costs	6	**(271,588)**	(270,900)
Administrative expenses	6	**(95,603)**	(101,526)
Product development expenses	6	**(75,217)**	(77,983)
Other income	8	**10,306**	10,419
Operating profit		**127,086**	169,260
Finance income		**4,605**	10,889
Finance cost		**(2,972)**	—
Finance income — net	9	**1,633**	10,889
Share of net losses of an associate accounted for using the equity method	19	**(796)**	—
Profit before income tax		**127,923**	180,149
Income tax expense	10	**(22,606)**	(28,953)
Profit for the year		**105,317**	151,196
Attributable to:			
— Equity holders of the Company		**105,317**	151,196
Earnings per share for profit attributable to equity holders of the Company for the year			
— Basic (RMB)	11	**9.29 cents**	13.36 cents
— Diluted (RMB)	11	**9.28 cents**	13.34 cents

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Year ended 31 December	
	2017	2016
	RMB'000	RMB'000
Profit for the year	**105,317**	151,196
Items that may be reclassified to profit or loss		
Change in value of investment in equity fund	**1,362**	2,153
Other comprehensive income for the year, net of tax	**1,362**	2,153
Total comprehensive income for the year	**106,679**	153,349
Attributable to:		
— Equity holders of the Company	**106,679**	153,349

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

CONSOLIDATED BALANCE SHEET

	Note	As at 31 December 2017 RMB'000	2016 RMB'000
ASSETS			
Non-current assets			
Lease prepayment		16,020	16,344
Property and equipment	13	236,079	248,557
Intangible assets	14	8,826	9,292
Deferred income tax assets	17	47,185	31,987
Investment in an associate	19	14,204	—
Investment in equity fund	20	36,544	35,182
		358,858	341,362
Current assets			
Trade and other receivables and prepayments	18	593,310	601,002
Held-to-maturity financial assets	21	—	28,193
Short-term bank deposits with original terms of over three months	22	2,519	3,677
Cash and cash equivalents	22	442,561	392,316
		1,038,390	1,025,188
Total assets		1,397,248	1,366,550
EQUITY			
Equity attributable to equity holders of the Company			
Ordinary shares	23	10,491	10,477
Reserves	24	969,918	1,001,534
Total equity		980,409	1,012,011

	Note	As at 31 December 2017 RMB'000	2016 RMB'000
LIABILITIES			
Current liabilities			
Accruals and other payables	25	**288,260**	259,547
Prepaid advertising subscriptions from customers		**61,106**	28,861
Current income tax liabilities		**67,473**	66,131
Total liabilities		**416,839**	354,539
Total equity and liabilities		**1,397,248**	1,366,550

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

The financial statements on pages 56 to 131 were approved by the board of directors on 29 March 2018 and were signed on its behalf

Lam Wai Yan
Director

Wang Ta-Hsing
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Note	Ordinary shares RMB'000	Reserves RMB'000	Total equity RMB'000
		Attributable to equity holders of the Company		
Balance at 1 January 2016		10,468	1,004,222	1,014,690
Comprehensive income				
Profit for the year		—	151,196	151,196
Other comprehensive income		—	2,153	2,153
Total comprehensive income		—	153,349	153,349
Transactions with shareholders				
Cash dividends relating to 2015, paid in 2016	12	—	(157,619)	(157,619)
Employees share option schemes — proceeds from shares issued	23(a)	9	1,582	1,591
Balance at 31 December 2016		10,477	1,001,534	1,012,011
Comprehensive income				
Profit for the year		**—**	**105,317**	**105,317**
Other comprehensive income		**—**	**1,362**	**1,362**
Total comprehensive income		**—**	**106,679**	**106,679**
Transactions with shareholders				
Cash dividends relating to 2016, paid in 2017	12	**—**	**(128,653)**	**(128,653)**
Share award scheme — purchase of shares held for share award scheme	24(b)	**—**	**(11,525)**	**(11,525)**
Employees share option schemes — proceeds from shares issued	23(a)	**14**	**1,883**	**1,897**
Balance at 31 December 2017		**10,491**	**969,918**	**980,409**

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 2017 RMB'000	2016 RMB'000
Cash flows from operating activities			
Cash generated from operations	26	**193,943**	163,308
Income tax paid		**(36,462)**	(37,155)
Net cash generated from operating activities		**157,481**	126,153
Cash flows from investing activities			
Purchase of property and equipment		**(4,128)**	(6,280)
Disposals of property and equipment		**332**	196
Purchase of intangible assets		**(6)**	(958)
Capital injection into an associate	19	**(15,000)**	—
Proceeds from business disposal		**1,300**	3,625
Redemption of held-to-maturity financial assets	21	**28,000**	21,000
Purchase of certificates of deposit		**—**	(20,137)
Maturity of certificates of deposit		**15,000**	5,000
Loan to a key management personnel		**—**	(2,564)
Repayment of loan from a key management personnel		**2,693**	—
Placement of short-term bank deposits with original terms of over three months		**(5,019)**	(66,137)
Receipt from maturity of short-term bank deposits with original terms of over three months		**6,177**	65,070
Interest received		**4,668**	7,831
Net cash generated from investing activities		**34,017**	6,646
Cash flows from financing activities			
Purchase of shares held for Share Award Scheme		**(11,525)**	—
Cash dividends paid	12	**(128,653)**	(157,619)
Proceeds from issuance of ordinary shares	23(a)	**1,897**	1,591
Net cash used in financing activities		**(138,281)**	(156,028)
Net increase/(decrease) in cash and cash equivalents		**53,217**	(23,229)
Cash and cash equivalents at beginning of year		**392,316**	410,849
Exchange (losses)/gains on cash and cash equivalents		**(2,972)**	4,696
Cash and cash equivalents at end of year	22	**442,561**	392,316

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 P.O. Box 10008, Willow House, Cricket Square, Grand Cayman KY1-1001, 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 29 March 2018.

(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 ("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 the financing of the initial working capital of GZ Yingxin in connection with its establishment. 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 is 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 by 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, 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 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

They have been prepared under the historical cost convention, except for investment in equity fund — measured at fair value.

(iii) New and amended standards adopted by the Group

The Group has applied the following standards and amendments for the first time for their annual reporting period commencing 1 January 2017:

- Amendments to HKFRS 7 "Statement of cash flows: additional disclosure to evaluate changes in liabilities arising from financing activities"
- Amendment to HKFRS 12 "Disclosure of interest in other entities: clarifies that the disclosure requirement of HKFRS 12 is applicable to interest in entities classified as held for sale except for summarised financial information"
- Amendments to HKAS 12 "Income taxes: clarify how to account for deferred tax assets related to debt instruments 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 (continued)

The adoption of these amendments did not have any material impact on the amounts recognised in current period or any prior periods and is not likely to affect future periods.

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

The following new standards and amendments to standards have been published that are not mandatory for 31 December 2017 reporting periods and have not been early adopted by the Group:

		Effective for annual periods beginning on or after
HKFRS 9	Financial instruments	1 January 2018
HKFRS 15	Revenue from contracts with customers	1 January 2018
Amendments to HKFRS 1	First time adoption of HKFRS	1 January 2018
Amendments to HKFRS 2	Classification and measurement of share-based payment transactions	1 January 2018
Amendments to HKFRS 4	Applying HKFRS 9 financial instruments with HKFRS 4 insurance contracts	1 January 2018 or when the entity first applies HKFRS 9
Amendment to HKAS 28	Investments in associates and joint ventures	1 January 2018
Amendment to HKAS 40	Transfers of investment property	1 January 2018
HK (IFRIC) 22	Foreign currency transactions and advance consideration	1 January 2018
HKFRS 16	Leases	1 January 2019
HK (IFRIC) 23	Uncertainty over income tax treatments	1 January 2019
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)

2.1 Basis of preparation (continued)

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

None of these is expected to be relevant or have material impact to the consolidated financial statements of the Group, except the following:

(a) HKFRS 9 Financial Instruments

Nature of change

HKFRS 9 addresses the classification, measurement and derecognition of financial assets and financial liabilities, introduces new rules for hedge accounting and a new impairment model for financial assets.

