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Pacific Online Limited
太平洋網絡有限公司

ANNUAL REPORT 2018

Incorporated in the Cayman Islands with limited liability

Stock Code : 543

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CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

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

Independent Non-executive Directors

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

COMPANY SECRETARY

Mr. Wong Huk Yung, Hudson

AUTHORISED REPRESENTATIVES

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

AUDIT COMMITTEE

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

REMUNERATION COMMITTEE

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

NOMINATION COMMITTEE

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

PRINCIPAL BANKERS

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

AUDITOR

PricewaterhouseCoopers
Certified Public Accountants

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 performance of the Company for the 2018 fiscal year.

For the whole of 2018, the Company's revenue was RMB1,022.7 million, an increase of 6.1% from last year. The net profit attributable to equity holders was RMB132.7 million, a year-on-year growth of 26.0%. China's overall domestic economic growth was relatively slow over the course of 2018. The past two years have seen the Company benefit from the maturation of its products. During the same period, the Company has improved its overall efficiency and competitiveness by streamlining and optimizing company structure. Going forward, we will continue to optimize the Company's organizational structure, increase our number of highly-qualified staff, and increase our focus on research and development as well as investment in new products.

PCauto brought in revenue of RMB753.5 million in 2018, an increase of 7.9% over the same period last year. This revenue accounted for 73.7% of the total revenue for the Group. PCauto has restructured and optimized, and its team has improved its overall marketing efficiency. We believe these changes will become apparent in PCauto's future progress. PCauto has also recently launched some exciting new products. Following two years of investment and development, PCauto's "Cool Car Project"（酷車專案）has begun to bring in business towards the latter half of 2018. PCauto's partnership with Alipay and the development of its new automotive marketing platform have resulted in increased marketing effectiveness for our clients. Additionally, this year saw the maturation of Pocket Auto Salesman, PCauto's other mobile marketing management platform. By the end of December, Pocket Auto Salesman included over 12,000 dealers and more than 30,000 automotive sales specialists logged on per day. The strategic direction of PCauto's Auto Merchant+ will remain unchanged and PCauto will continue to invest in and develop new products in order to provide accurate, efficient, and comprehensive marketing services to its dealer customers.

2018 also ushered in another major restructuring of the Company, integrating four websites outside of PCauto into one large consumer segment. This has helped to gradually open up cross-border collaboration amongst the different sites, from marketing to project and technology development. Additionally, this restructuring has led to an increase in sales diversity and resource sharing as well as helped to optimize labor costs. PConline achieved a revenue of RMB150.4 million in 2018, an increase of 3.3% over the same period last year. The consumer electronics industry has remained relatively stable in the past year and we believe 2019 will be a year of healthy development for PConline. PClady has undergone some business adjustments and has begun to pick up in 2018. In 2019, PClady has focused on providing professional-level fashion content and beauty tutorials through the Multi-Channel Network. PClady has been committed to providing customers with accurate marketing services and has attempted to increase sales on e-commerce platform. PChouse has been able to increase its revenue due to its precise services positioning and unique content. The performance of PCbaby has declined slightly in the past year due to business restructuring. The integration of the four website teams will help to leverage sales opportunities of other websites so as to provide greater business opportunities for PCbaby and PChouse and increase their competitiveness.

CHAIRMAN'S STATEMENT

New product distribution, team integration, and organizational structure optimization have helped to strengthen the Company's effectiveness in terms of operational efficiency and cost optimization. Looking ahead, the Company's business should maintain healthy growth and we therefore will remain cautiously optimistic about the Company's prospects.

APPRECIATION

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

Lam Wai Yan
Chairman

Hong Kong, 25 March 2019

REVENUE

Revenue increased 6.1% from RMB963.6 million for the year ended 31 December 2017 to RMB1,022.7 million for the year ended 31 December 2018.

Revenue for PCauto, the Group's automobile portal, increased 7.9% from RMB698.5 million for the year ended 31 December 2017 to RMB753.5 million during the year ended 31 December 2018. 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 72.5% during the year ended 31 December 2017 and 73.7% during the year ended 31 December 2018.

Revenue for PConline, the Group's IT and consumer electronics portal, increased 3.3% from RMB145.6 million during the year ended 31 December 2017 to RMB150.4 million during the year ended 31 December 2018. The increase was due to more demand from consumer electronics manufacturers. As a percentage of revenue, PConline accounted for 15.1% during the year ended 31 December 2017 and 14.7% during the year ended 31 December 2018.

Revenue for PClady, the Group's lady and fashion portal, increased 23.4% from RMB19.2 million during the year ended 31 December 2017 to RMB23.7 million during the year ended 31 December 2018. The increase was mainly due to the result of repositioning of strategies. As a percentage of revenue, PClady accounted for 2.0% during the year ended 31 December 2017 and 2.3% during the year ended 31 December 2018.

Revenue from other operations, including PCbaby and PChouse portals, decreased by 5.2% from RMB100.3 million during the year ended 31 December 2017 to RMB95.1 million during the year ended 31 December 2018. The decrease was mainly due to the slowdown of baby related sector. As a percentage of revenue, revenue from other operations accounted for 10.4% during the year ended 31 December 2017 and 9.3% during the year ended 31 December 2018.

COST OF REVENUE

Cost of revenue increased 9.2% from RMB404.4 million during the year ended 31 December 2017 to RMB441.6 million during the year ended 31 December 2018. Gross profit margin was 58.0% during the year ended 31 December 2017 and 56.8% during the year ended 31 December 2018.

The increase in cost of revenue was mainly due to increase in commission to advertising agents and outsourcing production costs.

SELLING AND MARKETING COSTS

Selling and marketing costs decreased 1.2% from RMB271.6 million during the year ended 31 December 2017 to RMB268.3 million during the year ended 31 December 2018. The decrease in advertising expenses was mainly due to the decrease in employee benefit expenses and other related expenses.

ADMINISTRATIVE EXPENSES

Administrative expenses increased by 8.9% from RMB70.3 million during the year ended 31 December 2017 to RMB76.5 million during the year ended 31 December 2018, mainly due to an impairment charge of an investment during the year.

PRODUCT DEVELOPMENT EXPENSES

Product development expenses decreased by 1.3% from RMB75.2 million during the year ended 31 December 2017 to RMB74.3 million during the year ended 31 December 2018. The decrease was due to decrease in the number of product development staff and other related expenses.

OTHER INCOME

Other income was RMB11.8 million during the year ended 31 December 2018 and RMB10.3 million during the year ended 31 December 2017. Same as previous years, the other income was mainly from government grants during the year.

FINANCE INCOME AND COST

Net finance income increased 538.0% from RMB1.6 million during the year ended 31 December 2017 to RMB10.4 million during the year ended 31 December 2018. The increase was mainly due to the gain in foreign exchange in 2018 and loss in foreign exchange in 2017.

INCOME TAX EXPENSE

Income tax expenses increased 23.6% from RMB22.6 million during the year ended 31 December 2017 to RMB27.9 million during the year ended 31 December 2018.

NET PROFIT ATTRIBUTABLE TO EQUITY HOLDERS

Net profit attributable to equity holders increased 26.0% from RMB105.3 million during the year ended 31 December 2017 to RMB132.7 million during the year ended 31 December 2018.

LIQUIDITY AND FINANCIAL RESOURCES

As of 31 December 2018, the Group had short-term deposits and cash totaling RMB458.9 million, compared with RMB445.1 million as of 31 December 2017.

In 2018, net cash generated from operating activities was RMB133.4 million, net cash used in investing activities was RMB45.2 million, net cash used in financing activities was RMB126.1 million, with a net decrease in cash and cash equivalents of RMB37.9 million for year 2018.

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.

The Company had no external debt as of 31 December 2017 and 31 December 2018.

BANK BORROWINGS

As of both 31 December 2018 and 31 December 2017, 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 2018, the Group had no material acquisitions or disposals of subsidiaries and associates.

CHARGES ON ASSETS

As at 31 December 2018, 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 67, 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 66, is an executive director of the Company and a director of certain subsidiaries of the Company. He is also a director and the controlling shareholder of Treasure Field Holdings Limited, a substantial shareholder of the Company. Mr. Ho obtained a bachelor’s degree in Science from Illinois State University in 1976. He is principally involved in strategic planning and assisting in overall management and business development of the Group. Mr. Ho co-founded the Group and has played a major role in developing the businesses of the Group since 1997 and has an extensive management experience over 20 years in IT industry.

Mr. Wang Ta-Hsing (“Mr. Wang”), (alias: Wang Jeff Da-Shin), aged 44, 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.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Tsui Yiu Wa, Alec ("Mr. Tsui"), aged 69, is an independent non-executive director, the chairman of both the audit committee and remuneration committee and a member of the nomination committee of the Company. He joined the Group in November 2007. Mr. Tsui obtained a bachelor's degree in Science (Industrial Engineering) and a master's degree in Engineering (Industrial Engineering) from the University of Tennessee, Knoxville in 1975 and 1976, respectively. He attended the Programme for Senior Managers in Government at the John F. Kennedy School of Government, Harvard University in 1993. He has been a member of the Hong Kong Securities and Investment Institute (formerly known as "Hong Kong Securities Institute") since 1998. Mr. Tsui has over 30 years' extensive experience in finance and administration, corporate and strategic planning, information technology and human resources management, having served at various international companies. He held key positions at the Securities and Futures Commission of Hong Kong prior to joining the Hong Kong Stock Exchange in 1994 as an executive director of the finance and operations services division and becoming the chief executive in 1997. He was also the chairman of the Hong Kong Securities and Investment Institute from 2001 to 2004. He was an adviser and a council member of the Shenzhen Stock Exchange from July 2001 to June 2002.

Mr. Tsui was an independent non-executive director of China Oilfield Services Limited and China Power International Development Limited respectively (both companies listed on the Stock Exchange). Mr. Tsui has resigned as an independent non-executive director of Summit Ascent Holdings Limited (a company listed on the Stock Exchange) in September 2018. 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
ATA Inc.
Melco Resorts and Entertainment (Philippines) Corporation
Melco Resorts & Entertainment Limited
Hua Medicine

DIRECTORS' AND SENIOR MANAGEMENT'S PROFILES

Mr. Thaddeus Thomas Beczak ("Mr. Beczak"), aged 68, 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.

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
Singapore Exchange Limited

Mr. Lam Wai Hon, Ambrose ("Mr. Lam"), aged 65, is an independent non-executive director, a member of the audit committee and the remuneration committee of the Company. He joined the Group in October 2018. He is the chairman of Able Capital Partners Limited. During April 2011 and October 2017, he had been the chief executive officer of Investec Capital Asia Limited (formerly known as Access Capital Limited of which Mr. Lam was a director and the co-founder prior to its acquisition by Investec Bank PLC in April 2011) and latterly the Country Head for China & Hong Kong of Investec Group. Prior to establishing Access Capital Limited in 2000, Mr. Lam was the managing director and head of Investment Banking for Greater China of Deutsche Bank AG. He was also the managing director and head of Investment Banking for Greater China of Bankers Trust Company, and the managing director of Yuanta Securities (Hong Kong) Company Limited. Mr. Lam started his investment banking career with Kleinwort Benson Group in London in 1984 before joining Standard Chartered Asia Limited in Hong Kong where he last held the position of managing director in corporate finance.

Mr. Lam is a fellow member of the Institute of Chartered Accountants in England and Wales and an associate member of the Hong Kong Institute of Certified Public Accountants. He holds a Bachelor of Arts (Honors) degree in Economics & Accounting from University of Newcastle Upon Tyne in England. Currently, Mr. Lam is an independent non-executive director of China Agri-Industries Holdings Limited and Genting Hong Kong Limited, both companies are listed on the Stock Exchange.

SENIOR MANAGEMENT

Ms. Zhang Cong Min ("Ms. Zhang"), aged 51, is the Chief Operating Officer of the Company and a director of certain subsidiaries of the Company. Ms. Zhang had been an executive director of the Company from August 2007 to December 2018. Ms. Zhang graduated EMBA programme from China Europe International Business School (中歐國際工商學院) in 2011 and obtained a bachelor's degree in Chemical Analysis from the University of Science and Technology of China (中國科學技術大學) in 1991. Ms. Zhang joined the Group in January 2003. Prior to joining the Group, Ms. Zhang worked as a marketing manager and assistant general manager of Guangdong Pacific Electronic Technology Mall Co., Ltd. (廣東太平洋電子科技廣場有限公司). Ms. Zhang has over 20 years of experience in operation management and IT industry. She has held various management positions in the Group.

Ms. Fan Zeng Chun ("Ms. Fan"), aged 48, 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 53, 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.

The Board presents this Corporate Governance Report in the Company's annual report for the year ended 31 December 2018.

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 2018, 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 2018:

Board of Directors

Executive Directors

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

Independent Non-executive Directors

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

Executive Committee

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

Audit Committee

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

Remuneration Committee

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

Nomination Committee

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

The Board has at all times during the year ended 31 December 2018 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. Wang Ta-Hsing and Mr. Tsui Yiu Wa, Alec shall retire by rotation at the forthcoming 2019 annual general meeting of the Company (the "2019 AGM"). In addition, Mr. Lam Wai Hon, Ambrose, who has been appointed as an independent non-executive director of the Company with effect from 8 October 2018, will hold office only until the 2019 AGM. It is noted that all the above three retiring directors will offer themselves for re-election at the 2019 AGM. The Company's circular, sent together with this annual report, contains detailed information of such retiring directors as required by the Listing Rules.

