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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)

**NEW CONTRACTUAL ARRANGEMENT
UNDER THE PCLADY STRUCTURE CONTRACTS**

This announcement is made by the Company pursuant to Rule 13.09(2) of the Listing Rules and Inside Information Provisions under Part XIVA of Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong).

THE PCLADY STRUCTURE CONTRACTS

The Board is pleased to announce that on 30 June 2015, the PClady Structure Contracts were entered into among GZFW Technology, GZ Yingyue, the GZ Yingyue Shareholders and GZS Internet, pursuant to which the Company will operate its online business relating to PClady Portal through GZ Yingyue, GZS Internet and GZS Advertising. The PClady Structure Contracts were entered into for the purpose of offering a separate framework for the business and operation of PClady Portal, in view of its popularity, growing prospect and for attracting different group of investors for the Group's future development and expansion.

As a result of the PClady Structure Contracts, the Group is able to recognize and receive the economic benefit of the business and operations of the Domestic Entities. The PClady Structure Contracts are also designed to provide the Company with effective control over and (to the extent permitted by PRC law) the right to acquire the equity interests of GZ Yingyue Shareholders in GZ Yingyue and the equity interests of GZ Yingyue in, or assets of, GZS Internet.

LISTING RULES IMPLICATION

In preparation for the Listing, the Company has sought, and the Stock Exchange has granted, the waiver (the “**Waiver**”) from strict compliance with the applicable reporting, announcement and independent shareholders’ approval requirements relating to the annual caps, three years term and fee terms of Chapter 14A of the Listing Rules in connection with the continuing connected transactions involving the Group in the form of the Existing Structure Contracts subject to the Conditions (the “**Conditions**”). The Conditions include, among others, that on the basis that the Existing Structure Contracts provide an acceptable framework for the relationship between the Company and its subsidiaries on the one hand, and GZ Yingxin and GDP Internet, on the other hand, that framework may be renewed and/or “cloned” upon the expiry of the existing arrangements or in relation to any existing or new wholly foreign-owned enterprise or operating company that the Group may wish to establish, without obtaining the approval of the Shareholders.

The Directors are of the view that pursuant to the Conditions and on the basis that the PClady Structure Contracts, though entered into among different parties, have terms and conditions substantially the same as those of the Existing Structure Contracts, is merely a clone of the Existing Structure Contracts. The differences between the PClady Structure Contracts and the Existing Structure Contracts are only due to the voluntary compliance with the more updated and stringent requirements set out in the listing decision handed down by the Stock Exchange subsequent to the Existing Structure Contracts, which are more beneficial to the Shareholders as a whole. As such, the Directors are of the view that the contractual arrangement underlying the PClady Structure Contracts is in compliance with the Conditions under which the Waiver was granted in respect of the Existing Structure Contracts.

As such, the Company has sought, and the Stock Exchange has provided confirmation that:

- the PClady Structure Contracts will be exempt from the reporting, announcement and independent shareholders’ approval requirements under Chapter 14A of the Listing Rules; and
- the transactions between the Company and each of GZ Yingyue, GZS Internet and GZS Advertising relating to the PClady Structure Contracts will be exempt from the continuing connected transaction requirements under Chapter 14A of the Listing Rules.

This announcement is made by the Company pursuant to Rule 13.09(2) of the Listing and Inside Information Provisions under Part XIVA of Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong).

The Board is pleased to announce that on 30 June 2015, the PClady Structure Contracts were entered into among GZFW Technology, GZ Yingyue, the GZ Yingyue Shareholders and GZS Internet, pursuant to which the Company will operate its online business relating to PClady Portal (as defined below) through GZ Yingyue, GZS Internet and GZS Advertising.

BACKGROUND

As disclosed in the section headed “Structure Contracts” in the Prospectus, due to the limitation of applicable PRC laws and regulations on foreign ownership of companies that provide internet content services, the Group conducts its internet multiportals and online advertising business through GDP Internet under the Existing Structure Contracts. The Group does not have direct ownership of GZ Yingxin, whose sole purpose is to hold the entire interest in GDP Internet, the operating ICP company. As a result of the Existing Structure Contracts, the Group has contractual arrangements with GDP Internet, GZ Yingxin and the GZ Yingxin Shareholders that allow the Group to effectively control GZ Yingxin and GDP Internet and therefore recognise and receive the economic benefit of the business and operation of GDP Internet.