Impact

The Group has reviewed its financial assets and liabilities and is expecting the following impact from the adoption of the new standard on 1 January 2018:

The directors of the Company do not expect the changes on the classification and measurement models introduced by HKFRS 9 would have material impact on the Group's existing financial assets and liabilities, as they are mainly comprised of loans and receivables and financial liabilities at amortised costs as determined under HKAS 39 (Note 2.10), which are similar to the financial assets and liabilities measured at amortised cost under HKFRS 9, and are expected to be initially recognised at fair value and subsequently measured at amortised cost. Investment in equity fund currently classified as available-for-sale financial assets would satisfy the conditions for classification at fair value through other comprehensive income and hence this is expected to be no change to the classification and measurement for it. However, gains or losses realised on the sale of financial assets at fair value through other comprehensive income will no longer be transferred to profit or loss, but instead, reclassified from other reserve to retained earnings.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation (continued)

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

(a) HKFRS 9 Financial Instruments (continued)

Impact (continued)

The new impairment model requires the recognition of impairment provisions based on expected credit losses rather than only incurred credit losses as is the case under HKAS 39. It applies to financial assets classified at amortised cost, debt instruments measured at fair value through other comprehensive income contract assets under HKFRS 15 Revenue from contracts with customers, lease receivables, loan commitments and certain financial guarantee contracts.

The directors of the Company expect the new impairment model introduced by HKFRS 9 will generally result in earlier recognition of losses compared to the current incurred loss model of HKAS 39 (Note 2.12).

The new standard also introduces expanded disclosure requirements and changes in presentation. These are expected to change the nature and extent of the Group's disclosures about its financial assets and liabilities particularly in the year of the adoption of the new standard.

Date of adoption

HKFRS 9 must be applied for financial years commencing on or after 1 January 2018. The Group will apply the new rules retrospectively from 1 January 2018, with the practical expedients permitted under the standard. Comparatives for 2017 will not be restated by that moment.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation (continued)

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

(b) *HKFRS 15 Revenue from Contracts with Customers*

Nature of change

The Hong Kong Institute of Certified Public Accountants has issued a new standard for the recognition of revenue. This will replace HKAS 18 which covers contracts for goods and services and HKAS 11 which covers construction contracts and the related literature.

The new standard is based on the principle that revenue is recognised when control of a good or service transfers to a customer.

The standard permits either a full retrospective or a modified retrospective approach for the adoption.

Impact

The directors of the Company are now assessing the impact of HKFRS 15 to the Group's revenue recognition and do not expect there will be significant changes to the Group's existing revenue recognition policy (Note 2.22).

Date of adoption

HKFRS 15 is mandatory for financial years commencing on or after 1 January 2018. The Group intends to adopt the standard using the modified retrospective approach which means that the cumulative impact of the adoption will be recognised in retained earnings as of 1 January 2018 and that comparatives will not be restated.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation (continued)

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

(c) HKFRS 16 Leases

Nature of change

HKFRS 16 was issued in January 2016. It will result in almost all leases being recognised on the balance sheet, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short-term and low-value leases.

The accounting for lessors will not significantly change.

Impact

The Group is a lessee of certain offices and buses which are currently classified as operating leases. The Group's current accounting policy for such leases, as set out in Note 2.25, is to record the operating lease expenses in the Group's consolidated income statement for the current year with the disclosure of related operating lease commitments. The new standard will result in a derecognition of prepaid operating leases, increase in right-of-use assets and increase in lease liabilities in the consolidated financial statement. In the consolidated income statement, as a result, the annual operating lease expenses under otherwise identical circumstances will decrease, while depreciation of right-of-use of assets and interest expense arising from the lease liabilities will increase.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation (continued)

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

(c) HKFRS 16 Leases (continued)

Impact (continued)

The directors consider that the adoption of the new standard will not have material impact on the financial position and financial performance of the Group because the Group's total non-cancellable operating lease commitments as at 31 December 2017 amounted to RMB2,146,000 (Note 27), most of which are short-term leases, and will be exempted from reporting obligation under HKFRS 16.

Date of adoption

HKFRS 16 is mandatory for financial years commencing on or after 1 January 2019. At this stage, the Group does not intend to adopt the standard before its effective date. The Group intends to apply the simplified transition approach and will not restate comparative amounts for the year prior to first adoption.

2.2 Principles of consideration 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 when 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 over the entity. Subsidiaries are 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 GZ Yingxin Group and the other PRC operating companies under Structure Contracts as stated in Note 15(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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Principles of consideration and equity accounting (continued)

2.2.1 Subsidiaries (continued)

Intra-group 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 transferred asset. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

2.2.2 Associates

An associate is an entity over which the Group has significant influence but not control or joint control. Investment in an associate is accounted for using the equity method of accounting (Note 2.2.3), after initially being recognised at cost.

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.

When 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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Principles of consideration and equity accounting (continued)

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.

When the Group ceases to equity account for an investment because of a loss of 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. 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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Principles of consideration and equity accounting (continued)

2.2.5 Business combinations (continued)

- 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.

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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

2.4 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.5 Foreign currency translation (continued)

(b) Transactions and balances (continued)

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 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 available-for-sale financial assets are recognised in other comprehensive income.

(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 currency differences are recognised in other comprehensive income.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.5 Foreign currency translation (continued)

(c) Group companies (continued)

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.

2.6 Lease prepayment

Lease prepayment is up-front payment to acquire long-term interest in land. Lease prepayment is carried at cost less accumulated amortisation and impairment losses. Amortisation 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.

2.7 Property and equipment

Property and equipment is stated at historical cost less accumulated 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 the replaced part is derecognised. All other repairs and maintenance are charged to the consolidated income statement during the financial period in which they are incurred.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.7 Property and equipment (continued)

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 improvement	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 the carrying amount and are recognised within administrative expenses in the consolidated income statement.

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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.8 Intangible assets (continued)

(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.

(c) Brand and technology

Brand and technology acquired in a business combination are recognised at fair value at the acquisition date. Brand and technology have a finite useful life and are carried at cost less accumulated amortisation. Amortisation is calculated using the straight-line method to allocate the cost of brand and technology over their estimated useful lives of 5 to 10 years.

(d) Goodwill

Goodwill is measured as described in Note 2.2.5 Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill is not amortised but it is tested for impairment annually, or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose. The units or groups of units are identified at the lowest level at which goodwill is monitored for internal management purposes.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.9 Impairment of non-financial assets

Assets that have an indefinite useful life, for example club membership and goodwill, 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 other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

2.10 Investments and other financial assets

(a) Classification

The Group classifies its financial assets in the following categories: loans and receivables, available for sale, and held-to-maturity financial assets. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its investments at initial recognition and, in the case of assets classified as held-to-maturity, re-evaluates this designation at the end of each reporting period.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. If collection of the amounts is expected in one year or less they are classified as current assets. If not, they are presented as non-current assets. The Group's loans and receivables comprise 'trade and other receivables' (Note 2.14), 'short-term bank deposits with original terms of over three months' and 'cash and cash equivalents' (Note 2.15) in the balance sheet.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.10 Investments and other financial assets (continued)

(a) Classification (continued)

Investments are designated as available-for-sale financial assets if they do not have fixed maturities and fixed or determinable payments, and management intends to hold them for the medium to long-term. Financial assets that are not classified into any of the other categories (at fair value through profit or loss, loans and receivables or held-to-maturity investments) are also included in the available-for-sale category. The financial assets are presented as non-current assets unless they mature, or management intends to dispose of them within 12 months from the end of the reporting period. The Group's available for sale financial assets comprise 'investment in equity fund' (Note 20) in balance sheet.

The Group classifies investments as held-to-maturity if:

- they are non-derivative financial assets
- they are quoted in an active market
- they have fixed or determinable payments and fixed maturities
- the Group intends to, and is able to, hold them to maturity.

Held-to-maturity financial assets are included in non-current assets, except for those with maturities less than 12 months from the end of the reporting period, which would be classified as current assets.

(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.

When securities classified as available-for-sale are sold, the accumulated fair value adjustments recognised in other comprehensive income are reclassified to profit or loss as gains and losses from investment securities.

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 fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss.

Loans and receivables and held-to-maturity investments are subsequently carried at amortised cost using the effective interest method.

Available-for-sale financial assets are subsequently carried at fair value. Gains or losses arising from changes in the fair value are recognised as follows:

- for available-for-sale financial assets that are monetary securities denominated in a foreign currency — translation differences related to changes in the amortised cost of the security are recognised in profit or loss and other changes in the carrying amount are recognised in other comprehensive income
- for other monetary and non-monetary securities classified as available-for-sale — in other comprehensive income.

Dividends on available-for-sale equity instruments are recognised in profit or loss as part of revenue from continuing operations when the Group's right to receive payments is established.

Interest on available-for-sale securities, held-to-maturity investments and loans and receivables calculated using the effective interest method is recognised in the statement of profit or loss as part of revenue from continuing operations.