Training and Continuous Professional Development of Directors

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

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

During the year ended 31 December 2018, the Company has (i) organized briefings conducted by the Company Secretary for all the directors, namely, Dr. Lam Wai Yan, Mr. Ho Kam Wah, Mr. Wang Ta-Hsing, Mr. Tsui Yiu Wa, Alec, Mr. Thaddeus Thomas Beczak and Mr. Lam Wai Hon, Ambrose, on corporate governance and update on the Listing Rules amendments; and (ii) provided reading materials on regulatory update to all the directors for their reference and studying.

Model Code for Securities Transactions

The Company has adopted its own code of conduct governing directors' dealings in the Company's securities (the "Own Code") on terms no less exacting than the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules. Specific enquiry has been made to all the Company's directors and they have confirmed that they have complied with the Own Code and the Model Code throughout the period from 1 January 2018 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 2018 is set out in the table below:

	Attendance/Number of Meetings				
Name of Director	Board	Audit Committee	Remuneration Committee	Nomination Committee	Annual General Meeting
Dr. Lam Wai Yan	4/4	—	—	1/1	1/1
Mr. Ho Kam Wah	4/4	—	—	—	1/1
Mr. Wang Ta-Hsing	3/4	—	—	—	0/1
Ms. Zhang Cong Min (note 1)	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 (note 2)	3/3	0/2	1/1	—	1/1
Mr. Lam Wai Hon, Ambrose (note 3)	1/1	—	—	—	—

1. Ms. Zhang Cong Min resigned as an executive director of the Company on 28 December 2018. Before her resignation, 4 Board meetings and 1 Annual General Meeting were held during the year ended 31 December 2018.

2. Mr. Chan Chi Mong, Hopkins resigned as an independent non-executive director of the Company on 8 October 2018. Before his resignation, 3 Board meetings, 2 Audit Committee meetings, 1 Remuneration Committee meeting and 1 Annual General Meeting were held during the year ended 31 December 2018.

3. Mr. Lam Wai Hon, Ambrose was appointed as an independent non-executive director of the Company on 8 October 2018. Subsequent to his appointment, 1 Board meeting was held during the year ended 31 December 2018.

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

BOARD COMMITTEES AND CORPORATE GOVERNANCE FUNCTIONS

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

Executive Committee

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

Audit Committee

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

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

During the year ended 31 December 2018, 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 2017, the related accounting principles and practices adopted by the Group and the relevant audit findings; the report on the Company's risk management and internal control systems; the recommendation on the re-appointment of the external auditor; and the recommendation on the review of the internal audit function; and

— Review and discussion of the interim financial statements, results announcement and report for the six months ended 30 June 2018 and the related accounting principles and practices adopted by the Group; and the review of the arrangements for employees of the Company to raise concerns about possible improprieties.

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

Remuneration Committee

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

The principal duties of the Remuneration Committee are to (i) make recommendations to the Board on the Company's remuneration policy and structure for directors and members of senior management and the establishment of a formal and transparent procedure for developing such remuneration policy and structure; (ii) make recommendations on the remuneration packages of directors and senior management (i.e. the model described in the code provision 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 2018, 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 2018 is set out below:

	Number of individuals
HKD0 to HKD2,500,000	3
	3

Details of the remuneration of each director of the Company for the year ended 31 December 2018 are set out in note 28 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.

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

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

During the year under review, in response to the amendment to the CG Code effective on 1 January 2019, the Company has also adopted the Director Nomination Policy. Such policy sets out the selection criteria and process and the Board succession planning considerations in relation to nomination and appointment of directors of the Company and aims to ensure that the Board has a balance of skills, experience and diversity of perspectives appropriate to the Company and the continuity of the Board and appropriate leadership at Board level.

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

During the year ended 31 December 2018, 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 2018 annual general meeting of the Company;

— Assessment of the independence of the independent non-executive directors of the Company; and

— Recommendation of appointment of Mr. Lam Wai Hon, Ambrose as an independent non-executive director.

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 2018, 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 2018.

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 2018. The review also covered the financial reporting and internal audit functions as well as the adequacy of staff qualifications and experiences and other relevant resources.

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 that the Company's business objectives will be achieved

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 outsourced internal auditor 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 largely 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 and findings and recommendations for improvement have been provided to the Audit Committee.

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

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

EXTERNAL AUDITORS AND AUDITORS' REMUNERATION

The statement of the external auditor of the Company about their reporting responsibilities on the Company's consolidated financial statements for the year ended 31 December 2018 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 2018 are analyzed below:

Type of services provided by the Group's external auditors	**Fees paid/payable** (RMB)
Audit services (including interim review)	3,596,000
Non-audit services*	140,000
TOTAL	3,736,000

* 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 2018, Mr. Wong Huk Yung, Hudson, the Company Secretary, has taken no less than 15 hours of relevant professional trainings to update his skills and knowledge.

COMMUNICATIONS WITH SHAREHOLDERS AND INVESTORS

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

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

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

Email: ir@pconline.com.cn

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

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

POLICIES RELATING TO SHAREHOLDERS

The Company has in place a Shareholders' Communication Policy to ensure that shareholders' views and concerns are appropriately addressed. The policy is regularly reviewed to ensure its effectiveness.

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

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.

OUR COMMITMENT AND APPROACH TO ENVIRONMENTAL, SOCIAL AND GOVERNANCE

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

Using a top-down approach, we assimilate ESG concepts into our daily operations at the workplace through Company's policies and guidelines, so that each of our employees becomes ambassador of the sustainability efforts, thus ensuring that the scope of the ESG coverage is sufficiently broad to cover the significant parts of our businesses.

REPORTING STANDARD, PERIOD AND SCOPE

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

The ESG Report describes the ESG progress made by the Company during the year ended 31 December 2018 (the "Reporting Period"). The scope of the ESG Report covers the business operation in the head office at Guangzhou.

The aspects and key performance indicators ("KPI") as defined in the ESG Reporting Guide which are considered to be relevant and material to the Company's operations will be presented under four subject areas, namely "Our Environment", "Our Employees", "Our Business" and "Our Community".

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

STAKEHOLDER ENGAGEMENT AND MATERIALITY ASSESSMENT

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

environment and community through the mutual cooperation and active engagement with various stakeholders. The stakeholder groups, their expectations and their typical communication channels with the Company are shown below:

Stakeholder groups	Expectations	Typical communication channels
Online users/customers	• Information quality • Advertisement quality • Collection of users' information and information protection • Information completeness and correctness • Intellectual property rights • Innovation and update of information	• Company tours • Collection of complaints and feedback • Online survey • Regular communication via email or telephone • User's experience programmes • Product testing, reviews and feature reports • Online chat rooms or forums • Interest clubs • Financial reports, announcements and circulars and other publicly available information
Suppliers	• Good business relationship • Fair and honest dealing • Information sharing	• Regular communication via email or telephone • Regular progress meetings or reports
Shareholders and investors	• Return on investment • Information disclosure and transparency • Protect the rights and interests of shareholders • Disclose relevant and accurate information in a timely manner • Improve corporate governance • Run business in compliance with laws and regulations • Combat corruption and uphold integrity	• Shareholders' meetings, AGM, etc. • Financial reports, announcements and circulars and other publicly available information • Company enquiries via e-mail and phone • Information disclosure of listed companies • Roadshows/conference calls/ meetings with investors/ shareholders • Enquiries via telephone/emails • Investors' on-site visit • Website information disclosure on the Stock Exchange and the Company

Stakeholder groups	Expectations	Typical communication channels
Employees	• Training and career development space • Salary and welfare • Working environment • Health and safety protection • Career development and opportunities • Innovation • Intellectual property rights • Competitiveness	• Team sharing • Mentoring by direct supervisor • Employee notice boards • Training, seminars and workshops • Employee orientation • Employee memorandum • Collection of feedback, through emails and face-to-face meetings • Employee activities and team-building exercises • Company's facilities
Local communities, non-government organisations and the general public	• Employment opportunities • Ecological environment • Community development • Social common wealth • Enthusiasm towards public welfare • Charitable donations • Reduce pollutant emissions • Waste reduction	• Charitable activities • Community investment and service • Stakeholder engagement • Environmental protection activities • Sponsorships and donations
Media	• Transparency of information • Good media relations	• Website information disclosure on SEHK and the Company • Financial reports, announcements and circulars and other publicly available information

In order for us to report on the most important issues, we communicated with key stakeholders and identified these issues as "environmental protection", "employment system", "development and training". Based on these results, the Company will continue to improve its ESG performance to meet stakeholders' expectations. Details of our ESG work during the Reporting Period will be presented in the next section.

OUR ENVIRONMENT

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

The Company is primarily engaged in the online advertising business, our business activities involve no industrial process, and hence our direct impact to the environment is minimal. Nonetheless, in order to minimise the indirect impact of our operations to the environment, the Company actively pursues environmental-friendly measures and has implemented various policies and measures as described in the section headed "Environmental protection measures" under "Aspect A3: Environment and Natural Resources".

The Company endeavours to comply with applicable environmental laws and regulations, including but not limited to Environmental Protection Law of the People's Republic of China (中華人民共和國環境保護法), Water Pollution Prevention and Control Law of the People's Republic of China (中華人民共和國水污染防治法), Law of the People's Republic of China on the Prevention and Control of Atmospheric Pollution (中華人民共和國大氣污染防治法), Law of the People's Republic of China on the Prevention and Control of Environmental Pollution by Solid Wastes (中華人民共和國固體廢物污染環境防治法). During the Reporting Period, there was no significant breach of any environmental laws and regulations (2017: nil).

In this section we detailed the ESG performances of the Company with regards to emissions and waste, use of resources, and environment and natural resources.

Aspect A1: Emissions and Wastes

Air emissions

Direct air emissions by the Company were primarily attributed to the use of Company's motor vehicles during the Reporting Period. The amounts of the different types of direct air emissions emitted during the Reporting Period by the Company were as follows:

(Units: kilograms)		**2018**		2017 (note 2)	
Direct air emissions	**Air emission Source(s)**	**Total emissions**	**Intensities(note 1)**	Total emissions	Intensities(note 1)
Nitrogen Oxides ("NOx")	Company vehicles	**9.73**	**0.88**	16.10	1.46
Sulphur Oxides ("SOx")		**0.31**	**0.03**	0.15	0.01
Particulate Matter ("PM")		**0.72**	**0.07**	1.18	0.11

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

Note 2: Certain amounts in the previous year have been restated to improve comparability with the amounts in the current year.

Green House Gases ("GHG") emissions

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

(Units: Tonnes of CO_2e)		**2018**		2017(note 2)	
Scope of GHG emissions	**Emission source(s)**	**Total emissions**	**Intensities(note 1)**	Total emissions	Intensities(note 1)
Scope 1		**72.31**	**0.06**	27.04	0.02
Direct GHG Emissions	Company vehicles				
Scope 2		**1,686.10**	**1.33**	1,545.93	1.13
Energy Indirect GHG Emissions	Purchased electricity				
Scope 3		**487.49**	**0.39**	260.80	0.19
Other Indirect GHG Emissions	• Business travel by employees • Electricity use for fresh water and sewage processing				
Total		**2,245.90**	**1.78**	1,833.77	1.34

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

Note 2: Certain amounts in the previous year have been restated to improve comparability with the amounts in the current year.

During the Reporting Period, the majority of GHG emissions were scope 2 emissions which are emitted indirectly as a result of the consumption of purchased electricity at the Guangzhou head office at approximately 1,686 tonnes CO_2e, followed by scope 3 indirect GHG emissions emitted mainly as a result of business travel by employees at approximately 488 tonnes CO_2e. Lastly, the Company's motor vehicles also generated a relatively small amount of scope 1 direct GHG emissions during their use, at approximately 72 tonnes CO_2e.

To cut down on air and GHG emissions, the Company has adopted a number of measures which are regularly carried out in the course of our daily operations which are described in detail in the later section titled "Environmental protection measures".

Wastes

The Company did not generate any hazardous waste during the Reporting Period, and had generated only an insignificant amount of non-hazardous domestic wastes during the Reporting Period such as food wraps, drinking cans and bottles, waste paper products, stationeries and disposal of office supplies at the head office. In spite of this, various waste reduction measures were implemented to further reduce the amount of waste around the building, which will be detailed in the later section titled "Environmental protection measures".

Aspect A2: Use of Resources

As detailed in the section headed "Emissions and Wastes", electricity consumption was a major source of indirect GHG emission during the Reporting Period. Other resources used in the Guangzhou Head Office include printing paper and water.

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

Energy or resources	**Units**	**2018**	**2017**
Electricity	kWh	**1,917,885**	1,930,480
Water	Tonnes	**65,304**	66,254
Paper	Kilograms	**2,563**	1,955

Nonetheless, both energy and resource conservation are essential parts of the Company ESG strategy which will be detailed in the later section titled "Environmental protection measures".

Aspect A3: Environment and Natural Resources

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

Nonetheless, as outlined in the next section, the Company is committed to environmental protection and has adopted and implemented a number of measures to reduce the negative impact on its environment and habitat.

