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PACIFIC ONLINE LIMITED

太平洋網絡有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 543)

**SUPPLEMENTAL ANNOUNCEMENT TO THE
ANNUAL REPORT FOR THE YEAR ENDED 31 DECEMBER 2022**

Reference is made to the annual report of Pacific Online Limited (the “**Company**”, together with its subsidiaries, the “**Group**”) for the year ended 31 December 2022 (the “**2022 Annual Report**”). Unless otherwise defined, terms used herein shall bear the same meanings as defined in the 2022 Annual Report.

This announcement is made to provide supplemental information to the 2022 Annual Report under the section headed “Corporate Governance Report — Risk Management and Internal Controls” of the 2022 Annual Report in relation to the auditors’ qualified opinion resulting from audit scope limitations regarding the Cryptocurrency Investments (the “**Audit Issue**”). With an aim of avoiding issues similar to the Audit Issue in the future, the Company reviewed its internal control currently in place and plans to implement the following additional measures:

Future Additional Internal Control Measures

Continued review and assessment of the Fund’s investment

To address the Audit Issue in the next financial year, the Company plans to continue to proactively review and assess its investment in the Fund at least once every quarter, to check whether the Fund’s investment scope continues to align with the Fund’s investment objectives as well as the Company’s business strategy, and to consider whether it should continue to invest in the Fund in the future.

Investment procedures to be adopted to improve investment decisions

To better manage and minimize the audit risks associated with the Company's future investments, the Company plans to adopt the following measures:

(i) Pre-investment stage due diligence and negotiation

A) For investment products that have a certain and limited investment scope:

- During pre-investment stage, the Company would study carefully the investment objectives and scope of investment as well as the audit risks associated. It will consult with auditors and internal control experts in advance as to any audit issue or implications that may arise in connection with the said investment product;
- The Company will negotiate with the investment target or the portfolio manager to ensure that rights are given to the Company and its auditors for assessing and obtaining all necessary audit evidence and information and that full cooperation will be provided by the target so that sufficient audit work can be carried out by the auditors;
- The Company would go ahead with the investment only when it is satisfied that there will be no or minimal audit risk involved; and
- After completion of investment, the Company will maintain close communication with the investment target and discuss with its auditors semi-annually to ensure that the investment do not deviate from the business strategy of the Company, and that there are no unforeseen hurdles in connection with the Company's annual audit work.

B) For investment products where the investment scope is open, i.e. the portfolio manager may exercise discretion over the categories and natures of underlying investment targets:

- The Company will conduct enhanced pre-investment due diligence in case the investment involves new and complex or unregulated financial products. It will ensure that investment objectives and scope of investment are communicated clearly to the Company, and that they do not deviate from the business strategy of the Company;
- The Company will assess the audit risks associated and consult with auditors and internal control experts in advance as to whether any audit issue or implications that may arise in connection with the said investment product;

- During pre-investment stage, the Company will negotiate with the investment target or the portfolio manager to (i) limit the investment scope to products that are familiar and easy to value; (ii) ensure that rights are given to the Company and its auditors for assessing and obtaining all necessary audit evidence and information and that full cooperation will be provided by the target; (iii) request that the Company is informed timely on investments on anything other than equity. The Company will consult and discuss with the auditors what information and audit procedures are necessary, then negotiate with the target to include expressly in the investment agreement the right by the Company to demand production of such documents and request cooperation from the target so that sufficient audit work can be carried out by the auditors; and
- Before signing the investment agreement, the Company will confirm again with the auditors whether the necessary right and power have been provided to the Company and will proceed with the investment only if it is satisfied of the foregoing.

(ii) Regular update from auditors

The Company will:

- Request the auditors to update the Board and provide knowledge training at least semi-annually on new audit procedure requirements under the applicable accounting standard in relation to new and complex financial products, industrial changes, etc.; and
- Check with the auditors at least semi-annually that no significant changes need to be made to the timetable for the Company's annual audit work, and/or additional audit procedures that need to be performed which could cause significant delay to the audit work.

The information provided in this supplemental announcement does not affect other information contained in the 2022 Annual Report. Save as disclosed above, the contents of the 2022 Annual Report remain unchanged.

By order of the Board
Pacific Online Limited
Lam Wai Yan
Chairman

Hong Kong, 29 August 2023

As at the date of this announcement, the Board comprises 3 executive directors, namely, Dr. Lam Wai Yan, Mr. Ho Kam Wah and Mr. Wang Ta-Hsing; and 3 independent non-executive directors, namely, Mr. Tsui Yiu Wa, Alec, Mr. Thaddeus Thomas Beczak and Mr. Lam Wai Hon, Ambrose.