2.11 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is 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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.12 Impairment of financial assets

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a "loss event") and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated. In the case of equity investments classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is considered an indicator that the assets are impaired.

(a) Assets carried at amortised cost

For loans and receivables category, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in the consolidated income statement. As a practical expedient, the Group may measure impairment on the basis of an instrument's fair value using an observable market price.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in the consolidated income statement.

(b) Assets classified as available for sale

If there is objective evidence of impairment for available-for-sale financial assets, the cumulative loss — measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss — is removed from equity and recognised in profit or loss.

Impairment losses on equity instruments that were recognised in profit or loss are not reversed through profit or loss in a subsequent period.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.13 Inventories

Inventories are stated at the lower of cost and net realisable value. Costs are assigned to individual items of inventory on the basis of weighted average costs. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs necessary to make the sale.

2.14 Trade and other receivables

Trade receivables are amounts due from customers for services performed in the ordinary course of business. If collection of trade and other receivables is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. See Note 2.10 for further information about the Group's accounting for trade receivables and Note 2.12 for a description of the Group's impairment policies.

2.15 Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks, and other short-term highly liquid investments with original maturities of three months or less.

2.16 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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.17 Accruals and other payables

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.

2.18 Prepaid advertising subscriptions from customers

Prepaid advertising subscriptions from customers represent subscription fees paid by customers in advance for online advertising services but services have not yet rendered by the Group at the balance sheet date.

2.19 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, 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. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

(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. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.19 Current and deferred income tax (continued)

(b) Deferred income tax (continued)

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.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when 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.

2.20 Employee benefits

(a) Pension obligations

The group companies incorporated in the PRC contribute 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.

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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.20 Employee benefits (continued)

(b) 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.

2.21 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 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 by using the Binomial valuation model or the Trinomial valuation model, which includes the impact of market performance conditions (such as the Company's share price) but excludes the impact of service condition and non-market performance conditions. For grant of awarded shares, the total amount to be expensed is determined by reference to the market price of the Company's shares at the grant date.

Non-market performance and services conditions are included in assumptions about the number of options that are expected to become vested.

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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.22 Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Amounts disclosed as revenue are net of returns, trade allowances, rebates and amounts collected on behalf of third parties.

The Group recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and when specific criteria have been met for each of the Group's activities as described below. The Group bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

(a) Online advertising revenues

The Group derives its online advertising services revenues from placing online advertisements such as banners, links and logos on the Group's websites in the PRC for its customers.

Timing of recognition:

Revenues from online advertisements are derived from written contracts with customers that include the related fee, payment terms and provide persuasive evidence of the arrangement. The majority of the online advertising contracts are for the provision of online advertisement for a fixed period of time with no guaranteed minimum impression level. Revenues from these contracts are recognised based on the time period the advertisement is displayed. The Group also organises promotional events to help customers promote their products. Revenues from organising promotional events are recognised when the services have been rendered.

Measurement of revenue:

Advertising contracts may consist of both display advertising service and promotional events services. The consideration from these transactions is allocated to each separately deliverable based on the relative fair value of each deliverable. The Group determines the fair value of each deliverable based on the selling price of the deliverable if sold separately by the Group. The consideration allocated to each deliverable is recognised as revenue when the revenue recognition criteria for that component have been met.

In all contracts, there are no future obligations after the completion of the contract and no rights of refund related to the impression levels.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.22 Revenue recognition (continued)

(b) Dividend income

Dividends are recognised as revenue when the right to receive payment is established.

2.23 Interest income

Interest income is recognised using the effective interest method. When a receivable is impaired, the Group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income on impaired receivable is recognised using the original effective interest rate.

2.24 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)

2.25 Operating leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the consolidated income statement on a straight-line basis over the period of the lease.

2.26 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.

2.27 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 property and equipment are included in non-current liabilities as deferred government grants 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

(a) Financial risk factors

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

3. FINANCIAL RISK MANAGEMENT (CONTINUED)

(a) Financial risk factors (continued)

(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. Therefore, to maintain the flexibility in the Company and Hong Kong subsidiaries' payment of daily operation, the Group holds certain monetary assets denominated in US dollar ("USD") or Hong Kong dollar ("HKD") 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 USD and HKD 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 2017.

At 31 December 2017, the exchange rate of RMB to HKD and USD were 0.8359 and 6.5342 respectively. If RMB had strengthened/weakened by 0.5% against the HKD/USD with all other variables held constant, post tax profit for the year would have been RMB175,000 (2016: RMB254,000) lower/higher, mainly as a result of net foreign exchange losses/gains in HKD/USD denominated cash at bank. Similarly, the impact on equity would have been RMB183,000 (2016: RMB176,000) lower/higher due to the foreign exchange impact in USD denominated investment in equity fund classified as available for sale financial assets as at 31 December 2017.

(ii) Price risk

The Group is exposed to price risk because of investments held by the Group and classified on the consolidated balance sheet as investment in equity fund. 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 equity fund is held for strategic rather than trading purposes. The Group does not actively trade these investments.

3. FINANCIAL RISK MANAGEMENT (CONTINUED)

(a) Financial risk factors (continued)

(ii) Price risk (continued)

The sensitivity analysis is determined based on the exposure to equity price risks of underlying investments related to investment in equity fund 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 2017, the other comprehensive income would have been approximately RMB1,827,000 (2016: RMB1,759,000) higher/lower.

(iii) 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. Held-to-maturity financial assets amortised using the effective interest rate expose the Group to fair value interest rate risk. 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 2017, 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 RMB1,669,000 (2016: RMB1,485,000) 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.

(iv) Credit risk

The Group is exposed to credit risk in relation to its cash and cash equivalents, deposits with banks, as well as trade and other receivables.

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

3. FINANCIAL RISK MANAGEMENT (CONTINUED)

(a) Financial risk factors (continued)

(iv) Credit risk (continued)

For trade receivables, further to Note 2.22(a), a material portion of online advertising services revenues was derived from advertising agents. If they experience financial difficulties in settling the outstanding amount due to the Group, the Group's online advertising services might be adversely affected in terms of recoverability of receivables. To manage this risk, the Group assesses the credit quality of the advertising agents, taking into account their financial position, past experience and other factors. Further quantitative disclosures in respect of trade receivables are set out in Note 18.

Other receivables are mainly advance to employees, the directors are of the opinion that no significant credit risk exists.

(v) Liquidity risk

The Group aims to finance its operations with its own capital and earnings. It did not have any borrowings or credit facilities committed/utilised during the year ended 31 December 2017. Management considers that the Group does not have significant liquidity risk.

(b) 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 debts.

3. FINANCIAL RISK MANAGEMENT (CONTINUED)

(c) Fair value estimation

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

	Level 1 RMB'000	**Level 2** RMB'000	**Level 3** RMB'000	**Total** RMB'000
Financial assets				
Available for sale financial assets				
— Investment in equity fund				
31 December 2017	**—**	**—**	**36,544**	**36,544**
31 December 2016	—	—	35,182	35,182

Level 1: The fair value of financial instruments traded in active markets (such as publicly traded derivatives, and trading and available-for-sale 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)

(c) 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
- the fair value of interest rate swaps is calculated as the present value of the estimated future cash flows based on observable yield curves
- the fair value of forward foreign exchange contracts is determined using forward exchange rates at the balance sheet date
- the fair value of the remaining financial instruments is determined using discounted cash flow analysis.

The changes in level 3 instruments for the year ended 31 December 2017 are presented in Note 20.

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.

(d) Fair value of financial assets and liabilities measured at amortised cost

For the year ended 31 December 2017, there were no significant changes in the business or economic circumstances that affect the fair value of the Group's financial assets and financial liabilities.

For the year ended 31 December 2017, there were no reclassifications of financial assets.

The carrying amounts of the Group's trade 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.

(a) Estimated impairment of receivables

The Group records impairment of receivables based on an assessment made by management on the recoverability of trade and other receivables. Provisions are applied where events or changes in circumstances indicate that the balances may not be collectible. Impairment assessment requires the use of judgment and estimates. Where the expectation is different from the original estimate, such difference will impact both the carrying value of trade and 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 substantially 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 equity fund

Investment in equity fund is carried at their fair value. The fair value of the investment in equity fund was determined by reference to valuations conducted on the underlying investments by the independent third party partner using valuation techniques which involve certain assumptions. Favourable or unfavourable changes to these assumptions may result in changes in the fair value of the Group's investment in equity fund and corresponding adjustments to the changes in fair value reported in other comprehensive income and the carrying amount of investment in equity fund included in the consolidated financial statements.