Before entering into the PClady Structure Contracts, the Group operated six vertically-integrated portals under the Existing Structure Contracts, POnline (www.pconline.com.cn), PCauto (www.pcauto.com.cn), PCgames (www.pcgames.com.cn), PCbaby (www.pcbaby.com.cn), PChouse (www.pchouse.com.cn) and PClady (www.PClady.com.cn) through GDP Internet, which are tailored to the specific interests and needs of targeted consumer groups. The corporate structure of the Group before entering into the PClady Structure Contracts is set out in Schedule A of this announcement.

In preparation for the Listing, the Company has sought, and the Stock Exchange has granted, a Waiver from strict compliance with the applicable reporting, announcement and independent shareholders’ approval requirements relating to the annual caps, three year term and fee terms of Chapter 14A of the Listing Rules in connection with the continuing connected transactions involving the Group in the form of the Existing Structure Contracts as referred to in the Prospectus on a number of Conditions. The Conditions include, among others, that on the basis that the Existing Structure Contracts provide an acceptable framework for the relationship between the Company and its subsidiaries on the one hand, and GZ Yingxin and GDP Internet, on the other hand, that framework may be renewed and/or “cloned” upon the expiry of the existing arrangements or in relation to any existing or new wholly foreign-owned enterprise or operating company that the Group may wish to establish, without obtaining the approval of the Shareholders.

THE NEW CONTRACTUAL ARRANGEMENT AND REASONS FOR ENTERING INTO THE PCLADY STRUCTURE CONTRACTS

The Company envisaged that one of its existing portals, PClady (www.PClady.com.cn) (“**PClady Portal**”) which is specialised in women lifestyle-related topics, would be able to attract different and specific group of investors. As such, it is proposed to offer a separate framework for PClady Portal for the business and operation, possible corporate financing and business expansion in future.

The PClady Structure Contracts were entered into among GZFW Technology, the wholly-owned subsidiary of the Company, GZ Yingyue, GZ Yingyue Shareholders and GZS Internet.

The Directors are of the view that the PClady Structure Contracts is merely a clone of the Existing Structure Contracts, with additional provisions to comply with the most updated and more stringent requirements set out by the Stock Exchange, to strengthen the Group’s management control over GZ Yingyue and GZS Internet, to confer the relevant rights upon the Group over the assets and economic benefits of GZ Yingyue and GZS Internet, and to grant the right to acquire the equity interests and/or assets of GZ Yingyue and GZS Internet

to the extent permitted by PRC laws and regulations. Corporate structure of the Group after the entering into the PClady Structure Contracts was set out in Schedule B of this announcement.

THE PCLADY STRUCTURE CONTRACTS

1. Exclusive Management Consultation Service Agreement

Pursuant to the Exclusive Management Consultation Service Agreement entered into by GZFW Technology and GZS Internet on 30 June 2015, GZFW Technology agrees to provide management and consultation services to GZS Internet in return for payment of a fixed annual consultancy services fee and an annual floating fee to be mutually agreed between the parties, calculated on the basis of the scope of management and consulting services rendered and time incurred to provide such services. In addition, without prior written consent from GZFW Technology, GZS Internet shall not receive any other management or consultation service with the same or similar nature from other third parties. All intellectual property rights arising from or in relation to the performance of the Exclusive Management Consultation Service Agreement shall belong to GZFW Technology.

The Exclusive Management Consultation Service Agreement is for a term of 10 years commencing from the date of signing the Exclusive Management Consultation Service Agreement, and can be extended at the discretion of GZFW Technology. The Exclusive Management Consultation Service Agreement can be unilaterally terminated by GZFW Technology. GZS Internet is not contractually entitled to terminate the Exclusive Management Consultation Service Agreement with GZFW Technology.

2. Exclusive Technical Support and Technical Service

Pursuant to the Exclusive Technical Support and Technical Service entered into by GZFW Technology and GZS Internet on 30 June 2015, GZFW Technology agrees to provide certain technical support and technical service to GZS Internet in return for payment of a fixed annual service fee and an annual floating fee to be mutually agreed between the parties, calculated on the basis of the scope of technical support and services rendered and time incurred to provide such services. In addition, without prior written consent from GZFW Technology, GZS Internet shall not receive any other management or consultation service with the same or similar nature from other third parties. All intellectual property rights arising from or in relation to the performance of the Exclusive Technical Support and Technical Service shall belong to GZFW Technology.