Environmental protection measures

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 consumptions. Accordingly, the Company has the following measures which are regularly carried out to achieve its ESG strategy in the course of our operations:

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

- Specifically, through these rules and guidelines, the Company encourages the management and employees to minimise the company's environmental impact by:

    i. Carpooling (i.e. share car) wherever possible for regular commuting and to/from external meetings;

    ii. Various energy-saving guidelines included in the companies' policies (e.g. turning off computers and office equipment when leaving the office, closing windows when the air conditioning is in use, etc.);

    iii. Inspect our electricity and power equipment regularly to ensure safety as well as operating efficiency;

    iv. Centralizing the orders for office supplies from various departments to reduce delivery distance, thus reduce indirect emissions from transportation;

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

    vi. Reusing or recycling packaging such as plastic or paper bag, and paper cartons;

    vii. Reducing excessive printing by going paperless as far as possible;

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

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

x. Thinking twice before printing any email, and the message "Please consider the environment before printing this email" is attached to the bottom of every email sent to remind the recipient to do the same;

xi. 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, wherever possible;

xii. Provide and promote the use of green facilities such as waste separation bins and used battery collection wherever possible;

xiii. 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;

xiv. Closely monitor the number of annual reports printed annually to avoid wastage;

xv. Use of sunlight to reduce electricity usage in washrooms wherever possible;

xvi. The adoption of appropriate disposal procedures for disposal of electronic waste, disposes of computers with authorized e-waste collection and computer recycling service sites for recycling when necessary;

xvii. Provides suitable facilities wherever possible and encourages employees to sort and recycle waste products wherever possible;

- Water-efficient sensor taps are installed wherever possible 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℃ during the summer period.

OUR EMPLOYEES

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

Aspect B1: Employment

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

The Company desires to ensure employees are recruited, remunerated and promoted based on their merit, qualifications, competence, suitability and contribution to the Company. The Company 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.

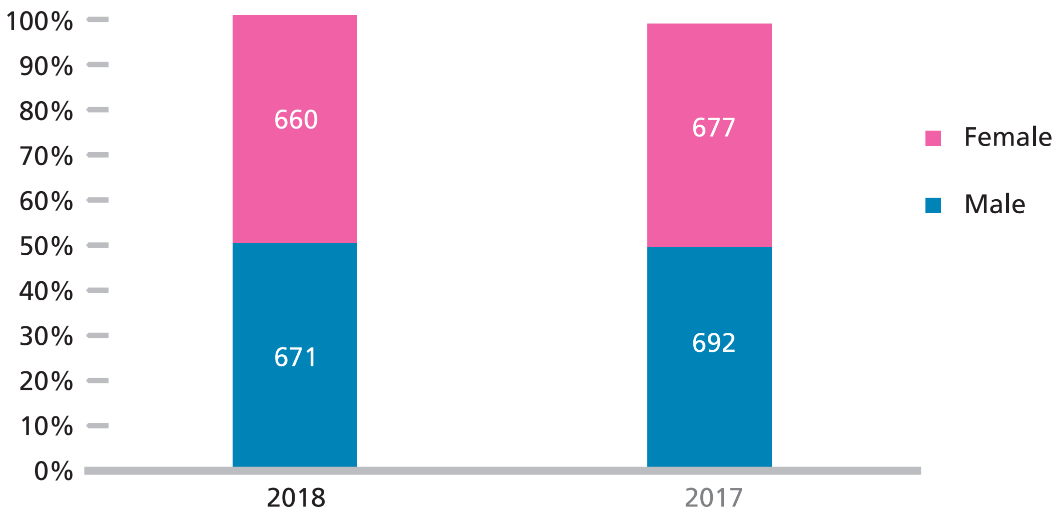
Employees at all levels of the Company are expected to conduct in an appropriate manner, with integrity, impartiality and honesty.

During the Reporting Period, the Company is committed to complying with laws and regulations relating to employment of labour, including the Labour Law of Peoples' of Republic of China (中華人民共和國勞動法), the Labour Contract Law of the People's Republic of China (中華人民共和國勞動合同法) and other relevant laws and regulations. During the Reporting Period, there was no significant breach of any laws and regulations related to the employment of labour (2017: nil).

Workforce

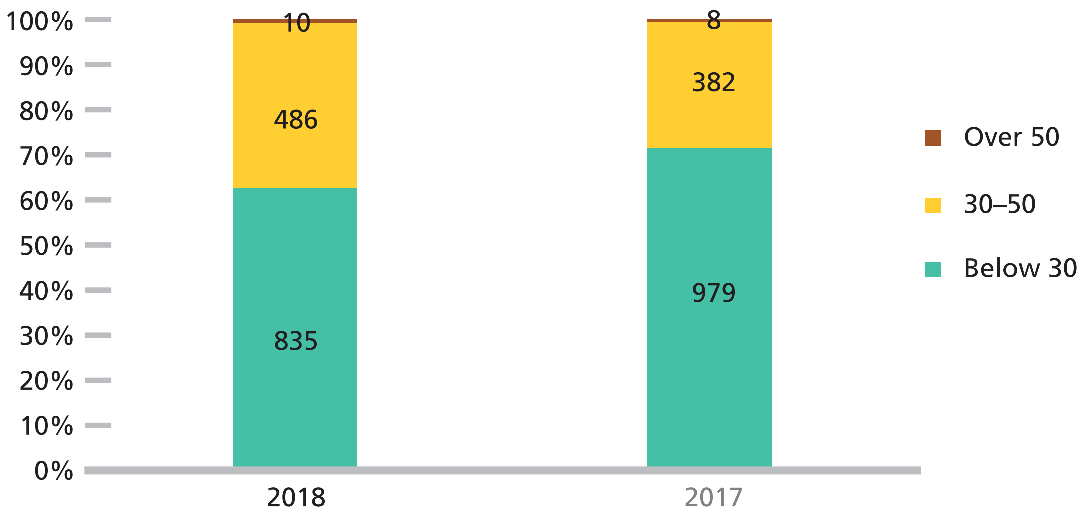
As at end of the Reporting Period, the Company had total 1,331 employees (2017: 1,369). The number and ratios between male and female, different age groups, and different employee roles are depicted below:

Employees by gender



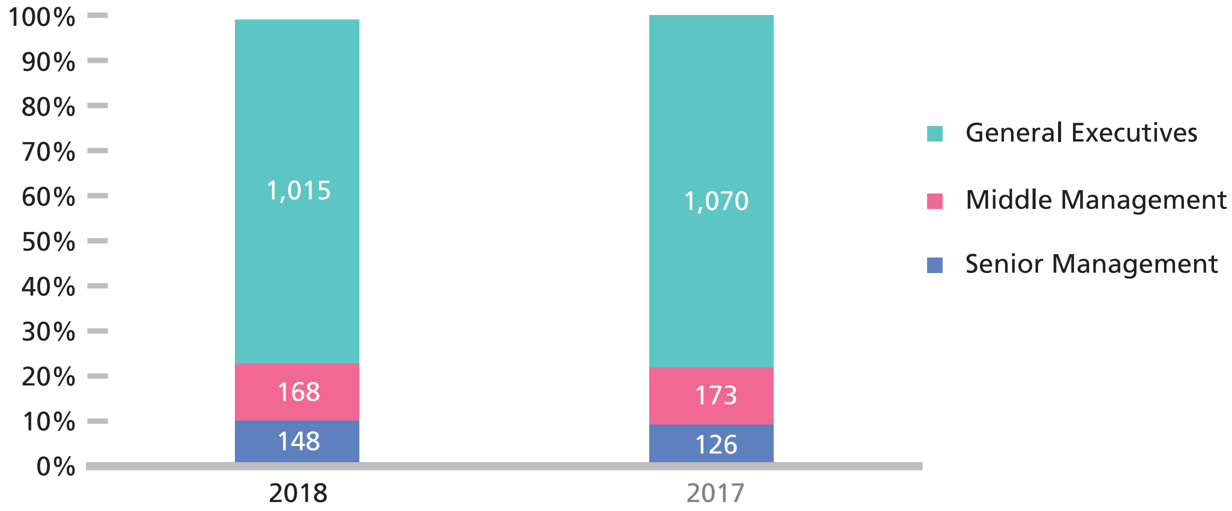
Employees by gender	2018	2017
Male	671 (50.41%)	692 (50.55%)
Female	660 (49.59%)	677 (49.45%)

Employees by age group



Employees by age group	2018	2017
Below 30	835 (62.73%)	979 (71.51%)
30–50	486 (36.51%)	382 (27.90%)
Over 50	10 (0.76%)	8 (0.59%)

Employees by role



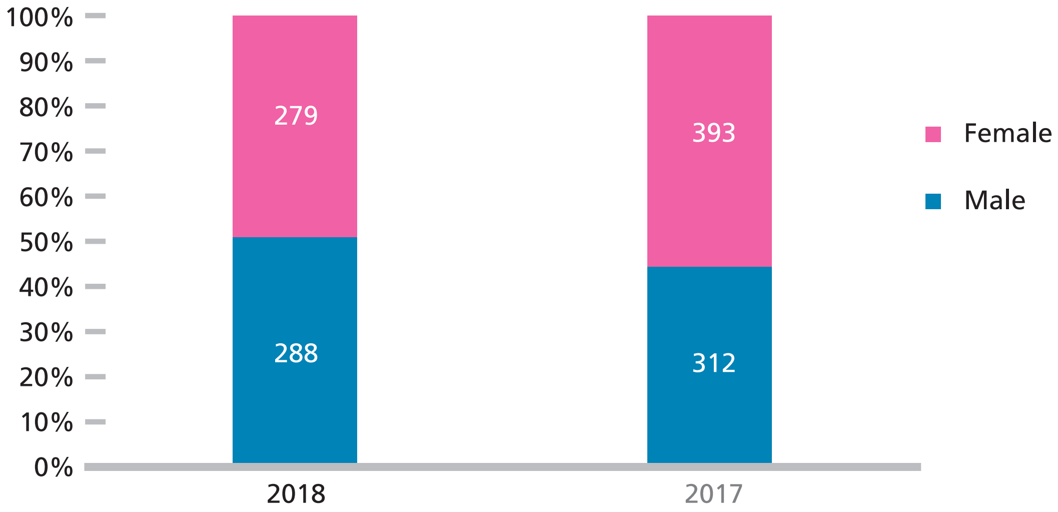
Employees by role	2018	2017
Senior Management	**148 (11.12%)**	126 (9.20%)
Middle Management	**168 (12.62%)**	173 (12.64%)
General Executives	**1,015 (76.26%)**	1,070 (78.16%)

As at the end of the Reporting Period, we achieved a gender balanced workforce with 671 male and 660 female staff, a male-to-female ratio is approximately 1:1. The majority of our employees were aged below 30s, showing our commitment in attracting younger generations in joining our dynamic workforce. There were three types of employee roles, namely senior management, middle management and general executives. The majority of our employees are in the general executive role at 1,015 as at the end of the Reporting Period, while in senior management and middle management role there was 148 and 168 respectively.

Employee retention

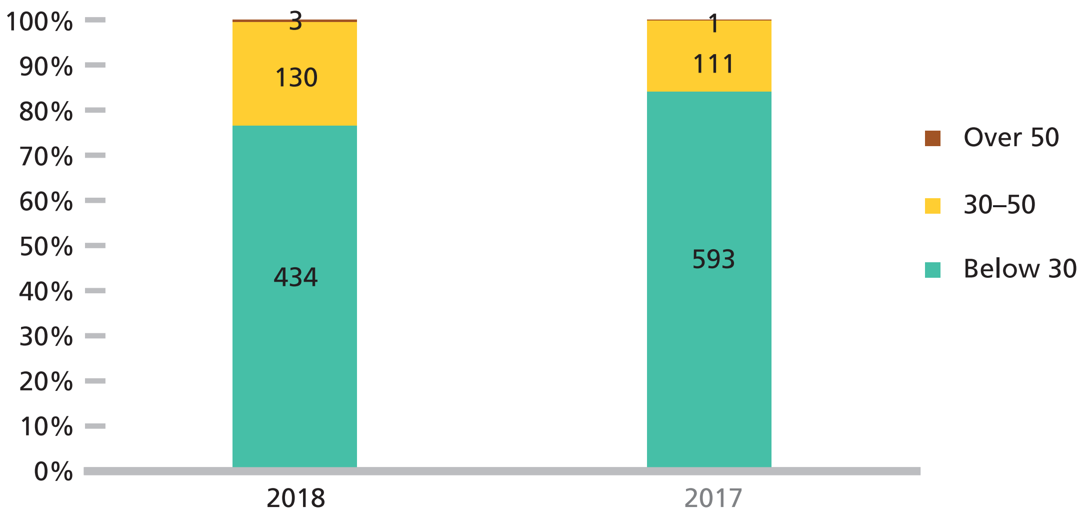
The proportion of the employee turnover categorised by gender and age groups were as follows:

Employees turnover by gender



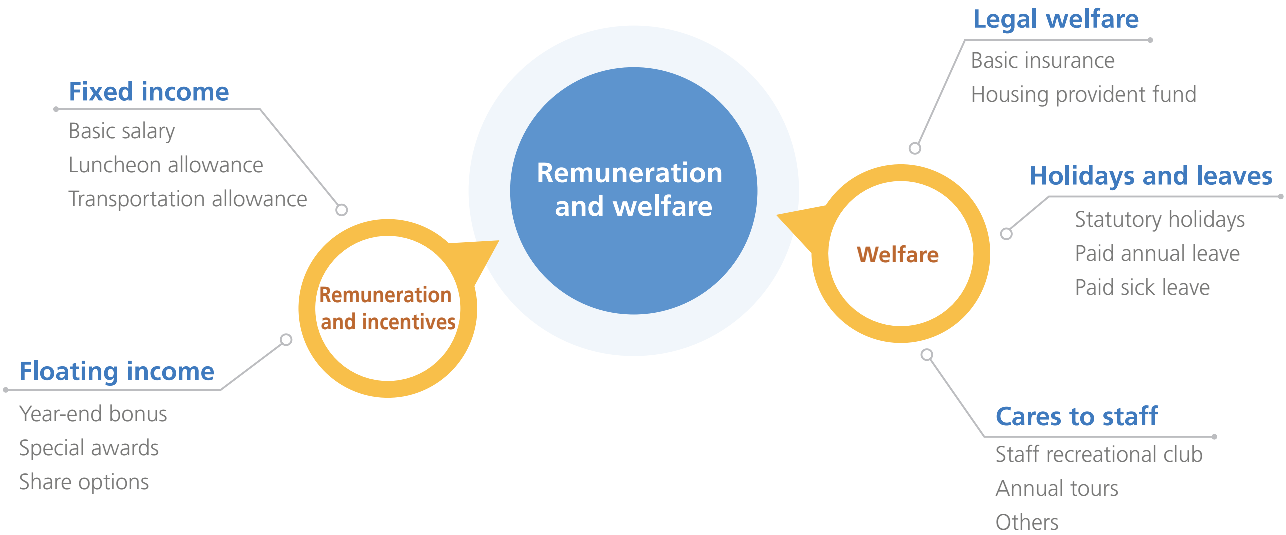
Employee turnover by gender	**2018**	2017
Male	**288 (50.79%)**	312 (44.26%)
Female	**279 (49.21%)**	393 (55.74%)

Employees turnover by age group



Employee turnover by age group	2018	2017
Below 30	434 (76.54%)	593 (84.11%)
30–50	130 (22.93%)	111 (15.74%)
Above 50	3 (0.53%)	1 (0.15%)

During the Reporting Period, a total of 567 (2017: 705) employees left the Company; of these 288 were male and 279 were female, an approximate male-to-female ratio of 1:1. The majority of the employee turnover (77%) was from employees aged below 30 years old, much higher than 63% which was the proportion of the current employees for this age group. This was inverse for 30–50 age group, where the employee turnover during the Reporting Period was at 23% but the proportion of the current employees for this age group was at 37%, illustrating a stronger employee retention of employees in this age group compared to the other two age groups.



Aspect B2: Health and Safety

Our employees are mainly office-based thus risk to physical health and safety is not a significant concern for the Company. Nonetheless the Company is committed and has engaged in significant efforts in providing and maintaining a safe and healthy working environment to mitigate any occupational or health risks in our employees, and for the compliance of relevant laws and regulations. During the Reporting Period, the Company has complied with Law of the People's Republic of China on the Prevention and Treatment of Occupational Diseases (中華人民共和國職業病防治法) as well as other relevant laws and regulations in relations to occupational health and safety in PRC. There was no significant work-related injury and fatality recorded during the Reporting Period (2017: nil).

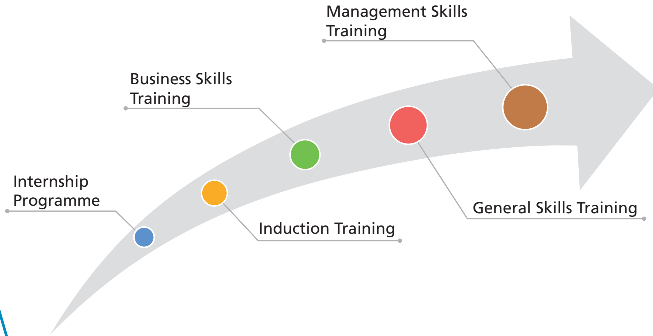
The Company is located in a compound that has a spacious 3 block of office buildings each with 5 floors, totalling a gross floor area of approximately 30,000 square metres. These buildings are surrounded by a staggering 5,000 square metres garden which helps our employees to reduce stress as well as to help purify air that our employees breathe in.

To ensure physical security of our employees, the Company has deployed security guards at the office and their surrounding area at the Company. The Company also provides other recreational facilities, such as canteen, basketball court, café, leisure room, nursery room, table tennis tables, yoga room for our employees to relax and feel content, preventing potential health risks for long-term desk work.

To develop a sense of belonging for our employees, the Company has set up a "staff recreational club" which has organised numerous activities to our employees, for instance basketball games, yoga class, company travel and annual dinner etc.

Aspect B3: Development and Training

The continuing development and learning of our employee is essential to the growth of the Company. The Company has established policies on employee development and training in our Employee Handbook. The Company provides a range of training opportunities for all levels of our employees, including "one-on-one" mentorship program, exchange program, new employees' orientation, employees sharing, induction training, work related trainings and management trainings to improve business skills and professional capability, strengthen the promotion and inheritance of corporate culture. Environment-related programmes were also offered to employees, including talks, stakeholder engagement programmes and recycling activities.



During January to December 2018, there was a total of 2,273 training headcounts and a total of approximately 7,919 training hours was completed by our employees which took place in PRC. The details of these trainings are shown in the table below:

	2018			2017		
	Number of employees	Total training hours	Average training hours	Number of employees	Total training hours	Average training hours
By gender						
Male	671	3,946	5.88	692	3,947	5.70
Female	660	3,973	6.02	677	3,610	5.33
Total	1,331	7,919	5.95	1,369	7,557	5.52
By employee role						
Senior Management	148	69	0.46	126	868	6.89
Middle Management	168	189	1.13	173	425	2.46
General Executives	1,015	7,661	7.55	1,070	6,264	5.85
Total	1,331	7,919	5.95	1,369	7,557	5.52

Aspect B4: Labour Standards

The Company considers child and forced labour unacceptable and is actively prevented with a comprehensive screening and recruiting process to prohibit the use of these labourers. 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.

During the Reporting Period, the Company complied with Labour Law of the People's Republic of China (中華人民共和國勞動法) in relations to child and forced labour, as well as other relevant laws and regulations in PRC relating to protection of rights and interests of labourers.

OUR BUSINESS

The Company is principally in the business of internet advertising services, operating primarily in the PRC through the various different internet portals which it operates. The largest of these portals specialize in IT products & automobile related contents. These portals provide specialized contents for online visitors about information on third party products covering a wide range of topics including product reviews, product comparisons, store locations and product prices in order to assist them to make informed purchasing decision. In addition to being user-friendly and easy to navigate, the features and services of these portals are also tailored to meet the needs and preferences of these targeted consumer groups, providing them with chat rooms, free downloads and invitation to join special interest clubs and user experience enhancement programme, etc. which help increase the popularity and the user base of our portals.

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

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

Aspect B5: Supply Chain Management

The Company has established supply chain management policies, including criteria and procedures for the selection of suppliers. The Company maintains an approved suppliers list from which to purchase IT services, office equipment and supplies. The suppliers in the approved suppliers list are carefully assesses based on the quality of goods and services provided, their reputation in the public and in the industry, and whether or not they have complied with laws and regulation in the PRC. We regularly update the approved suppliers list to maintain control of suppliers' quality.

Aspect B6: Product Responsibility

Quality assurance

As an online content provider, the Company promotes different products and services of our clients, and hence the responsibility of the products and services quality lies with these clients. However, we ensure that we only promote products and services from reputable brands, and as part of the content of our reviews we perform our own tests in order to introduce or compare these products and services to our users.

Complaint handling

The Company treats all grievances and complaints seriously and views them as means to consistently improve the quality of the services we offers. The Company has established grievance procedures to receive suggestions and complaints from online users, customers, suppliers and employees as outlined in the later section "Aspect B7: Anti-corruption". During the Reporting Period the Company has not received any significant complaint related to the services (2017: nil).

Protection of intellectual property

The Company respects and protects intellectual property rights. It examines the content of the product, testing, reviews and writes feature reports for the products with intellectual property rights ("IP rights").

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 organises regular business training on intellectual property rights to improve employees' awareness of intellectual property rights protection and enable them to contribute to exploring potential intellectual property rights.

During the Reporting Period, the Company has not engaged in and has not been threatened with any claim for infringement of any IP rights, whether as a claimant or as a defendant (2017: nil). The Company has taken all reasonable measures to prevent infringement of IP rights.

Personal data protection

The Company considers that privacy and security of information are critical operating principles. It recognizes the importance of keeping personal information of the users in strict confidence. The Company has implemented various information privacy and information security programmes to protect the security of corporate data as well as personal data privacy.

In additional to the privacy and information security policy, our employees are bound by the terms of their employment contracts and the employee code of conduct to ensure that confidential information is properly protected and such information is kept in strict confidence, and that any information that has come in their possession as a result of their employment with us will not be disclosed to any person without the prior approval. Any unauthorized copying, dissemination or disclosure of confidential information, including identities and transaction records of customers, is strictly prohibited. We restricts the use of personal information collected by the Company for specific purposes, obtaining consent from online users and customers before we collect personal information, and use them only for their intended purpose, and destroy these data when they are no longer required.

The Company is committed to complying with relevant laws and regulations including the Cybersecurity Law of the People's Republic of China (中華人民共和國網絡安全法), the Company Law of the People's Republic of China (中華人民共和國公司法), the Contract Law of the People's Republic of China (中華人民共和國合同法), Consumer Rights Protection Law of the People's Republic of China (中華人民共和國消費者權益保護法), E-Commerce Law of the People's Republic of China (中華人民共和國電子商務法) relating to customer data protection and privacy.

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.

The Employee 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. The human resources department together with the relevant functional departments are responsible for investigation and those responsible will be disciplined where proven violation has occurred. Any incompliance with laws will be reported to law enforcement authorities for handling.

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

Externally, the Company operates online portals for different categories of products and services and has standard procedures for handling complaints. Each portal takes immediate action on receipt of any complaint, resolving such or following up until resolution. Complaints are filed weekly for future reference.

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

There was no significant legal case or incident regarding fraud or corruption found by or reported to the Company during the Reporting Period (2017: nil).

OUR 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.

DIRECTORS' REPORT

The Board is pleased to present the annual report and the audited consolidated financial statements of the Group for the year ended 31 December 2018.

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 16 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 2018 are set out in the consolidated income statement on page 67.

The Board has recommended the payment of a final cash dividend of RMB13.62 cents per ordinary share for the year ended 31 December 2018 (the "Proposed Final Dividend") (2017: RMB11.35 cents), subject to the shareholders' approval at the 2019 AGM to be held on Friday, 17 May 2019. The Proposed Final Dividend will be paid in cash on Thursday, 6 June 2019 to shareholders whose names appear on the register of members of the Company at the close of business on Tuesday, 28 May 2019.

CLOSURE OF REGISTER OF MEMBERS

For determining the entitlement to attend and vote at the 2019 AGM, the register of members of the Company will be closed from Tuesday, 14 May 2019 to Friday, 17 May 2019, 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 2019 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 Friday, 10 May 2019.

For determining the entitlement to the Proposed Final Dividend, the register of members of the Company will also be closed from Friday, 24 May 2019 to Tuesday, 28 May 2019, both days inclusive, during which period no transfer of shares of the Company will be registered. In order to be eligible to receive the Proposed Final Dividend, unregistered holders of shares of the Company should ensure that all share transfer documents accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited, at the above address, for registration not later than 4:30 p.m. on Thursday, 23 May 2019.

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 140 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.

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/exercised/lapsed. 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 Post-IPO Share Option Plan II is as follows:

1. Purpose	To advance the interests of the Company and its shareholders by enabling the Company to grant share options to attract, retain and reward the eligible persons, to provide to the eligible persons a performance incentive for continued and improved services with the Company and its subsidiaries, and to enhance such persons' contribution to increase the profits by encouraging capital accumulation and share ownership.
2. Participants	Any directors (whether executive or non-executive and whether independent or not), any employee (whether full-time or part-time), any consultant or adviser of or to the Company or the Group (whether on an employment, contractual or honorary basis and whether paid or unpaid), who, in the absolute opinion of the Board, have contributed to the Company or the Group.
3. Total number of ordinary shares available for issue	113,320,566 shares, being approximately 10% of the issued share capital as at the date of this annual report.

4. Maximum entitlement of each participant	Where any grant or further grant of options to a participant would result in the total number of shares issued and to be issued upon exercise of all the options already granted and to be granted to such person (including exercised, cancelled and outstanding options) in the 12-month period up to and including the date of such grant or further grant representing in aggregate over 1% of the total number of shares in issue, such grant or further grant must be separately approved by the shareholders in a general meeting. Where any grant or further grant of options to a substantial shareholder or an independent non-executive director of the Company, or any of their respective associates, would result in the total number of shares issued and to be issued upon exercise of all options already granted and to be granted (including exercised, cancelled and outstanding options) to such person in the 12-month period up to and including the date of such grant: (a) representing in aggregate over 0.1% of the relevant class of shares in issue; and (b) having an aggregate value, based on the closing price of the shares at the date of each grant, in excess of HKD5,000,000, such grant or further grant of options must be approved by the shareholders in a general meeting.
5. Period within which the securities must be taken up under an option	An option may be exercised at any time during a period to be determined and notified by the Board to each grantee, but shall not be more than 10 years from the date of grant of options subject to the provisions for early termination set out in the Post-IPO Share Option Plan II.
6. Minimum period for which an option must be held before it can be exercised	There is no minimum period for which an option granted must be held before it can be exercised except otherwise imposed by the directors.
7. Acceptance of offer	Options granted must be taken up within 28 days from the date of offer, upon payment of HKD1 per grant.