When there has been a significant or prolonged decline in the fair value of an investment below their cost, impairment assessment would be performed by the directors of the Company. The determination of what is significant or prolonged requires judgement. In making this judgement, the directors evaluate, among other factors, historical share price movements and the duration and extent to which the fair value of an investment is less than its cost.

5. SEGMENT INFORMATION

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

The chief operating decision-makers consider the internet 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 the revenues generated. The reportable operating segments are grouped into PCauto, PConline, PClady and others. The Group 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 Group 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 2017 (2016: 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	PClady RMB'000	Others RMB'000	Total RMB'000
For the year ended 31 December 2017					
Revenue	**698,502**	**145,611**	**19,215**	**100,271**	**963,599**
For the year ended 31 December 2016					
Revenue	647,880	169,550	61,972	94,859	974,261

Though the Company is domiciled in the Cayman Islands, for the year ended 31 December 2017, all revenues of the Group were derived from external customers and they were all generated from the PRC (2016: same).

As at 31 December 2017, other than club membership included in the intangible assets and investment in equity fund, majority of other non-current assets of the Group were located in the PRC (2016: same).

For the year ended 31 December 2017, there was no revenue derived from a single external customer accounting for ten percent or more of the Group's revenues (2016: same).

6. EXPENSES BY NATURE

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

	2017 RMB'000	2016 RMB'000
Employee benefit expenses (Note 7)	284,359	299,144
Advertising expenses	144,587	139,793
Service commission to advertising agencies	139,114	144,009
Outsourcing production cost	112,404	64,607
Other taxes and surcharge	38,617	36,240
Travelling and entertainment expenses	25,498	27,011
Impairment charge of receivables	25,320	21,777
Depreciation and amortisation expenses		
— Depreciation of property and equipment (Note 13)	16,102	17,007
— Amortisation of intangible assets (Note 14)	472	1,301
— Amortisation of lease prepayment	324	324
Technology service fees	21,757	17,399
Bandwidth and server custody fees	18,614	18,346
Rental expenses	6,623	6,924
Auditors' remuneration		
— Audit services	3,625	3,609
— Non-audit services	459	516
Professional fees	845	1,755
Impairment charge of intangible assets	—	1,900
Impairment charge of inventories	—	1,456
Cost of goods consumed	—	1,958
Other expenses	8,099	10,344
Total cost of revenue, selling and marketing costs, administrative expenses and product development expenses	846,819	815,420

Product development expenses are mainly included in employee benefit expenses and depreciation and amortisation expenses. No product development expenses had been capitalised for the year ended 31 December 2017 (2016: same).

7. EMPLOYEE BENEFIT EXPENSES

	2017 RMB'000	2016 RMB'000
Wages, salaries and bonuses and other benefits	**235,815**	247,906
Social security contributions	**14,246**	15,528
Contributions to pension schemes (a)	**21,977**	22,950
Contributions to housing fund	**12,321**	12,760
	284,359	299,144

(a) Pensions scheme — defined contribution plans

The PRC employees of the Group participate in defined contribution retirement schemes 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 local government authorities of the PRC are responsible for the pension liabilities to these retired employees. The Group made monthly contributions to the retirement schemes at rates ranging from 14% to 20% of the basic salaries of employees during the year ended 31 December 2017 (2016: same).

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 two (2016: two) directors whose emolument is reflected in the analysis presented below. The emoluments payable to the remaining three (2016: three) individuals during the year are as follows:

	2017 RMB'000	2016 RMB'000
Basic salaries, housing allowances, other allowances and benefits in kind	5,085	6,024
Compensation for loss of office:		
— contractual payments	2,752	—
Contributions to pension schemes	89	106
	7,926	6,130

The emoluments of the remaining three (2016: three) individuals fell within the following bands:

	Number of individuals	
	2017	2016
Emolument bands		
HKD1,500,001 to HKD2,000,000	—	1
HKD2,000,001 to HKD2,500,000	1	1
HKD2,500,001 to HKD3,500,000	2	1
	3	3

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 2017 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	—	608	1,370	1,795	—	3,773
Executive directors						
Mr. Wang Ta-Hsing ("Mr. Wang")	—	364	—	—	16	380
Mr. Ho Kam Wah	—	4	—	—	—	4
Ms. Zhang Cong Min	—	1,739	1,565	408	67	3,779
Independent non-executive directors						
Mr. Tsui Yiu Wa, Alec	364	—	—	—	—	364
Mr. Thaddeus Thomas Beczak	364	—	—	—	—	364
Mr. Chan Chi Mong, Hopkins	364	—	—	—	—	364
Total	1,092	2,715	2,935	2,203	83	9,028

7. EMPLOYEE BENEFIT EXPENSES (CONTINUED)

(c) Benefits and interests of directors (continued)

Directors' and chief executive's emoluments (continued)

The remuneration of every director and the chief executive for the year ended 31 December 2016 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 CEO						
Dr. Lam Wai Yan	—	598	1,474	1,765	8	3,845
Executive directors						
Mr. Wang	—	359	—	—	15	374
Mr. Ho Kam Wah	—	4	—	—	—	4
Ms. Zhang Cong Min	—	1,726	1,684	381	83	3,874
Independent non-executive directors						
Mr. Tsui Yiu Wa, Alec	359	—	—	—	—	359
Mr. Thaddeus Thomas Beczak	359	—	—	—	—	359
Mr. Chan Chi Mong, Hopkins	359	—	—	—	—	359
Total	1,077	2,687	3,158	2,146	106	9,174

During the year ended 31 December 2017, none (2016: same) of the directors waived or agreed to waive any emoluments and no emoluments were paid by the Group to any of the directors as an inducement to join or upon joining the Group or as compensation for loss of office (2016: 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 (2016: same). No consideration was provided to or receivable by third parties for making available directors' services (2016: same). There are no loans, quasi-loans or other dealings in favour of the directors, their controlled bodies corporate and connected entities (2016: same).

7. EMPLOYEE BENEFIT EXPENSES (CONTINUED)

(c) Benefits and interests of directors (continued)

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 (2016: same).

8. OTHER INCOME

	2017 **RMB'000**	2016 RMB'000
Government grants (i)	**9,563**	8,575
Investment income on held-to-maturity financial assets	**421**	1,165
Dividend income on investment in equity fund	**322**	679
	10,306	10,419

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

9. FINANCE INCOME — NET

	2017 **RMB'000**	2016 RMB'000
Finance income		
— Interest income	**4,605**	6,141
— Net foreign exchange gains	**—**	4,748
	4,605	10,889
Finance cost		
— Net foreign exchange losses	**(2,972)**	—
Finance income — net	**1,633**	10,889

10. INCOME TAX EXPENSE

	2017 RMB'000	2016 RMB'000
PRC current tax	37,804	36,466
Deferred taxation	(15,198)	(7,513)
	22,606	28,953

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 2017 (2016: 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.

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, were formally designated as HNTE in 2014 and successfully renewed the certificate of HNTE in 2017, therefore the applicable income tax rate is 15% for the three years from 2017 to 2019. Moreover, Guangzhou Fengwang Technology Co., Ltd. (廣州鋒網信息科技有限公司, "GZ Fengwang"), a PRC operating subsidiary of the Company, was formally designated as HNTE in 2016 and the applicable income tax rate is 15% for the three years from 2016 to 2018. Assuming that there is no change to the relevant laws and regulations, the directors consider that these three subsidiaries will continue to be granted the preferential tax treatment through an application of renewal, and accordingly, tax rate of 15% has been applied when considering the deferred income tax. All the other PRC entities of the Group are subject to CIT at a rate of 25% in accordance with CIT Law.

10. INCOME TAX EXPENSE (CONTINUED)

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

	2017 RMB'000	2016 RMB'000
Profit before income tax expense	**127,923**	180,149
Tax calculated at the statutory tax rate of 25% (2016: 25%)	**31,981**	45,038
Tax effects of		
— Tax concessions available to certain PRC subsidiaries (a)	**(17,440)**	(21,532)
— Income not subject to tax	**(489)**	(2,716)
— Expenses not deductible for tax purposes (b)	**4,958**	3,315
— Unrecognised tax losses	**2,415**	2,803
— Additional deduction on product development expenses	**(5,169)**	(5,892)
— Utilisation of previously unrecognised tax losses	**—**	(853)
Re-measurement of deferred tax — change in the tax rate of a PRC subsidiary	**—**	1,990
Withholding tax on the earnings to be remitted by PRC subsidiaries	**6,350**	6,800
Income tax expense	**22,606**	28,953

(a) The preferential tax treatments relating to HNTE were enjoyed by GZP Computer, GDP Internet and GZ Fengwang for the year ended 31 December 2017 (2016: same).