The Exclusive Technical Support and Technical Service is for a term of 10 years commencing from the date of signing the Exclusive Technical Support and Technical Service, and can be extended at the discretion of GZFW Technology. The Exclusive Technical Support and Technical Service can be unilaterally terminated by GZFW Technology. GZS Internet is not contractually entitled to terminate the Exclusive Technical Support and Technical Service with GZFW Technology.

3. Strategic Co-operation Agreement

Pursuant to the Strategic Co-operation Agreement entered into among GZFW Technology, GZ Yingyue, GZ Yingyue Shareholders and GZS Internet on 30 June 2015, GZFW Technology, in its sole discretion, can provide guarantee for any obligations

undertaken by GZS Internet in any business related contract. In return, GZS Internet, GZ Yingyue and GZ Yingyue Shareholders agree to appoint designated representatives of GZFW Technology to the management team of GZS Internet and GZ Yingyue respectively, including but not limited to, the legal representative, directors, general managers, chief financial officer and other senior management. This arrangement is to prevent GZS Internet and GZ Yingyue from taking certain actions that may have material adverse effect on the operation of GZS Internet, including incurring any indebtedness, lending and, selling or transferring any assets to any third parties, without the prior written consent of GZFW Technology.

The Strategic Co-operation Agreement is for a term of 10 years commencing from the date of signing the strategic Co-operation Agreement and can be extended at the discretion of GZFW Technology. The Strategic Co-operation Agreement may be terminated unilaterally by GZFW Technology.

4. Domain Name Pledge Agreement

Pursuant to the Domain Name Pledge Agreement entered into by GZS Internet in favour of GZFW Technology on 30 June 2015, GZS Internet agrees to pledge all of its domain names to GZFW Technology in order to secure its obligations under the Exclusive Management Consultation Service Agreement, the Exclusive Technical Support and Technical Service, the Strategic Co-operation Agreement and the Call Option Agreement. Further, GZS Internet undertakes and warrants that it will not transfer or encumber in any form the domain names without the prior written consent of GZFW Technology.

The Domain Name Pledge Agreement can be terminated unilaterally by GZFW Technology.

5. Call Option Agreements

Each of GZ Yingyue, the GZ Yingyue Shareholders and GZS Internet has entered into a Call Option Agreement with GZFW Technology on 30 June 2015, pursuant to which:

- GZFW Technology is entitled to exercise an exclusive and irrevocable option to purchase (i) all or any of the equity interests held by GZ Yingyue Shareholders in GZ Yingyue and/or (ii) all or any of the equity interests held by GZ Yingyue in GZS Internet at the lowest price permitted under the PRC law;
- each of the GZ Yingyue Shareholders and GZ Yingyue undertakes that they will return to GZFW Technology any proceeds they will receive upon the exercise of the aforesaid irrevocable option;
- each of the GZ Yingyue Shareholders and GZ Yingyue warrants and undertakes not to sell, transfer, dispose or encumber his/its respective equity interests in GZ Yingyue and GZS Internet in any form to any third party, and GZS Internet further warrants and undertakes that its legal or equitable assets will not be sold or transferred or disposed or encumbered in any form without the prior written consent of GZFW Technology; and

- each of the GZ Yingyue Shareholders and GZ Yingyue agrees to execute an irrevocable power of attorney in favour of the individual appointed by GZFW Technology, who will be authorised to exercise full power and authority of all shareholder's rights in GZ Yingyue and GZS Internet as permitted under the respective articles of association as permitted under PRC laws.

The Call Option Agreements are for an indefinite term commencing on 30 June 2015, being the date of the agreements, until it is terminated (i) upon transfer of the equity interest held by GZ Yingyue Shareholders in GZ Yingyue and/or GZ Yingyue in GZS Internet to GZFW Technology; or (ii) by any other agreements between the parties.