8.	Basis of determining the exercise price	Determined by the Board but shall not be less than the highest of (i) the closing price of the ordinary shares as stated in the Stock Exchange's daily quotations sheet on the date of offer of the grant of options, which must be a trading day; (ii) the average closing price of the ordinary shares as stated in the Stock Exchange's daily quotations sheets for the five trading days immediately preceding the date of offer of the grant of options; and (iii) the nominal value of an ordinary share of the Company.
9.	Remaining life of the scheme	It will remain in force for a period of 10 years, commencing on 19 May 2017.

As at 31 December 2018, the Company has no outstanding share options under the Post-IPO Share Option Plan II. No share options have been granted/exercised/cancelled/lapsed under the Post-IPO Share Option Plan II during the year ended 31 December 2018.

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 2018.

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 2018, the Company had distributable reserves amounting to RMB1,018.5 million (2017: RMB1,019.0 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 26.4% of the total sales for the year and sales to the largest customer included therein amounted to 7.0%. Purchases from the Group's five largest suppliers accounted for 19.1% of the total purchases for the year and purchase from the largest supplier included therein amounted to 9.5%.

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 2018, the Group had 1,331 employees (2017: 1,369). 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 (resigned on 28 December 2018)

Independent Non-executive Directors:
Mr. Tsui Yiu Wa, Alec
Mr. Thaddeus Thomas Beczak
Mr. Chan Chi Mong, Hopkins (resigned on 8 October 2018)
Mr. Lam Wai Hon, Ambrose (appointed on 8 October 2018)

In accordance with Article 86(3) of the Company's Articles of Association, Mr. Lam Wai Hon, Ambrose shall hold office until the 2019 AGM and, being eligible, will offer himself for re-election at the 2019 AGM. In accordance with Article 87 of the Company's Articles of Association, Mr. Wang Ta-Hsing and Mr. Tsui Yiu Wa, Alec shall retire from office by rotation at the 2019 AGM and, be eligible, will offer themselves for re-election at the 2019 AGM.

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

DIRECTORS' SERVICE CONTRACTS

None of the directors being proposed for re-election at the 2019 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 2018, the interests of the directors of the Company in the shares and underlying shares of the Company (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) as recorded in the register required to be kept by the Company under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code were as follows:

Interests in shares of the Company

Name of director	Long/ Short position	Capacity	Number of ordinary shares in the Company	Percentage of the Company's issued share capital†
Dr. Lam Wai Yan	Long	Beneficial owner	311,125,561	27.43%
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%
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 2018.

Save as disclosed above, as at 31 December 2018, 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 2018, 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	311,125,561	(1)	27.43%
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 311,125,561 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 2018.

Save as disclosed above, as at 31 December 2018, 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 2018, 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 2018 is contained in note 28 to the consolidated financial statements.

During the year ended 31 December 2018, 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 2018, the total amount of fees paid by the Group under the Tenancy Agreement 2016 was RMB211,000 and the annual cap amount was RMB390,000.

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 2018, the total amount of fees paid by the Group under the Advertising Agreement 2016 was RMB451,000 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 2018, the total amount of fees paid by the Group under the Property Management Service Agreement 2016 was RMB137,000 and the annual cap was RMB900,000.

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

As a result of the Amended and Restated Structure Contracts, the Group can continue to recognize and receive the economic benefit of the business and operations of GZ Yingxin, GDP Internet and the subsidiaries of GDP Internet. The Amended and Restated 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/the Amended and Restated Structure Contracts are disclosed in the section headed "Structure Contracts" in the Prospectus and the Company's announcement dated 16 October 2018.

PClady Structure Contracts

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

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

PChouse Structure Contracts

The Company operates its online business through Guangzhou Yingyou Information Technology Co., Ltd. ("GZ Yingyou"), Guangzhou Shangcong Online Technology Co., Ltd. ("GZ Shangcong Online") and Guangzhou Shangcong Advertising Co., Ltd. ("GZ Shangcong Advertising") ("the "PChouse Structure Contracts"). GZ Yingyou, a company incorporated in the PRC with limited liability that holds 100% of the equity interest of GZ Shangcong Online, was owned as to 60% by Ms. Zhang and 40% by Ms. Yang (collectively known as "GZ Yingyou Shareholders") as at 31 December 2018.

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

During the year ended 31 December 2018, the revenue subject to the Existing Structure Contracts/the Amended and Restated Structure Contracts, PClady Structure Contracts/the Amended and Restated PClady Structure Contracts and PChouse Structure Contracts (collectively the "Contracts") was RMB1,020 million. As at 31 December 2018, the total assets subject to the Contracts was RMB669 million.

Risk factors in relation to the Contracts

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

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

- The Company relies on the Contracts to control and obtain the economic benefits from GDP Internet, GZS Internet and GZ Shangcong Online, the operating entities in the PRC, which may not be as effective in providing operational control as direct ownership.

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

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

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

The independent non-executive directors of the Company have reviewed the continuing connected transactions for the year ended 31 December 2018 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 the Announcements; and no dividends have been made by GZ Yingxin to GZ Yingxin Shareholders/New GZ Yingxin Shareholders, by GZ Yingyou to GZ Yingyou Shareholders and by GZ Yingyue to GZ Yingyue Shareholders/GZ Yingyue Shareholders; and any new structural contractual arrangements entered into, renewed and/or "cloned" during the year ended 31 December 2018 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 2019 AGM to re-appoint Messrs. PricewaterhouseCoopers as auditor of the Company.

On behalf of the Board
Lam Wai Yan
Chairman

25 March 2019

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 67 to 139, which comprise:

- the consolidated balance sheet as at 31 December 2018;
- 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 2018, 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.

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

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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 2018, the net book value of trade receivables amounted to RMB579,687,000 (after the provision of RMB78,763,000), which approximated to 41% 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, 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 and debtor'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 significant customers and debtors. These evaluations focused on the customers and debtors' payment history and current and future ability to pay, and took into account information specific to the customer and debtor as well as pertaining to the current and future general economic environment in which the customer and debtor operated. For receivables which were not subject to individual evaluations or individually assessed but not impaired, management collectively assessed the expected credit losses taking into account of the ageing analysis and the history of bad debt losses in respect of those groups of customers and debtors. The historical loss rates are adjusted to reflect current and forward-looking information affecting the ability of the customers and debtors to settle the receivables. All of these assessments involved significant judgements made by management.	In addition, we examined a sample of receivables of individually assessed customers and debtors 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. In respect of receivables which were not subject to individual evaluations or individually assessed but not impaired, we challenged the underlying information referenced by the management through validation of receivables ageing reports and comparison of historical bad debt losses incurred. We also evaluated whether the historical loss rates were appropriately adjusted based on current and forward-looking information. 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, 25 March 2019

CONSOLIDATED INCOME STATEMENT

	Note	Year ended 31 December 2018 RMB'000	2017 RMB'000
Revenue	5	**1,022,699**	963,599
Cost of revenue	6	**(441,576)**	(404,411)
Gross profit		**581,123**	559,188
Selling and marketing costs	6	**(268,282)**	(271,588)
Administrative expenses	6	**(76,531)**	(70,283)
Product development expenses	6	**(74,251)**	(75,217)
Net impairment losses on financial assets	3.1(b)	**(20,671)**	(25,320)
Other income	8	**11,774**	10,306
Operating profit		**153,162**	127,086
Finance income		**10,419**	4,605
Finance cost		**—**	(2,972)
Finance income — net	9	**10,419**	1,633
Share of net losses of an associate accounted for using the equity method	20	**(2,324)**	(796)
Profit before income tax		**161,257**	127,923
Income tax expense	10	**(27,944)**	(22,606)
Profit for the year		**133,313**	105,317
Attributable to:			
— Equity holders of the Company		**132,747**	105,317
— Non-controlling interests		**566**	—
		133,313	105,317
Earnings per share for profit attributable to equity holders of the Company for the year			
— Basic (RMB)	11	**11.81 cents**	9.29 cents
— Diluted (RMB)	11	**11.81 cents**	9.28 cents

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Year ended 31 December	
	2018	2017
	RMB'000	RMB'000
Profit for the year	**133,313**	105,317
Items that may be reclassified to profit or loss		
Changes in value of investment in equity fund	**—**	1,362
Items that will not be reclassified to profit or loss		
Changes in value of investment in equity fund	**9,088**	—
Other comprehensive income for the year, net of tax	**9,088**	1,362
Total comprehensive income for the year	**142,401**	106,679
Attributable to:		
— Equity holders of the Company	**141,835**	106,679
— Non-controlling interests	**566**	—
	142,401	106,679

CONSOLIDATED BALANCE SHEET

	Note	As at 31 December 2018 RMB'000	2017 RMB'000
ASSETS			
Non-current assets			
Lease prepayment		**15,696**	16,020
Property and equipment	13	**180,976**	236,079
Investment properties	14	**44,471**	—
Intangible assets	15	**8,893**	8,826
Deferred income tax assets	18	**53,022**	47,185
Investment in an associate	20	**1,387**	14,204
Investment in equity fund	21	**45,632**	36,544
		350,077	358,858
Current assets			
Trade and other receivables and prepayments	19	**601,891**	593,310
Short-term bank deposits with original terms of over three months	22	**50,750**	2,519
Cash and cash equivalents	22	**408,191**	442,561
		1,060,832	1,038,390
Total assets		**1,410,909**	1,397,248
EQUITY			
Equity attributable to equity holders of the Company			
Ordinary shares	23	**10,491**	10,491
Reserves	24	**984,176**	969,918
		994,667	980,409
Non-controlling interests		**2,066**	—
Total equity		**996,733**	980,409

CONSOLIDATED BALANCE SHEET

	Note	As at 31 December 2018 RMB'000	 2017 RMB'000
LIABILITIES			
Current liabilities			
Accruals and other payables	25	**303,208**	288,260
Contract liabilities	2.2.1	**49,941**	—
Prepaid advertising subscriptions from customers	2.2.1	**—**	61,106
Current income tax liabilities		**61,027**	67,473
Total liabilities		**414,176**	416,839
Total equity and liabilities		**1,410,909**	1,397,248

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

The financial statements on pages 67 to 139 were approved by the board of directors on 25 March 2019 and were signed on its behalf.

Lam Wai Yan Director	Wang Ta-Hsing Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

		Attributable to equity holders of the Company				
	Note	Ordinary shares RMB'000	Reserves RMB'000	Subtotal RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
Balance at 1 January 2017		10,477	1,001,534	1,012,011	—	1,012,011
Comprehensive income						
Profit for the year		—	105,317	105,317	—	105,317
Other comprehensive income		—	1,362	1,362	—	1,362
Total comprehensive income		—	106,679	106,679	—	106,679
Transactions with shareholders						
Cash dividends relating to 2016	12	—	(128,653)	(128,653)	—	(128,653)
Share Award Scheme						
— purchase of shares held for Share Award Scheme		—	(11,525)	(11,525)	—	(11,525)
Employees share option schemes						
— proceeds from shares issued		14	1,883	1,897	—	1,897
Balance at 31 December 2017		10,491	969,918	980,409	—	980,409
Comprehensive income						
Profit for the year		**—**	**132,747**	**132,747**	**566**	**133,313**
Other comprehensive income		**—**	**9,088**	**9,088**	**—**	**9,088**
Total comprehensive income		**—**	**141,835**	**141,835**	**566**	**142,401**
Transactions with shareholders						
Cash dividends relating to 2017	12	**—**	**(127,577)**	**(127,577)**	**—**	**(127,577)**
Capital injection from non-controlling shareholders		**—**	**—**	**—**	**1,500**	**1,500**
Balance at 31 December 2018		**10,491**	**984,176**	**994,667**	**2,066**	**996,733**

CONSOLIDATED STATEMENT OF CASH FLOWS

	Note	2018 RMB'000	2017 RMB'000
		Year ended 31 December	
Cash flows from operating activities			
Cash generated from operations	26	**173,643**	193,943
Income tax paid		**(40,227)**	(36,462)
Net cash generated from operating activities		**133,416**	157,481
Cash flows from investing activities			
Placement of short-term bank deposits with original terms of over three months		**(53,200)**	(5,019)
Receipt from maturity of short-term bank deposits with original terms of over three months		**4,969**	6,177
Interest received		**7,728**	4,668
Purchase of property and equipment		**(5,881)**	(4,128)
Disposals of property and equipment		**602**	332
Purchase of intangible assets		**(123)**	(6)
Dividends received		**696**	—
Capital injection into an associate		**—**	(15,000)
Proceeds from business disposal		**—**	1,300
Redemption of held-to-maturity financial assets		**—**	28,000
Maturity of certificates of deposit		**—**	15,000
Repayment of loan from a key management personnel		**—**	2,693
Net cash (used in)/generated from investing activities		**(45,209)**	34,017
Cash flows from financing activities			
Cash dividends paid	12	**(127,577)**	(128,653)
Capital injection from non-controlling shareholders		**1,500**	—
Purchase of shares held for Share Award Scheme		**—**	(11,525)
Proceeds from issuance of ordinary shares		**—**	1,897
Net cash used in financing activities		**(126,077)**	(138,281)
Net (decrease)/increase in cash and cash equivalents		**(37,870)**	53,217
Cash and cash equivalents at beginning of year		**442,561**	392,316
Exchange gains/(losses) on cash and cash equivalents		**3,500**	(2,972)
Cash and cash equivalents at end of year	22	**408,191**	442,561

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 25 March 2019.