(b) Expenses not deductible for tax purposes mainly include expenses incurred by the Company and subsidiaries incorporated in Hong Kong.

11. EARNINGS PER SHARE

(a) Basic

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

	2017	2016
Profit attributable to equity holders of the Company (RMB'000)	**105,317**	151,196
Weighted average number of ordinary shares for basic earnings per share (thousand shares)	**1,134,072**	1,131,661
Basic earnings per share (RMB)	**9.29 cents**	13.36 cents

(b) Diluted

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

	2017	2016
Profit attributable to equity holders of the Company (RMB'000)	**105,317**	151,196
Weighted average number of ordinary shares for diluted earnings per share (thousand shares)	**1,134,325**	1,133,175
— Weighted average number of ordinary shares for basic earnings per share (thousand shares)	**1,134,072**	1,131,661
— Adjustment for share options and awarded shares (thousand shares)	**253**	1,514
Diluted earnings per share (RMB)	**9.28 cents**	13.34 cents

12. DIVIDENDS

A final dividend in respect of the year ended 31 December 2016 of RMB11.35 cents per ordinary share (final dividend in respect of the year ended 31 December 2015: RMB13.93 cents per ordinary share) was approved by the shareholders at the annual general meeting in May 2017. Such final dividend for 2016 totaling RMB128,653,000 (final dividend for 2015: RMB157,619,000) was paid in 2017, which has already excluded the dividend related to the ordinary shares held for the Share Award Scheme of RMB4,000 (2016: RMB5,000) (Note 24(b)).

The directors recommended the payment of a final dividend of RMB11.35 cents per ordinary share in cash for the year ended 31 December 2017, totalling RMB128,715,000 based on the ordinary shares in issue as of 31 December 2017. Such final dividend is to be approved by the shareholders at the annual general meeting of the Company to be held on 18 May 2018. These consolidated financial statements do not reflect this dividend payable.

13. PROPERTY AND EQUIPMENT

	Buildings RMB'000	Building improvement RMB'000	Leasehold improvements RMB'000	Computers and servers RMB'000	Motor vehicles RMB'000	Furniture, fittings and equipment RMB'000	Total RMB'000
At 1 January 2016							
Cost	223,007	47,118	8,025	42,214	7,057	12,224	339,645
Accumulated depreciation	(19,549)	(16,675)	(2,663)	(28,474)	(4,332)	(7,840)	(79,533)
Net book amount	203,458	30,443	5,362	13,740	2,725	4,384	260,112
Year ended 31 December 2016							
Opening net book amount	203,458	30,443	5,362	13,740	2,725	4,384	260,112
Additions	—	942	456	3,912	159	811	6,280
Disposals	—	—	—	(746)	—	(82)	(828)
Depreciation (Note 6)	(5,037)	(4,778)	(804)	(4,107)	(880)	(1,401)	(17,007)
Closing net book amount	198,421	26,607	5,014	12,799	2,004	3,712	248,557
At 31 December 2016							
Cost	223,007	48,060	8,481	45,380	7,216	12,953	345,097
Accumulated depreciation	(24,586)	(21,453)	(3,467)	(32,581)	(5,212)	(9,241)	(96,540)
Net book amount	198,421	26,607	5,014	12,799	2,004	3,712	248,557
Year ended 31 December 2017							
Opening net book amount	**198,421**	**26,607**	**5,014**	**12,799**	**2,004**	**3,712**	**248,557**
Additions	**—**	**1,572**	**—**	**2,292**	**30**	**234**	**4,128**
Disposals	**—**	**—**	**—**	**(345)**	**(127)**	**(32)**	**(504)**
Depreciation (Note 6)	**(5,037)**	**(4,969)**	**(804)**	**(3,665)**	**(497)**	**(1,130)**	**(16,102)**
Closing net book amount	**193,384**	**23,210**	**4,210**	**11,081**	**1,410**	**2,784**	**236,079**
At 31 December 2017							
Cost	**223,007**	**49,632**	**8,481**	**47,327**	**7,119**	**13,155**	**348,721**
Accumulated depreciation	**(29,623)**	**(26,422)**	**(4,271)**	**(36,246)**	**(5,709)**	**(10,371)**	**(112,642)**
Net book amount	**193,384**	**23,210**	**4,210**	**11,081**	**1,410**	**2,784**	**236,079**

13. PROPERTY AND EQUIPMENT (CONTINUED)

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

	2017 RMB'000	2016 RMB'000
Cost of revenue	**6,019**	6,765
Selling and marketing costs	**4,873**	5,255
Administrative expenses	**4,290**	3,802
Product development expenses	**920**	1,185
	16,102	17,007

Lease rentals amounting to RMB715,000 for the year ended 31 December 2017 (2016: RMB1,123,000) relating to the lease of office buildings were included in the consolidated income statement.

14. INTANGIBLE ASSETS

	Computer software and technology RMB'000	Club membership RMB'000	Brand and technology RMB'000	Goodwill RMB'000	Total RMB'000
At 1 January 2016					
Cost	15,400	8,793	2,300	4,622	31,115
Accumulated amortisation and impairment	(14,718)	—	(240)	(4,622)	(19,580)
Net book amount	682	8,793	2,060	—	11,535
Year ended 31 December 2016					
Opening net book amount	682	8,793	2,060	—	11,535
Additions	958	—	—	—	958
Impairment charge	—	—	(1,900)	—	(1,900)
Amortisation charge (Note 6)	(1,141)	—	(160)	—	(1,301)
Closing net book amount	499	8,793	—	—	9,292
At 31 December 2016					
Cost	16,065	8,793	2,300	4,622	31,780
Accumulated amortisation and impairment	(15,566)	—	(2,300)	(4,622)	(22,488)
Net book amount	499	8,793	—	—	9,292
Year ended 31 December 2017					
Opening net book amount	**499**	**8,793**	**—**	**—**	**9,292**
Additions	**6**	**—**	**—**	**—**	**6**
Amortisation charge (Note 6)	**(472)**	**—**	**—**	**—**	**(472)**
Closing net book amount	**33**	**8,793**	**—**	**—**	**8,826**
At 31 December 2017					
Cost	**16,364**	**8,793**	**2,300**	**4,622**	**32,079**
Accumulated amortisation and impairment	**(16,331)**	**—**	**(2,300)**	**(4,622)**	**(23,253)**
Net book amount	**33**	**8,793**	**—**	**—**	**8,826**

14. INTANGIBLE ASSETS (CONTINUED)

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

	2017 RMB'000	2016 RMB'000
Cost of revenue	162	388
Product development expenses	140	394
Selling and marketing costs	114	136
Administrative expenses	56	383
	472	1,301

15. SUBSIDIARIES

The Group's principal subsidiaries at 31 December 2017 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
Pacific E-Commerce Limited	Hong Kong, limited liability company	Investment holding in Hong Kong	HKD2	*100%
New Forest Limited	Hong Kong, limited liability company	Investment holding in Hong Kong	HKD1	*100%
Takehigh	Hong Kong, limited liability company	Investment holding in Hong Kong	HKD11,875	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%
Smooth Choice Limited	Hong Kong, limited liability company	Investment holding in Hong Kong	HKD100	100%
Fortune Asset Limited (福聲有限公司)	Hong Kong, limited liability company	Investment holding in Hong Kong	HKD1	100%
Unique Fast Limited (快尊有限公司)	Hong Kong, limited liability company	Investment holding in Hong Kong	HKD100	100%

15. 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
GZP Computer	The PRC, foreign investment enterprise	Information technology and software development and provision of computer information consultancy services in the PRC	RMB80,000,000	100%
GZP Advertising (a)	The PRC, limited liability company	Provision of advertising services in the PRC	RMB500,000	100%
GDP Internet (a)	The PRC, limited liability company	Provision of online advertising services in the PRC	RMB10,000,000	100%
GZ Yingxin (a)	The PRC, limited liability company	Provision of computer technology services in the PRC	RMB5,700,000	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, foreign investment enterprise	Not yet commenced formal operations	USD140,000	100%
GZ Fengwang	The PRC, limited liability company	Information technology and software development and provision of computer information consultancy services in the PRC	RMB3,500,000	100%
Guangzhou Pacific Online Technology Co., Ltd. (廣州太平洋網絡科技有限公司)	The PRC, foreign investment enterprise	Not yet commenced formal operations	RMB500,000	100%
Shanghai Yingzhen Online Technology Co., Ltd. (上海英臻網絡科技有限公司)	The PRC, foreign investment enterprise	Not yet commenced formal operations	RMB500,000	100%
Beijing Taihe Xinyang Online Technology Co., Ltd. (北京太合新洋網絡科技有限公司)	The PRC, foreign investment enterprise	Not yet commenced formal operations	RMB500,000	100%
Guangzhou Yingrui Technology Co., Ltd. (廣州英睿科技有限公司)	The PRC, foreign investment enterprise	Technology research, test and development	RMB1,000,000	100%
Guangzhou Chuangcheng Online Technology Co., Ltd. (廣州創程網絡科技有限公司)	The PRC, foreign investment enterprise	Not yet commenced formal operations	RMB500,000	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%