(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 financing their initial working capital in establishing GZ Yingxin. Through the execution of various contracts and agreements (collectively defined as "Structure Contracts", see below for more details) among the Takehigh Group, GZ Yingxin and the 3 Registered Owners, the Takehigh Group controls GZ Yingxin. GZ Yingxin has been accounted for as a subsidiary of the Takehigh Group.

1. GENERAL INFORMATION (CONTINUED)

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

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

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

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

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

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

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

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

1. GENERAL INFORMATION (CONTINUED)

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

2.1 Basis of preparation

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

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

(ii) Historical cost convention

The consolidated financial statements have been prepared under the historical cost convention, except for investment in equity fund, which is 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 2018:

- HKFRS 9 "Financial instruments"
- HKFRS 15 "Revenue from contracts with customers"
- Amendments to HKFRS 2 "Classification and measurement of share-based payment transactions"
- Annual improvements 2014–2016 cycle

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation (continued)

(iii) New and amended standards adopted by the Group (continued)

- Amendments to HKAS 40 "Transfers to investment property"
- Interpretation 22 "Foreign currency transactions and advance consideration"

The Group had to change its accounting policies and make certain adjustments following the adoption of HKFRS 9 and HKFRS 15. Most of the other amendments listed above did not have any impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future periods.

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

The following new standards, amendments to standards and interpretations have been published that are not mandatory for 31 December 2018 reporting periods and have not been early adopted by the Group:

		Effective for annual periods beginning on or after
HKFRS 16	Leases	1 January 2019
HK (IFRIC) 23	Uncertainty over income tax treatments	1 January 2019
Amendments to HKFRS 9	Prepayment features with negative compensation	1 January 2019
Amendments to HKAS 28	Long-term interests in associates and joint ventures	1 January 2019
Amendments to HKAS 19	Plan amendment, curtailment or settlement	1 January 2019
Annual Improvements to HKFRS Standards 2015–2017 Cycle	Improvements to HKFRS 3, HKFRS 11, HKAS 12 and HKAS 23	1 January 2019
HKFRS 17	Insurance contracts	1 January 2021
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, 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 for HKFRS 16 as disclosed below:

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 by lessees, 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 2.26, 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 balance sheet. 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.

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 2018 amounted to RMB1,514,000 (Note 27), most of which are short-term leases, and will be exempted from reporting obligation under HKFRS 16.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation (continued)

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

HKFRS 16 Leases (continued)

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 Changes in accounting policies

This note explains the impact of the adoption of HKFRS 9 "Financial Instruments" and HKFRS 15 "Revenue from Contracts with Customers" on the Group's consolidated financial statements.

2.2.1 Impact on the financial statements

As explained in Note 2.2.2 and 2.2.3 below, HKFRS 9 and HKFRS 15 were generally adopted without restating comparative information. Certain reclassifications and adjustments are not restated to the balance sheet as at 31 December 2017, but are recognised in the opening balance sheet on 1 January 2018.

The following tables show the adjustments recognised for each individual line item. Line items that were not affected by the changes have not been included. The adjustments are explained in more detail below.

Consolidated balance sheet (extract)	31 December 2017 As originally presented	Impact		1 January 2018 Restated
		HKFRS 9	HKFRS 15	
	RMB'000	RMB'000	RMB'000	RMB'000
Investment in equity fund (Financial assets at fair value through other comprehensive income ("FVOCI"))	—	36,544	—	36,544
Investment in equity fund (Available-for-sale financial assets)	36,544	(36,544)	—	—
Contract liabilities	—	—	61,106	61,106
Prepaid advertising subscriptions from customers	61,106	—	(61,106)	—

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Changes in accounting policies (continued)

2.2.2 HKFRS 9 Financial Instruments

HKFRS 9 replaces the provisions of HKAS 39 that relate to the recognition, classification and measurement of financial assets and financial liabilities, derecognition of financial instruments, impairment of financial assets and hedge accounting.

The adoption of HKFRS 9 Financial Instruments from 1 January 2018 resulted in changes in accounting policies and adjustments to the amounts recognised in the financial statements. The new accounting policies are set out in Note 2.12. In accordance with the transitional provisions in HKFRS 9, comparative figures have not been restated by the Group.

(a) Classification and measurement

On 1 January 2018, the Group's management has assessed which business models apply to the financial assets held by the Group and has classified its financial instruments into the appropriate HKFRS 9 categories. Except for reclassification as disclosed below, management has found no other impact on classification and measurement of financial instruments from the adoption of HKFRS 9.

The Group classified the investment in equity fund (Note 21) as available-for-sale financial asset under previous standard HKAS 39. With the adoption of HKFRS 9, this equity investment was classified as financial asset measured at fair value and the Group elected to present any changes in the fair value in other comprehensive income because the investment is held as a long-term strategic investment that are not expected to be sold in the short to medium term. No other change was expected for the measurement for the investment in equity fund except that gains or losses realised on the sale of the financial assets at FVOCI will no longer be transferred to profit or loss, but instead, will be reclassified from other reserve to retained earnings.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Changes in accounting policies (continued)

2.2.2 HKFRS 9 Financial Instruments (continued)

(b) Impairment of financial assets

The Group's trade and other receivables are subject to impairment under the new expected credit losses model. While cash and cash equivalents and deposits are also subject to the impairment requirements under HKFRS 9, the identified impairment loss was immaterial.

The Group is required to revise its impairment methodology under HKFRS 9 for trade and other receivables. The Group applies the HKFRS 9 simplified approach to measuring expected credit losses which uses an expected lifetime loss allowance for trade receivables. Impairment on other receivables is measured as either 12-month expected credit losses or lifetime expected credit losses, depending on whether there has been a significant increase in credit risk since initial recognition.

The Group has assessed the impact of expected credit losses on financial assets and concluded that the impact is insignificant as at 1 January 2018 and during current reporting period. Note 3.1(b) (ii) provides for details about the Group's expected credit loss model.

(c) Adjustments made to line items in the statement of comprehensive income for the 2017 reporting period related to reclassification of impairment losses on financial assets required as a result of adoption of HKFRS 9 and consequential changes made to HKAS 1 "Presentation of Financial Statements".

2.2.3 HKFRS 15 Revenue from Contracts with Customers

The Group has adopted HKFRS 15 Revenue from Contracts with Customers which resulted in changes in accounting policies and adjustments to the amounts recognised in financial statements. The new accounting policies are set our in Note 2.21. By using the modified retrospective approach in accordance with the transition provisions in HKFRS 15, the comparatives have not been restated by the Group.

The Group has assessed its performance obligations under its arrangements pursuant to HKFRS 15 and has concluded that there are no significant differences between the performance obligations required to be units of account under HKFRS 15 and the deliverables considered to be units of account under HKAS 18 and the consideration is allocated to its performance obligations based on the relative fair value of each deliverables both under HKFRS 15 and HKAS 18.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Changes in accounting policies (continued)

2.2.3 HKFRS 15 Revenue from Contracts with Customers (continued)

The Group has concluded that there is no significant impact of HKFRS 15 on the Group's financial statements as at 1 January 2018 and for the year ended 31 December 2018, except for the reclassification from the prepaid advertising subscriptions from customers to the contract liabilities presented in Note 2.2.1.

2.3 Principles of consolidation and equity accounting

2.3.1 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 16(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.

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.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.3 Principles of consolidation and equity accounting (continued)

2.3.2 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 2.3.3), after initially being recognised at cost.

2.3.3 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 2.11.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.3 Principles of consolidation and equity accounting (continued)

2.3.4 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.

2.3.5 Business combinations

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.3 Principles of consolidation and equity accounting (continued)

2.3.5 Business combinations (continued)

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)

2.4 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.

2.5 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.

2.6 Foreign currency translation

(a) Functional and presentation currency

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

(b) Transactions and balances

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.6 Foreign currency translation (continued)

(b) Transactions and balances (continued)

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

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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.7 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.

2.8 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.

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 2.11).

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.8 Property and equipment (continued)

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.

2.9 Investment properties

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

2.10 Intangible assets

(a) Computer software and technology

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

(b) Club membership

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

(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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.10 Intangible assets (continued)

(d) Goodwill

Goodwill is measured as described in Note 2.3.5. 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, being the operating segments.

2.11 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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.12 Investments and other financial assets

(a) Classification

From 1 January 2018, the Group classifies its financial assets in the following measurement categories:

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

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

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

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

(b) Recognition and derecognition

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

(c) Measurement

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.12 Investments and other financial assets (continued)

(c) Measurement (continued)

Debt instruments

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

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

Equity instruments

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

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

(d) Impairment

From 1 January 2018, the Group assesses on a forward looking basis the expected credit losses associated with its debt instruments carried at amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.12 Investments and other financial assets (continued)

(e) Accounting policies applied until 31 December 2017

The Group has applied HKFRS 9 retrospectively, but has elected not to restate comparative information. As a result, the comparative information provided continues to be accounted for in accordance with the Group's previous accounting policy.

(i) 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', 'short-term bank deposits with original terms of over three months' and 'cash and cash equivalents' in the balance sheet.

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 FVPL, 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 of the end of the reporting period. The Group's available for sale financial assets comprise 'investment in equity fund' 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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.12 Investments and other financial assets (continued)

(e) Accounting policies applied until 31 December 2017 (continued)

(i) Classification (continued)

- 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.

(ii) 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.

(iii) 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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.12 Investments and other financial assets (continued)

(e) Accounting policies applied until 31 December 2017 (continued)

(iii) Measurement (continued)

- 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.

2.13 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.

2.14 Trade and other receivables

Trade receivables are amounts due from customers for services performed in the ordinary course of business. They are generally due for settlement within one year and therefore are all classified as current assets.

Trade receivables are recognised initially at the amount of consideration that is unconditional unless they contain significant financing components, when they are recognised at fair value. The Group holds the trade receivables with the objective to collect the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest method. See Note 2.12 for further information about the Group's accounting for trade receivables and for a description of the Group's impairment policies.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

2.17 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 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.18 Current and deferred income tax (continued)

(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.

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.

2.19 Employee benefits

(a) Pension obligations

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.19 Employee benefits (continued)

(a) Pension obligations (continued)

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

Contributions to these defined contributions plans are expensed as incurred.

(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.

2.20 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.20 Share-based payment (continued)

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.

2.21 Revenue recognition

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

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

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

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.22 Earnings per share

(a) Basic earnings per share

Basic earnings per share is calculated by dividing:

- the profit attributable to owners of the Company, excluding any costs of servicing equity other than ordinary shares

by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year and excluding treasury shares.

(b) Diluted earnings per share

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

- the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares, and

- the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

2.23 Dividend income

Dividends are received from financial assets measured at FVPL and at FVOCI (2017: from financial assets at FVPL and available-for-sale financial assets). Dividends are recognised as other income in profit or loss when the right to receive payment is established. This applies even if they are paid out of pre-acquisition profits, unless the dividend clearly represents a recovery of part of the cost of an investment. In this case, the dividend is recognised in other comprehensive income if it relates to an investment measured at FVOCI. However, the investment may need to be tested for impairment as a consequence.

2.24 Interest income

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.25 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.

2.26 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.

Lease income from operating leases where the Group is a lessor is recognised in income on a straight-line basis over the lease term (Note 14). The respective leased assets are included in the balance sheet based on their nature.

2.27 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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.28 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

3.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk, credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

(a) Market risk

(i) Foreign exchange risk

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

There is no other written policy to manage the foreign exchange risk in relation to HKD and USD as management considers that such risk could not be effectively reduced in a low-cost way. Accordingly, the Group did not purchase any forward contract to hedge the foreign exchange risk during the year ended 31 December 2018.

At 31 December 2018, the exchange rate of RMB to HKD and USD were 0.8762 and 6.8632 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 RMB466,000 (2017: RMB175,000) 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 RMB228,000 (2017: RMB183,000) lower/higher due to the foreign exchange impact in USD denominated investment in equity fund classified as financial assets at FVOCI as at 31 December 2018.

3. FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (continued)

(a) Market risk (continued)

(ii) Price risk

The Group is exposed to price risk because of investments held by the Group and classified 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.

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 2018, the other comprehensive income would have been approximately RMB2,282,000 (2017: RMB1,827,000) 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. 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 2018, 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 RMB2,056,000 (2017:RMB1,669,000) higher/lower, mainly as a result of higher/lower interest income on bank deposits.

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

3. FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (continued)

(b) Credit risk

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

(i) Risk management

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

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

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

(ii) Impairment of financial assets

The Group applies the HKFRS 9 simplified approach to measuring the expected credit losses which uses a lifetime expected loss allowance for all trade receivables. Impairment on other receivables is measured as either 12-month expected credit losses or lifetime expected credit losses, depending on whether there has been a significant increase in credit risk since initial recognition. Management assessed that the expected credit losses of other receivables is immaterial.

To measure the expected credit losses of trade receivable, individual credit evaluation on significant customers and debtors is performed by management. These evaluation focused on the customer and debtor's payment history and current and future ability for payment taking into account the information specific to the customer and debtor as well as pertaining to the current and future general economic environment in which the customer and debtor operated.

3. FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (continued)

(b) Credit risk (continued)

(ii) Impairment of financial assets (continued)

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

The closing loss allowances for trade receivables as at 31 December 2018 reconcile to the opening loss allowances as follows:

	2018 **RMB'000**	2017 RMB'000
At beginning of the year	**69,602**	51,183
Impair charge of receivables	**20,671**	25,320
Receivables write off	**(11,510)**	(6,901)
At end of the year	**78,763**	69,602

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

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

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

(c) 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 2018. Management considers that the Group does not have significant liquidity risk.

3. FINANCIAL RISK MANAGEMENT (CONTINUED)

3.2 Capital risk management

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

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

3.3 Fair value estimation

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

	Level 1 RMB'000	**Level 2 RMB'000**	**Level 3 RMB'000**	**Total RMB'000**
Financial assets				
Investment in equity fund (Financial assets at FVOCI)				
31 December 2018	**—**	**—**	**45,632**	**45,632**

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Financial assets				
Investment in equity fund (Available-for-sale financial assets)				
31 December 2017	—	—	36,544	36,544

Level 1: The fair value of financial instruments traded in active markets (such as publicly traded derivatives, and trading and financial assets at FVOCI) 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.

3. FINANCIAL RISK MANAGEMENT (CONTINUED)

3.3 Fair value estimation (continued)

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.

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 2018 are presented in Note 21.

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

For the year ended 31 December 2018, 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.

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

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) Impairment of receivables

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

Where the expectation is different from the original estimate, such difference will impact both the carrying value of trade and 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 chief operating decision-makers have been identified as the executive directors who make strategic decisions.

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

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

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

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

5. SEGMENT INFORMATION (CONTINUED)

There were no inter-segment sales for the year ended 31 December 2018 (2017: 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 2018					
Timing of revenue recognition					
Over time	**701,943**	**145,460**	**19,407**	**74,418**	**941,228**
At a point in time	**51,586**	**4,947**	**4,298**	**20,640**	**81,471**
Revenue	**753,529**	**150,407**	**23,705**	**95,058**	**1,022,699**
For the year ended 31 December 2017					
Timing of revenue recognition					
Over time	643,045	141,296	18,527	81,974	884,842
At a point in time	55,457	4,315	688	18,297	78,757
Revenue	698,502	145,611	19,215	100,271	963,599

Though the Company is domiciled in the Cayman Islands, for the year ended 31 December 2018, all revenues of the Group were derived from external customers and they were all generated from the PRC (2017: same).

As at 31 December 2018, 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 (2017: same).

For the year ended 31 December 2018, there was no revenue derived from a single external customer accounting for ten percent or more of the Group's revenues (2017: same).

6. EXPENSES BY NATURE

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

	2018 RMB'000	2017 RMB'000
Employee benefit expenses (Note 7)	**275,990**	284,359
Service commission to advertising agencies	**167,586**	139,114
Advertising expenses	**146,454**	144,587
Outsourcing production cost	**120,711**	112,404
Other taxes and surcharge	**38,588**	38,617
Technology service fees	**26,234**	21,757
Travelling and entertainment expenses	**24,181**	25,498
Bandwidth and server custody fees	**18,687**	18,614
Depreciation and amortisation expenses		
— Depreciation of property and equipment (Note 13)	**14,719**	16,102
— Amortisation of intangible assets (Note 15)	**56**	472
— Amortisation of lease prepayment	**324**	324
Impairment charge of investment in an associate (Note 20)	**8,390**	—
Rental expenses	**3,895**	6,623
Auditors' remuneration		
— Audit services	**3,596**	3,625
— Non-audit services	**140**	459
Professional fees	**1,627**	845
Other expenses	**9,462**	8,099
Total cost of revenue, selling and marketing costs, administrative expenses and product development expenses	**860,640**	821,499

Product development expenses are mainly included in employee benefit expenses and depreciation and amortisation expenses. No product development expenses were capitalised for the year ended 31 December 2018 (2017: same).

7. EMPLOYEE BENEFIT EXPENSES

	2018 RMB'000	2017 RMB'000
Wages, salaries and bonuses and other benefits	226,806	235,815
Social security contributions	14,204	14,246
Contributions to pension schemes (a)	22,454	21,977
Contributions to housing fund	12,526	12,321
	275,990	284,359

(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 2018 (2017: 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 (2017: two) directors whose emolument is reflected in the analysis presented below. The emoluments payable to the remaining three (2017: three) individuals during the year are as follows:

	2018	2017
	RMB'000	RMB'000
Basic salaries, housing allowances, other allowances and benefits in kind	**3,210**	5,085
Compensation for loss of office:		
— contractual payments	**1,446**	2,752
Contributions to pension schemes	**197**	89
	4,853	7,926

The emoluments of the remaining three (2017: three) individuals fell within the following bands:

	Number of individuals	
	2018	2017
Emolument bands		
HKD1,500,001 to HKD2,000,000	**2**	—
HKD2,000,001 to HKD2,500,000	**1**	1
HKD2,500,001 to HKD3,500,000	**—**	2
	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 2018 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	—	613	1,380	1,808	—	3,801
Executive directors						
Mr. Wang Ta-Hsing ("Mr. Wang")	—	368	—	—	16	384
Mr. Ho Kam Wah	—	4	—	—	—	4
Ms. Zhang Cong Min (i)	—	1,744	1,449	390	67	3,650
Independent non-executive directors						
Mr. Tsui Yiu Wa, Alec	368	—	—	—	—	368
Mr. Thaddeus Thomas Beczak	368	—	—	—	—	368
Mr. Chan Chi Mong, Hopkins (ii)	368	—	—	—	—	368
Mr. Lam Wai Hon, Ambrose (iii)	92	—	—	—	—	92
Total	1,196	2,729	2,829	2,198	83	9,035

(i) Ms. Zhang Cong Min has resigned as an executive director of the Company but remained as the chief operating officer of the Company.

(ii) Mr. Chan Chi Mong, Hopkins has resigned as an independent non-executive director and ceased to be a member of both the Audit Committee and Remuneration Committee of the Company with effect from 8 October 2018.

(iii) Mr. Lam Wai Hon, Ambrose has been appointed as an independent non-executive director of the Company and a member of both the Audit Committee and Remuneration Committee of the Company with effect from 8 October 2018.

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 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 CEO						
Dr. Lam Wai Yan	—	608	1,370	1,795	—	3,773
Executive directors						
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

During the year ended 31 December 2018, none (2017: same) of the directors waived or agreed to waive any emoluments and no emoluments were paid by the Group to any of the directors or the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office (2017: 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 (2017: same). No consideration was provided to or receivable by third parties for making available directors' services (2017: same). There are no loans, quasi-loans or other dealings in favour of the directors, their controlled bodies corporate and connected entities (2017: same).

No director of the Company and their connected entities had a material interest, directly or indirectly, in any significant transactions, arrangements and contracts in relation to the Company's business to which the Company was or is a party that subsisted at the end of the year or at any time during the year (2017: same).

8. OTHER INCOME

	2018 RMB'000	2017 RMB'000
Government grants (i)	9,219	9,563
Rental income — net	1,859	—
Dividend income on investment in equity fund	696	322
Investment income on held-to-maturity financial assets	—	421
	11,774	10,306

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

9. FINANCE INCOME — NET

	2018 RMB'000	2017 RMB'000
Finance income		
— Interest income	6,919	4,605
— Net foreign exchange gains	3,500	—
	10,419	4,605
Finance cost		
— Net foreign exchange losses	—	(2,972)
Finance income — net	10,419	1,633

10. INCOME TAX EXPENSE

	2018 RMB'000	2017 RMB'000
PRC current tax	33,781	37,804
Deferred taxation	(5,837)	(15,198)
	27,944	22,606

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 2018 (2017: 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, successfully renewed the certificate of HNTE in 2017. Therefore, the applicable income tax rate is 15% for the three years from 2017 to 2019. 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.

According to CIT Law, a withholding income tax of 10% will be levied on the immediate holding companies outside the PRC when their PRC subsidiaries declare dividends out of profits earned after 1 January 2008. A lower 5% withholding income tax rate may be applied when the immediate holding companies of the PRC subsidiaries are established in Hong Kong and fulfil requirements under the tax treaty agreements between the relevant authorities of the PRC and Hong Kong.

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:

	2018	2017
	RMB'000	RMB'000
Profit before income tax expense	**161,257**	127,923
Tax calculated at the statutory tax rate of 25% (2017: 25%)	**40,314**	31,981
Tax effects of		
— Tax concessions available to certain PRC subsidiaries (a)	**(19,439)**	(17,440)
— Income not subject to tax	**(2,167)**	(489)
— Expenses not deductible for tax purposes (b)	**5,228**	4,958
— Unrecognised tax losses	**4,670**	2,415
— Additional deduction on product development expenses	**(7,962)**	(5,169)
Withholding tax on the earnings to be remitted by PRC subsidiaries	**7,300**	6,350
Income tax expense	**27,944**	22,606

(a) The preferential tax treatments relating to HNTE were enjoyed by GZP Computer, GDP Internet and GZ Fengwang for the year ended 31 December 2018 (2017: same).

(b) Expenses not deductible for tax purposes mainly included 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(a))).

	2018	2017
Profit attributable to equity holders of the Company (RMB'000)	**132,747**	105,317
Weighted average number of ordinary shares for basic earnings per share (thousand shares)	**1,124,022**	1,134,072
Basic earnings per share (RMB)	**11.81 cents**	9.29 cents

11. EARNINGS PER SHARE (CONTINUED)

(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.

	2018	2017
Profit attributable to equity holders of the Company (RMB'000)	132,747	105,317
Weighted average number of ordinary shares for diluted earnings per share (thousand shares)	1,124,022	1,134,325
— Weighted average number of ordinary shares for basic earnings per share (thousand shares)	1,124,022	1,134,072
— Adjustment for share options and awarded shares (thousand shares)	—	253
Diluted earnings per share (RMB)	11.81 cents	9.28 cents

12. DIVIDENDS

A final dividend in respect of the year ended 31 December 2017 of RMB11.35 cents per ordinary share (final dividend for 2016: RMB11.35 cents per ordinary share) was approved by the shareholders at the annual general meeting in May 2018. Such final dividend for 2017 totalling RMB127,577,000 (final dividend for 2016: RMB128,653,000) was paid in 2018, which has already excluded the dividend related to the ordinary shares held for the Share Award Scheme of RMB1,138,000 (2017: RMB4,000) (Note 24(a)).

The directors recommended the payment of a final dividend of RMB13.62 cents per ordinary share in cash for the year ended 31 December 2018, totalling RMB154,458,000 based on the ordinary shares in issue as of 31 December 2018. Such final dividend is to be approved by the shareholders at the annual general meeting of the Company to be held in May 2019. These consolidated financial statements do not reflect this dividend payable.

13. PROPERTY AND EQUIPMENT

	Buildings RMB'000	Building improvements 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 2017							
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
Year ended 31 December 2018							
Opening net book amount	**193,384**	**23,210**	**4,210**	**11,081**	**1,410**	**2,784**	**236,079**
Additions	**—**	**260**	**—**	**2,572**	**1,819**	**1,230**	**5,881**
Disposals	**—**	**—**	**—**	**(194)**	**(100)**	**(311)**	**(605)**
Transfers	**(45,660)**	**—**	**—**	**—**	**—**	**—**	**(45,660)**
Depreciation (Note 6)	**(3,850)**	**(5,030)**	**(804)**	**(3,213)**	**(810)**	**(1,012)**	**(14,719)**
Closing net book amount	**143,874**	**18,440**	**3,406**	**10,246**	**2,319**	**2,691**	**180,976**
At 31 December 2018							
Cost	**170,353**	**49,892**	**8,481**	**38,454**	**6,208**	**11,978**	**285,366**
Accumulated depreciation	**(26,479)**	**(31,452)**	**(5,075)**	**(28,208)**	**(3,889)**	**(9,287)**	**(104,390)**
Net book amount	**143,874**	**18,440**	**3,406**	**10,246**	**2,319**	**2,691**	**180,976**

13. PROPERTY AND EQUIPMENT (CONTINUED)

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

	2018 RMB'000	2017 RMB'000
Cost of revenue	**5,953**	6,019
Selling and marketing costs	**3,855**	4,873
Administrative expenses	**4,137**	4,290
Product development expenses	**774**	920
	14,719	16,102

14. INVESTMENT PROPERTIES

	Buildings RMB'000
At 1 January 2018	
Cost	**—**
Accumulated depreciation	**—**
Net book amount	**—**
Year ended 31 December 2018	
Opening net book amount	**—**
Transfer from owner-occupied properties	**45,660**
Depreciation	**(1,189)**
Closing net book amount	**44,471**
At 31 December 2018	
Cost	**52,654**
Accumulated depreciation	**(8,183)**
Net book amount	**44,471**

Amounts recognised in profit or loss for investment properties are as follows:

	2018 RMB'000	2017 RMB'000
Rental income — gross	**3,048**	—
Direct operating expenses from properties that generated rental income	**(1,189)**	—
Rental income — net (Note 8)	**1,859**	—

15. 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 2017					
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
Year ended 31 December 2018					
Opening net book amount	**33**	**8,793**	**—**	**—**	**8,826**
Additions	**123**	**—**	**—**	**—**	**123**
Amortisation charge (Note 6)	**(56)**	**—**	**—**	**—**	**(56)**
Closing net book amount	**100**	**8,793**	**—**	**—**	**8,893**
At 31 December 2018					
Cost	**14,855**	**8,793**	**2,300**	**4,622**	**30,570**
Accumulated amortisation and impairment	**(14,755)**	**—**	**(2,300)**	**(4,622)**	**(21,677)**
Net book amount	**100**	**8,793**	**—**	**—**	**8,893**

15. INTANGIBLE ASSETS (CONTINUED)

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

	2018 RMB'000	2017 RMB'000
Administrative expenses	54	56
Cost of revenue	2	162
Product development expenses	—	140
Selling and marketing costs	—	114
	56	472

16. SUBSIDIARIES

The Group's principal subsidiaries at 31 December 2018 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 ("Smooth Choice")	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%
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%

16. 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
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. (廣州英悦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%
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	Information technology and software development and provision of computer information consultancy services in the PRC	RMB2,000,000	100%
Guangzhou Yingyou Information Technology Co., Ltd. (廣州英佑信息科技有限公司) (a)	The PRC, limited liability company	Information technology and software development and provision of computer information consultancy services in the PRC	RMB2,000,000	100%
Guangzhou Shangcong Online Technology Co., Ltd. (廣州尚聰網絡技術有限公司) (a)	The PRC, limited liability company	Provision of online advertising services in the PRC	RMB2,000,000	100%
Guangzhou Shangcong Advertising Co., Ltd. (廣州市上聰廣告有限公司) (a)	The PRC, limited liability company	Provision of advertising services in the PRC	RMB500,000	100%
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%

16. 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 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	RMB5,000,000	70%

* Shares held directly by the Company

(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(a), the Company has set up a structured entity, and its particulars are as follows:

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

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

(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 was RMB317,285,000 as at 31 December 2018 (31 December 2017: RMB402,090,000).