15. 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
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%
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%
iCare Newlife Technologies, Inc. (北京瑞智和康科技有限公司)	The PRC, limited liability company	Development of computer technique, trading of electronic and medical products, healthy consultation	RMB2,364,706	100%
Guangzhou Yurui Information Technology Co., Ltd. (廣州裕睿信息科技有限公司)	The PRC, limited liability company	Not yet commenced formal operations	RMB2,000,000	100%
Guangzhou Yingyou Information Technology Co., Ltd. (廣州英佑信息科技有限公司)	The PRC, limited liability company	Not yet commenced formal operations	RMB2,000,000	100%
Guangzhou Shangcong Online Technology Co., Ltd. (廣州尚聰網絡科技有限公司)	The PRC, limited liability company	Not yet commenced formal operations	RMB2,000,000	100%
Guangzhou Shangcong Advertising Co., Ltd. (廣州市上聰廣告有限公司)	The PRC, limited liability company	Not yet commenced formal operations	RMB500,000	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%
Guangzhou Kuche Information Technology Co., Ltd. (廣州酷車信息科技有限公司)	The PRC, limited liability company	Operation of online platform for automobile maintainers	RMB1,000,000	100%

* Shares held directly by the Company.

15. SUBSIDIARIES (CONTINUED)

(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.

(b) In connection with the implementation of the Share Award Scheme of the Group mentioned in Note 24(b), 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.

(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 those countries, other than through normal dividends.

The carrying amount of the assets included within the consolidated financial statements to which these restrictions apply is RMB402,090,000 (2016: RMB290,100,000).

16. FINANCIAL INSTRUMENTS BY CATEGORY

(a) The Group holds the following financial instruments:

31 December 2017	Loans and receivables RMB'000	Available for sale RMB'000	Total RMB'000
Current assets			
Trade and other receivables excluding prepayments (Note 18)	579,530	—	579,530
Short-term bank deposits with original terms of over three months (Note 22)	2,519	—	2,519
Cash and cash equivalents (Note 22)	442,561	—	442,561
Non-current assets			
Investment in equity fund (Note 20)	—	36,544	36,544
Total	1,024,610	36,544	1,061,154

31 December 2016	Held-to-maturity financial assets RMB'000	Loans and receivables RMB'000	Available for sale RMB'000	Total RMB'000
Current assets				
Trade and other receivables excluding prepayments (Note 18)	—	593,811	—	593,811
Short-term bank deposits with original terms of over three months (Note 22)	—	3,677	—	3,677
Cash and cash equivalents (Note 22)	—	392,316	—	392,316
Held-to-maturity financial assets (Note 21)	28,193	—	—	28,193
Non-current assets				
Investment in equity fund (Note 20)	—	—	35,182	35,182
Total	28,193	989,804	35,182	1,053,179

16. FINANCIAL INSTRUMENTS BY CATEGORY (CONTINUED)

(a) The Group holds the following financial instruments: (continued)

	Other financial liabilities at amortised cost	
	2017	2016
	RMB'000	RMB'000
Current liabilities		
Accruals and other payables excluding other tax payable and salaries payable (Note 25)	**231,627**	193,616

The Group's exposure to various risks associated with the financial instruments is discussed 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.

17. DEFERRED INCOME TAX

The analysis of deferred tax assets is as follows:

	2017	2016
	RMB'000	RMB'000
Deferred income tax assets:		
— to be recovered after more than 12 months	**38,676**	23,903
— to be recovered within 12 months	**8,509**	8,084
	47,185	31,987

17. DEFERRED INCOME TAX (CONTINUED)

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

	Provision for impairment of trade receivables	Accrued advertising and other expenses	Advertising expenses in excess of allowance	Tax losses	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2016	6,981	6,528	11,480	—	24,989
Credited/(charged) to the consolidated income statement	4,158	(3,044)	1,284	4,600	6,998
At 31 December 2016	11,139	3,484	12,764	4,600	31,987
Credited to the consolidated income statement	4,934	3,145	5,519	1,600	15,198
At 31 December 2017	**16,073**	**6,629**	**18,283**	**6,200**	**47,185**

18. TRADE AND OTHER RECEIVABLES AND PREPAYMENTS

	2017	2016
	RMB'000	RMB'000
Trade receivables, net of impairment provision (a)	**565,643**	564,355
Other receivables (b)	**13,887**	29,456
Prepayments	**13,780**	7,191
	593,310	601,002
Trade and other receivables are denominated in		
— RMB	**579,530**	590,633
— HKD	**—**	3,178
	579,530	593,811

18. TRADE AND OTHER RECEIVABLES AND PREPAYMENTS (CONTINUED)

(a) Trade receivables, net of impairment provision

Credit terms granted to customers by the Group are generally within a period of six months to one year. At 31 December 2017, the ageing analysis of the trade receivables (net of impairment provision of RMB69,602,000 (2016: RMB51,183,000)) was as follows:

	2017 RMB'000	2016 RMB'000
Current to 6 months	360,048	392,715
6 months to 1 year	143,787	143,770
1 year to 2 years	61,808	27,870
	565,643	564,355

As of 31 December 2017, trade receivables of RMB36,856,000 (2016: RMB66,504,000) were past due but not impaired. These related to a number of independent customers for whom there was no recent history of default. The ageing analysis of these trade receivables was as follows:

	2017 RMB'000	2016 RMB'000
Current to 6 months	5,930	8,998
6 months to 1 year	21,704	29,636
1 year to 2 years	9,222	27,870
	36,856	66,504

18. TRADE AND OTHER RECEIVABLES AND PREPAYMENTS (CONTINUED)

(b) Other receivables

	2017 RMB'000	2016 RMB'000
Input value added tax to be deducted	5,743	4,090
Advance to employees	2,929	2,485
Certificates of deposit	—	15,517
Loan to a key management personnel	—	2,684
Others	5,215	4,680
	13,887	29,456

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.

19. INVESTMENT IN AN ASSOCIATE

The amount recognised in the consolidated balance sheet is as follows:

	2017 RMB'000	2016 RMB'000
Investment in an associate	14,204	—

The losses recognised in the consolidated income statement is as follows:

	2017 RMB'000	2016 RMB'000
Share of losses — net	796	—

19. INVESTMENT IN AN ASSOCIATE (CONTINUED)

The movement of investment in an associate is as follows:

	2017 RMB'000
At 1 January	—
Capital injection	15,000
Share of losses — net	(796)
At 31 December	14,204

In July 2017, the Group invested in an associate, which is principally engaged in operation of an online business-to-business platform for automobile sellers and buyers.

20. INVESTMENT IN EQUITY FUND

	2017 RMB'000	2016 RMB'000
At beginning of the year	35,182	33,029
Changes in fair value	1,362	2,153
At end of the year	36,544	35,182

In June 2014, a subsidiary of the Group invested as a limited partner in an unlisted equity fund ("the Fund") established and managed by an independent third party partner. The investment is denominated in USD with an initial cost of USD5,000,000. The Group does not have control or significant influence in the Fund. The directors classified the investment as available-for-sale financial assets.

The fair value of investment in equity fund is based on the fair value of underlying investments held by the Fund, which are mainly influenced by the market price of the listed stocks and recent trading price of the shares of the unlisted entities invested by the Fund.

21. HELD-TO-MATURITY FINANCIAL ASSETS

All the held-to-maturity financial assets are listed bonds, which are all denominated in RMB.

The movement in held-to-maturity financial assets during the year is as follows:

	2017	2016
	RMB'000	RMB'000
At beginning of the year	**28,193**	49,471
Amortised interest (Note 8)	**421**	1,165
Interest received	**(614)**	(1,443)
Redemption	**(28,000)**	(21,000)
At end of the year	**—**	28,193

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

	2017	2016
	RMB'000	RMB'000
Cash at bank and on hand	**213,991**	150,614
Short-term bank deposits	**231,089**	245,379
	445,080	395,993
Less:		
Short-term bank deposits with original terms of over three months	**(2,519)**	(3,677)
Cash and cash equivalents	**442,561**	392,316

The weighted average effective interest rate on short-term bank deposits with original terms of over three months of the Group was 1.5% for the year ended 31 December 2017 (2016: 1.04%). The weighted average effective interest rate of the remaining short-term bank deposits of the Group was 1.75% for the year ended 31 December 2017 (2016: 2.83%).

As at 31 December 2017, except for the cash on hand, all of the cash and cash equivalents of the Group were placed in listed state-owned/commercial banks in mainland China or Hong Kong (2016: same). Management did not expect any losses from non-performance by these counterparties.

23. ORDINARY SHARES

	Authorised ordinary shares		
	Number of shares '000	HKD'000	RMB'000
At 31 December 2016 and 2017	100,000,000	1,000,000	969,200

	Issued and fully paid up		
	Number of shares '000	HKD'000	RMB'000
At 1 January 2016	1,131,342	11,313	10,468
Employees share option schemes — issued shares (a)	1,063	11	9
At 31 December 2016	1,132,405	11,324	10,477
Employees share option schemes — issued shares (a)	1,650	17	14
At 31 December 2017	**1,134,055**	**11,341**	**10,491**

As at 31 December 2017, the total number of issued ordinary shares of the Company was 1,134,055,000 shares (2016: 1,132,405,000 shares) which included 10,033,000 shares (2016: 33,000 shares) held under the Share Award Scheme (Note 24(b)).

(a) Share options exercised during the year ended 31 December 2017 resulted in 1,650,000 shares being issued (2016: 1,063,000 shares), with exercise proceeds of RMB1,897,000 (2016: RMB1,591,000). The nominal value of these shares of RMB14,000 (2016: RMB9,000) and the premium of RMB1,883,000 (2016: RMB1,582,000) had been credited to ordinary shares and share premium accounts, respectively. The related weighted average price at the time of exercise was HKD1.75 (2016: HKD2.08) per share.

All the ordinary shares issued during the year ended 31 December 2017 rank pari passu with the then existing ordinary shares in all respects.

24. RESERVES

	Share premium RMB'000	Merger reserve RMB'000	Capital redemption reserve RMB'000	Share-based compensation reserve RMB'000	Shares held for Share Award Scheme RMB'000	Statutory reserve funds (c) RMB'000	Investment in equity fund RMB'000	Retained earnings RMB'000	Total RMB'000
At 1 January 2016	391,556	4	306	4,180	776	43,250	1,832	562,318	1,004,222
Employees share option schemes (a)									
— proceeds from shares issued	1,582	—	—	—	—	—	—	—	1,582
— transfer upon exercise of share options	1,614	—	—	(1,614)	—	—	—	—	—
Revaluation of available for sale investment	—	—	—	—	—	—	2,153	—	2,153
Profit for the year	—	—	—	—	—	—	—	151,196	151,196
Cash dividends relating to 2015, paid in 2016	—	—	—	—	—	—	—	(157,619)	(157,619)
At 31 December 2016	**394,752**	**4**	**306**	**2,566**	**776**	**43,250**	**3,985**	**555,895**	**1,001,534**
Employees share option schemes (a)									
— proceeds from shares issued	**1,883**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**1,883**
— transfer upon exercise of share options	**2,566**	**—**	**—**	**(2,566)**	**—**	**—**	**—**	**—**	**—**
Share Award Scheme (b)									
— purchase of shares	**—**	**—**	**—**	**—**	**(11,525)**	**—**	**—**	**—**	**(11,525)**
Revaluation of available for sale investment	**—**	**—**	**—**	**—**	**—**	**—**	**1,362**	**—**	**1,362**
Profit for the year	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**105,317**	**105,317**
Cash dividends relating to 2016, paid in 2017	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**(128,653)**	**(128,653)**
At 31 December 2017	**399,201**	**4**	**306**	**—**	**(10,749)**	**43,250**	**5,347**	**532,559**	**969,918**

(a) Share options reserves

Options were granted to directors and selected employees according to their contribution to the Group. The Group has no legal or constructive obligation to repurchase or settle the options in cash.

(i) Pre-IPO Share Option Plan

On 23 November 2007, the Company granted share options to directors and selected employees under a Pre-IPO Share Option Plan, under which the option holders were entitled to acquire an aggregate of 49,929,000 shares of the Company. All options under the Pre-IPO Share Option Plan had been granted.

24. RESERVES (CONTINUED)

(a) Share options reserves (continued)

(ii) Post-IPO Share Option Plan

On 23 November 2007, the Company also adopted a Post-IPO Share Option Plan ("Post-IPO Share Option Plan I") pursuant to which a total of 95,000,000 unissued shares of the Company were reserved and made available for grant of share options to directors and selected employees. In 2011, the Company refreshed the limit of the Post-IPO Share Option Plan I to 98,130,880 ordinary shares.

On 11 May 2016, the Company granted 3,300,000 share options with exercise price of HKD2.35 to an employee under the Post-IPO Share Option Plan I, which all forfeited as at 31 December 2016.

The Post-IPO Share Option Plan I has been terminated upon the adoption of the new share option plan (Post-IPO Share Option Plan II) mentioned below.

Pursuant to a shareholder's resolution passed on 19 May 2017, the Company adopted the Post-IPO Share Option Plan II. The maximum number of shares in respect of which options may be granted under the Post-IPO Share Option Plan II was 113,320,566, represented 10% of the total number of issued shares as at the date of passing the resolution.

There is no material difference between the terms of the Post-IPO Share Option Plan I and the terms of the Post-IPO Share Option Plan II, which are set out as below. The number of shares issued and to be issued in respect of these options granted and may be granted to any individual in any one year is not permitted to exceed 1% of the shares of the Company in issue at any point in time, without prior approval obtained from the Company's shareholders. Options granted to independent non-executive directors and substantial shareholders of the Company in excess of 0.1% of the Company's share capital and with a value in excess of HKD5 million must be approved in advance by the Company's shareholders. Options granted must be taken up by the option holders within 28 days of the date of offer, upon payment of HKD1 per grant. Options may be exercised at any time during the option period, which should not be more than 10 years from the date of grant. The exercise price is determined by the directors of the Company, and will not be less than the higher of (i) the closing price of the Company's shares on the date of grant; (ii) the average closing price of the shares for the five business days immediately preceding the date of grant; and (iii) the nominal value of the Company's shares.

24. RESERVES (CONTINUED)

(a) Share options reserves (continued)

(iii) Movements in share options

Movements in the number of share options outstanding and their related weighted average exercise prices are as follows:

	Pre-IPO Share Option Plan		Post-IPO Share Option Plan		
	Average exercise price (HKD)	Number of options (thousands)	Average exercise price (HKD)	Number of options (thousands)	Total number of options (thousands)
At 1 January 2016	1.67	7,955	—	—	7,955
Granted	—	—	2.35	3,300	3,300
Exercised	1.72	(1,063)	—	—	(1,063)
Forfeited	1.96	(52)	2.35	(3,300)	(3,352)
At 31 December 2016	1.66	6,840	—	—	6,840
Currently exercisable as at 31 December 2016	1.66	6,840	—	—	6,840
At 1 January 2017	**1.66**	**6,840**	**—**	**—**	**6,840**
Exercised	**1.32**	**(1,650)**	**—**	**—**	**(1,650)**
Forfeited	**1.76**	**(5,190)**	**—**	**—**	**(5,190)**
At 31 December 2017	**—**	**—**	**—**	**—**	**—**

(b) Share Award Scheme

On 10 January 2011 (the "Adoption Date"), the Board approved and adopted a restricted share award scheme (the "Share Award Scheme") in which selected employees of the Group are entitled to participate. 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 they vest. Unless early terminated by the Board, the Share Award Scheme shall be valid and effective for a term of ten years commencing on the Adoption Date.

24. RESERVES (CONTINUED)

(b) Share Award Scheme (continued)

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 2.5% of the issued share capital of the Company as of the Adoption Date.

Employees are not entitled to dividends on any awarded shares that are not yet transferred to them.

Movements in the number of shares held for the Share Award Scheme for the year ended 31 December 2017 are as follows:

	Shares to be awarded (thousands)
At 1 January and 31 December 2016	33
Purchased	10,000
At 31 December 2017	**10,033**

For the Awarded Shares granted under the Share Award Scheme, the fair value is recognised as an expense and credited to equity 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.