17. FINANCIAL INSTRUMENTS BY CATEGORY

(a) The Group holds the following financial instruments:

31 December 2018	Financial assets at amortised cost RMB'000	Financial assets at FVOCI RMB'000	Total RMB'000
Current assets			
Trade and other receivables excluding prepayments (Note 19)	598,320	—	598,320
Short-term bank deposits with original terms of over three months (Note 22)	50,750	—	50,750
Cash and cash equivalents (Note 22)	408,191	—	408,191
Non-current assets			
Investment in equity fund (Note 21)	—	45,632	45,632
Total	1,057,261	45,632	1,102,893

31 December 2017	Financial assets at amortised cost RMB'000	Available-for-sale financial assets RMB'000	Total RMB'000
Current assets			
Trade and other receivables excluding prepayments (Note 19)	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 21)	—	36,544	36,544
Total	1,024,610	36,544	1,061,154

17. FINANCIAL INSTRUMENTS BY CATEGORY (CONTINUED)

	Financial liabilities at amortised cost	
	2018	2017
	RMB'000	RMB'000
Current liabilities		
Accruals and other payables excluding other tax payable and salaries payable (Note 25)	**248,428**	231,627

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

18. DEFERRED INCOME TAX

The analysis of deferred tax assets is as follows:

	At 31 December	
	2018	2017
	RMB'000	RMB'000
Deferred income tax assets:		
— to be recovered after more than 12 months	**47,285**	38,676
— to be recovered within 12 months	**5,737**	8,509
	53,022	47,185

18. 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 2017	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
Credited/(charged) to the consolidated income statement	2,420	291	561	2,565	5,837
At 31 December 2018	**18,493**	**6,920**	**18,844**	**8,765**	**53,022**

19. TRADE AND OTHER RECEIVABLES AND PREPAYMENTS

	At 31 December	
	2018	2017
	RMB'000	RMB'000
Trade receivables, net of impairment provision (a)	**579,687**	565,643
Other receivables (b)	**18,633**	13,887
Prepayments	**3,571**	13,780
	601,891	593,310

As of 31 December 2018, trade and other receivables were all denominated in RMB (2017: same).

19. TRADE AND OTHER RECEIVABLES AND PREPAYMENTS (CONTINUED)

(a) Trade receivables, net of impairment provision

Credit terms granted by the Group are generally within a period of three months to one year. The ageing analysis of the trade receivables (net of impairment provision of RMB78,763,000 (2017: RMB69,602,000)) is as follows:

	At 31 December	
	2018	2017
	RMB'000	RMB'000
Current to 6 months	**379,809**	360,048
6 months to 1 year	**131,813**	143,787
1 year to 2 years	**57,065**	61,808
Above 2 years	**11,000**	—
	579,687	565,643

As of 31 December 2018, trade receivables of RMB97,784,000 (2017: RMB36,856,000) were past due but not impaired. These related to a number of independent customers and debtors for whom there was no recent history of default and has good financial position. The ageing analysis of these trade receivables was as follows:

	At 31 December	
	2018	2017
	RMB'000	RMB'000
Current to 6 months	**7,816**	5,930
6 months to 1 year	**21,903**	21,704
1 year to 2 years	**57,065**	9,222
Above 2 years	**11,000**	—
	97,784	36,856

19. TRADE AND OTHER RECEIVABLES AND PREPAYMENTS (CONTINUED)

(b) Other receivables

	At 31 December	
	2018	2017
	RMB'000	RMB'000
Input value added tax deductible	**7,140**	5,743
Advance to employees	**3,837**	2,929
Rental receivable	**1,567**	—
Others	**6,089**	5,215
	18,633	13,887

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.

20. INVESTMENT IN AN ASSOCIATE

The movement of investment in an associate is as follows:

	At 31 December	
	2018	2017
	RMB'000	RMB'000
Carrying amount of investment in an associate	**1,387**	14,204

	2018	2017
	RMB'000	RMB'000
Share of losses — net	**2,324**	796

21. INVESTMENT IN EQUITY FUND

	2018	2017
	RMB'000	RMB'000
At beginning of the year	36,544	35,182
Changes in fair value	9,088	1,362
At end of the year	45,632	36,544

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 financial assets at FVOCI.

The Fund invested in shares of listed companies and private companies which mainly engaged in Internet business. 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.

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

	At 31 December	
	2018	2017
	RMB'000	RMB'000
Cash at bank and on hand	305,596	213,991
Short-term bank deposits	153,345	231,089
	458,941	445,080
Less:		
Short-term bank deposits with original terms of over three months	(50,750)	(2,519)
Cash and cash equivalents	408,191	442,561

As at 31 December 2018, except for the cash on hand, most of the cash and cash equivalents of the Group were placed in listed state-owned or listed commercial banks in mainland China or Hong Kong (2017: same). Management did not expect any losses from non-performance by these counterparties.

23. ORDINARY SHARES

	Authorised ordinary shares		
	Number of shares (in thousand)	HKD'000	RMB'000
At 31 December 2017 and 2018	100,000,000	1,000,000	969,200

	Issued and fully paid up		
	Number of shares (in thousand)	HKD'000	RMB'000
At 31 December 2017 and 2018	1,134,055	11,341	10,491

As at 31 December 2018, the total number of issued ordinary shares of the Company was 1,134,055,000 shares (2017: same) which included 10,033,000 shares (2017: same) held under the Share Award Scheme (Note 24(a)).

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(b) RMB'000	Investment in equity fund RMB'000	Retained earnings RMB'000	Total RMB'000
At 1 January 2017	394,752	4	306	2,566	776	43,250	3,985	555,895	1,001,534
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 (a)									
— purchase of shares	—	—	—	—	(11,525)	—	—	—	(11,525)
Change in value of investment in equity fund	—	—	—	—	—	—	1,362	—	1,362
Profit for the year	—	—	—	—	—	—	—	105,317	105,317
Cash dividends relating to 2016	—	—	—	—	—	—	—	(128,653)	(128,653)
At 31 December 2017	**399,201**	**4**	**306**	**—**	**(10,749)**	**43,250**	**5,347**	**532,559**	**969,918**
Share Award Scheme (a)									
— purchase of shares	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**
Change in value of investment in equity fund	**—**	**—**	**—**	**—**	**—**	**—**	**9,088**	**—**	**9,088**
Profit for the year	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**132,747**	**132,747**
Cash dividends relating to 2017	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**(127,577)**	**(127,577)**
Appropriation to statutory reserves funds	**—**	**—**	**—**	**—**	**—**	**168**	**—**	**(168)**	**—**
At 31 December 2018	**399,201**	**4**	**306**	**—**	**(10,749)**	**43,418**	**14,435**	**537,561**	**984,176**

24. RESERVES (CONTINUED)

(a) Share Award Scheme

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

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 until these shares transferred to them at the end of the vesting period.

The number of shares held for the Share Award Scheme as at 31 December 2017 and 2018 were 10,033,000 shares.

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 2018 (2017: nil).

During the year ended 31 December 2018, the Share Award Scheme Trust received cash dividend amounting to RMB1,138,000 (2017: RMB4,000) which will be used to pay for the fees of trust or purchase a maximum number of shares as specified by the Board.

24. RESERVES (CONTINUED)

(b) Statutory reserve 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

	At 31 December	
	2018	2017
	RMB'000	RMB'000
Accrued expenses (a)	**236,112**	217,951
Salaries payable	**44,090**	47,771
Other tax payable	**10,690**	8,862
Other payables (b)	**12,316**	13,676
	303,208	288,260

(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

	2018 RMB'000	2017 RMB'000
Profit before income tax	**161,257**	127,923
Adjustments for:		
— Impairment charge of receivables	**20,671**	25,320
— Impairment charge of investment in an associate	**8,390**	—
— Share of losses of an associate	**2,324**	796
— Finance income — net	**(10,419)**	(1,633)
— Depreciation of property and equipment (Note 13)	**14,719**	16,102
— Losses on disposal of property and equipment	**3**	172
— Depreciation of investment properties (Note 14)	**1,189**	—
— Dividend income on investment in equity fund	**(696)**	(322)
— Amortisation of lease prepayment	**324**	324
— Amortisation of intangible assets (Note 15)	**56**	472
— Investment income on held-to-maturity financial assets	**—**	(421)
	197,818	168,733
Changes in working capital:		
— Trade and other receivables and prepayments	**(30,061)**	(35,748)
— Accruals and other payables	**17,051**	28,713
— Contract liabilities/prepaid advertising subscriptions from customers	**(11,165)**	32,245
Cash generated from operations	**173,643**	193,943

27. COMMITMENTS

(a) Operating lease commitments

(i) The Group as leasor

Some parts of the Group's office building are leased to tenants under long-term operating lease. Minimum lease payments receivable on leases of investment properties are as follows:

	At 31 December	
	2018	2017
	RMB'000	RMB'000
Not later than one year	**4,669**	—
Later than one year but not later than five years	**13,073**	—
	17,742	—

(ii) The Group as leasee

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:

	At 31 December	
	2018	2017
	RMB'000	RMB'000
Not later than one year	**1,379**	1,785
Later than one year but not later than five years	**135**	361
	1,514	2,146

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 2018:

	2018	2017
	RMB'000	RMB'000
Rental expenses for office and advertising bill boards:		
Kexim	**662**	2,209
Property Management for office:		
Beijing Pacific Times Property Management Co., Ltd.	**137**	153
Advertising service revenue:		
EJauto	**955**	—
Kexim	**189**	755
	1,144	755
Rental income for office:		
EJauto	**462**	—

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

	At 31 December	
	2018	2017
	RMB'000	RMB'000
Included in other payables:		
EJauto (i)	**5,994**	10,000
Kexim	**—**	448
	5,994	10,448

(i) 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:

	2018	2017
	RMB'000	RMB'000
Basic salaries, housing allowances and benefits in kind	**3,538**	6,541
Contributions to pension schemes	**113**	139
	3,651	6,680

29. BALANCE SHEET AND RESERVE MOVEMENT OF THE COMPANY

	Note	As at 31 December 2018 RMB'000	2017 RMB'000
ASSETS			
Non-current assets			
Intangible assets		**8,793**	8,793
Interests in subsidiaries		**285,105**	285,105
Dividend due from subsidiaries		**132,000**	99,000
		425,898	392,898
Current assets			
Amounts due from subsidiaries		**82,292**	81,932
Dividend due from subsidiaries		**530,876**	562,000
Cash and cash equivalents		**2,383**	4,746
		615,551	648,678
Total assets		**1,041,449**	1,041,576
EQUITY AND LIABILITIES			
Equity			
Ordinary shares		**10,491**	10,491
Reserves	(a)	**1,018,470**	1,018,967
Total equity		**1,028,961**	1,029,458
Current liabilities			
Accruals and other payables		**1,955**	1,673
Amounts due to subsidiaries		**10,533**	10,445
Total current liabilities		**12,488**	12,118
Total equity and liabilities		**1,041,449**	1,041,576

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 2017	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	—	—	—	—	—	(128,653)	(128,653)
At 31 December 2017	384,201	306	—	88,277	(10,749)	556,932	1,018,967
Profit for the year	—	—	—	—	—	127,080	127,080
Cash dividends relating to 2017	—	—	—	—	—	(127,577)	(127,577)
At 31 December 2018	384,201	306	—	88,277	(10,749)	556,435	1,018,470

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	**2018**	2017	2016	2015	2014
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Revenue	**1,022,699**	963,599	974,261	1,096,356	987,526
Profit before income tax	**161,257**	127,923	180,149	227,928	283,418
Income tax expense	**(27,944)**	(22,606)	(28,953)	(48,097)	(62,191)
Profit for the year	**133,313**	105,317	151,196	179,831	221,227
Attributable to:					
Equity holders of the Company	**132,747**	105,317	151,196	179,831	221,227
ASSETS, LIABILITIES AND ASSETS LESS LIABILITIES					
Total assets	**1,410,909**	1,397,248	1,366,550	1,388,905	1,285,391
Total liabilities	**414,176**	416,839	354,539	374,215	326,801
Total assets less liabilities	**996,773**	980,409	1,012,011	1,014,690	958,590