The fair value of the Awarded Shares was calculated based on market prices of the Company's shares as at the respective grant dates. The expected dividends during the vesting periods have been taken into account when assessing the fair value of the Awarded Shares.

No expenses were recognised for employee services received in respect of the Share Award Scheme for the year ended 31 December 2017 (2016: nil).

During the year ended 31 December 2017, the Share Award Scheme Trust received cash dividend amounting to RMB4,000 (2016: RMB5,000) 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)

(c) Statutory reserve funds

In accordance with the Companies Laws of the PRC and the provisions of the articles of association of subsidiaries with limited liabilities in the PRC, appropriation of net profits (after offsetting accumulated losses from prior years) should be made by these companies to their respective Statutory Surplus Reserve Funds and the Discretionary Reserve Funds before distributions are made to the owners. The percentage of appropriation to Statutory Surplus Reserve Fund is 10%. The amount to be transferred to the Discretionary Reserve Fund is determined by the equity owners at the meetings of these companies. When the balance of the Statutory Surplus Reserve Fund reaches 50% of the registered capital, such transfer needs not be made. Both the Statutory Surplus Reserve Fund and Discretionary Reserves Fund can be capitalised as capital of an enterprise, provided that the remaining Statutory Surplus Reserve Fund shall not be less than 25% of the registered capital.

In addition, in accordance with the Law of the PRC on Enterprises with Foreign Investments and the provisions of the articles of association of wholly owned foreign subsidiary of the Company in the PRC, appropriations from net profit (after offsetting accumulated losses brought forward from prior years) should be made by these companies to their respective Reserve Funds. The percentage of net profit to be appropriated to the Reserve Funds is not less than 10% of the net profit. When the balance of the Reserve Fund reaches 50% of the registered capital, such transfer needs not be made.

25. ACCRUALS AND OTHER PAYABLES

	2017	2016
	RMB'000	RMB'000
Salaries payable	**47,771**	49,364
Accrued expenses (a)	**217,951**	179,751
Other tax payable	**8,862**	16,567
Other payables (b)	**13,676**	13,865
	288,260	259,547

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

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

26. CASH GENERATED FROM OPERATIONS

	2017 RMB'000	2016 RMB'000
Profit before income tax	**127,923**	180,149
Adjustments for:		
— Finance income — net	**(1,633)**	(10,837)
— Investment income on held-to-maturity financial assets (Note 8)	**(421)**	(1,165)
— Dividend income on investment in equity fund	**(322)**	(679)
— Share of losses of an associate	**796**	—
— Impairment charge of receivables	**25,320**	21,777
— Impairment charge of intangible assets	**—**	1,900
— Impairment charge of inventories	**—**	1,456
— Depreciation (Note 13)	**16,102**	17,007
— Losses on disposal of property and equipment	**172**	632
— Amortisation of lease prepayment	**324**	324
— Amortisation of intangible assets (Note 14)	**472**	1,301
— Amortisation of employee benefit of loan to a key management	**—**	97
	168,733	211,962
Changes in working capital:		
— Inventories	**—**	(508)
— Trade and other receivables and prepayments	**(35,748)**	(30,049)
— Accruals and other payables	**28,713**	(21,843)
— Prepaid advertising subscriptions from customers	**32,245**	3,746
Cash generated from operations	**193,943**	163,308

27. COMMITMENTS

Operating lease commitments

The Group leases offices and buses under non-cancellable operating lease agreements. The leases have varying terms and renewal rights. The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

	2017 RMB'000	2016 RMB'000
Not later than one year	**1,785**	3,569
Later than one year but not later than five years	**361**	613
	2,146	4,182

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
Mr. Wang	Key management personnel of the Group
Kexim Company Limited ("Kexim")	Controlled by Mr. Wang
Beijing Pacific Times Property Management Co., Ltd.	Controlled by Mr. Wang
Guangdong EJauto Information Technology Co., Ltd. ("EJauto")	Associate of a subsidiary

(b) Related party transactions

The Group undertook the following related party transactions during the year ended 31 December 2017:

	2017	2016
	RMB'000	RMB'000
Rental expenses for office and advertising bill boards:		
Kexim	**2,209**	1,209
Property Management for office:		
Beijing Pacific Times Property Management Co., Ltd.	**153**	160
	2,362	1,369

	2017	2016
	RMB'000	RMB'000
Advertising service revenue:		
Kexim	**755**	—

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

	2017	2016
	RMB'000	RMB'000
Included in trade and other receivables:		
Kexim (i)	**500**	—

	2017	2016
	RMB'000	RMB'000
Included in other payables:		
EJauto (ii)	**10,000**	—
Kexim (i)	**448**	—
	10,448	—

(i) The amounts were unsecured, interest-free and receivable/repayable on demand.

(ii) The amounts represented deposits from the related party and are unsecured and interest-free.

(d) Key management personnel compensation

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

	2017	2016
	RMB'000	RMB'000
Basic salaries, housing allowances and benefits in kind	**6,541**	8,146
Contributions to pension schemes	**139**	142
	6,680	8,288

29. BALANCE SHEET AND RESERVE MOVEMENT OF THE COMPANY

		As at 31 December	
	Note	**2017 RMB'000**	2016 RMB'000
ASSETS			
Non-current assets			
Intangible assets		**8,793**	8,793
Interests in subsidiaries		**285,105**	285,105
Dividend due from subsidiaries		**99,000**	105,000
		392,898	398,898
Current assets			
Prepayments		**—**	154
Amounts due from subsidiaries		**81,932**	60,255
Other receivables		**—**	15,517
Dividend due from subsidiaries		**562,000**	507,000
Held-to-maturity financial assets		**—**	28,193
Cash and cash equivalents		**4,746**	74,763
		648,678	685,882
Total assets		**1,041,576**	1,084,780
EQUITY AND LIABILITIES			
Capital and reserves			
Ordinary shares		**10,491**	10,477
Reserves	(a)	**1,018,967**	1,063,653
Total equity		**1,029,458**	1,074,130
Current liabilities			
Accruals and other payables		**1,673**	2,045
Amounts due to subsidiaries		**10,445**	8,605
Total current liabilities		**12,118**	10,650
Total equity and liabilities		**1,041,576**	1,084,780

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	Share-based compensation reserve RMB'000	Contributed surplus RMB'000	Shares held for Share Award Scheme RMB'000	Retained earnings RMB'000	Total RMB'000
At 1 January 2016	376,556	306	4,180	88,277	776	643,016	1,113,111
Employees share option schemes							
— proceeds from shares issued	1,582	—	—	—	—	—	1,582
— transfer upon exercise of share options	1,614	—	(1,614)	—	—	—	—
Profit for the year	—	—	—	—	—	106,579	106,579
Cash dividends relating to 2015, paid in 2016	—	—	—	—	—	(157,619)	(157,619)
At 31 December 2016	379,752	306	2,566	88,277	776	591,976	1,063,653
Employees share option schemes							
— proceeds from shares issued	**1,883**	**—**	**—**	**—**	**—**	**—**	**1,883**
— transfer upon exercise of share options	**2,566**	**—**	**(2,566)**	**—**	**—**	**—**	**—**
Share Award Scheme							
— purchase of shares	**—**	**—**	**—**	**—**	**(11,525)**	**—**	**(11,525)**
Profit for the year	**—**	**—**	**—**	**—**	**—**	**93,609**	**93,609**
Cash dividends relating to 2016, paid in 2017	**—**	**—**	**—**	**—**	**—**	**(128,653)**	**(128,653)**
At 31 December 2017	**384,201**	**306**	**—**	**88,277**	**(10,749)**	**556,932**	**1,018,967**

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/re-presented as appropriate, is set out below.

	Year ended 31 December				
RESULTS	**2017**	2016	2015	2014	2013
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Revenue	**963,599**	974,261	1,096,356	987,526	847,923
Profit before income tax	**127,923**	180,149	227,928	283,418	323,008
Income tax expense	**(22,606)**	(28,953)	(48,097)	(62,191)	(69,374)
Profit for the year	**105,317**	151,196	179,831	221,227	253,634
Attributable to:					
Equity holders of the Company	**105,317**	151,196	179,831	221,227	253,634
ASSETS, LIABILITIES AND ASSETS LESS LIABILITIES					
Total assets	**1,397,248**	1,366,550	1,388,905	1,285,391	1,116,163
Total liabilities	**416,839**	354,539	374,215	326,801	229,030
Total assets less liabilities	**980,409**	1,012,011	1,014,690	958,590	887,133