6. Equity Pledge Agreements

Each of GZ Yingyue, the GZ Yingyue Shareholders and GZS Internet has entered into an Equity Pledge Agreement with GZFW Technology, pursuant to which each of the GZ Yingyue Shareholders and GZ Yingyue agrees to pledge all of his/its respective equity interests in GZ Yingyue and GZS Internet to GZFW Technology to secure all his/its obligations and the obligations of GZS Internet under the Exclusive Management Consultation Service Agreement, the Exclusive Technical Support and Technical Service, the Strategic Co-operation Agreement and the Call Option Agreements. GZFW Technology is entitled to exercise its right to dispose of the pledged equity interest of GZ Yingyue or GZS Internet on the occurrence of any breach of or failure to perform the obligations by the GZ Yingyue Shareholders, GZ Yingyue or GZS Internet under the aforesaid agreements. In addition, each of the GZ Yingyue Shareholders and GZ Yingyue has undertaken to GZFW Technology, among other things, not to transfer the equity interest in GZ Yingyue or GZS Internet, create or allow any pledge thereon that may affect the rights and interests of GZFW Technology without its prior written consent.

The Equity Pledge Agreements are for an indefinite term commencing from 30 June 2015, being the date of the agreement, until all agreements (other than this Equity Pledge Agreement) underlying the PClady Structure Contracts have been fulfilled or terminated.

Powers of Attorney

Each of the GZ Yingyue Shareholders and GZ Yingyue has executed a power of attorney on 30 June 2015 pursuant to the terms of the Call Option Agreements. Under each of the powers of attorney, each of the GZ Yingyue Shareholders and GZ Yingyue irrevocably confirmed that the powers of attorney shall remain in full force and effect during the term within which each of the GZ Yingyue Shareholders or GZ Yingyue remain as a shareholder of GZ Yingyue or GZS Internet. Pursuant to the powers of attorney, each of the GZ Yingyue Shareholders or GZ Yingyue irrevocably authorised representative(s) appointed by GZFW Technology to exercise all his/its rights and powers as shareholder of GZ Yingyue or GZS Internet. These rights include (i) to attend shareholders' meeting; (ii) to exercise voting rights in shareholders' meetings to appoint directors; (iii) to attend board meeting and exercise all rights as a director under the relevant articles of association and PRC laws; and (iv) all rights entitled as a shareholder under the relevant articles of association and PRC laws, such as to decide on business strategy, investment plan, dividend distribution, to sign shareholders resolutions and meeting minutes, and to file documents with relevant governmental authorities or regulatory bodies. In particular, the representative(s) appointed by GZFW Technology is/are authorised by each of the GZ

Yingyue Shareholders and GZ Yingyue to execute all agreements or documents as required under the Call Option Agreements, including but not limited to all relevant transfer documents relating to the equity interests in GZ Yingyue or GZS Internet.

Dispute Resolution

Each of the PClady Structure Contracts stipulates that the parties shall negotiate in good faith to resolve the dispute arising from the interpretation and implementation of the agreements, failing which any party may submit the said dispute to China International Economic and Trade Arbitration Commission for arbitration in accordance with the then effective arbitration rules. The results of the arbitration shall be final and binding on all relevant parties.

It is also provided that the subject to the arbitration rules and relevant PRC laws, arbitral tribunal may award remedies over the equity interest or assets of GZ Yingyue or GZS Internet, or order the winding up of GZ Yingyue or GZS Internet, and the parties may apply to the courts of Hong Kong, the relevant party's places of incorporation, and the places where the principal assets of GZ Yingyue or GZS Internet are located or courts having competent jurisdiction for the grant of interim remedies against the equity interest or properties of GZ Yingyue or GZS Internet.

The Company's PRC legal advisers confirmed that the abovementioned dispute resolution provisions set forth in the PClady Structure Contracts are in compliance with the PRC laws, legally valid and binding on the relevant signatories. However, the PRC legal advisers are also in the view that under the current PRC laws, the tribunal has no power to grant injunctive relief or winding up order of GZ Yingyue or GZS Internet. In addition, interim remedies order granted by overseas courts such as Hong Kong and the Cayman Islands may not be recognizable or enforceable in the PRC.

Succession

The provisions set out in the PClady Structure Contracts are also binding on the successors of the respective shareholders of GZ Yingyue and GZS Internet, as if the successor was a signing party to the contractual arrangements underlying the PClady Structure Contracts. Any successors of the respective shareholders of GZ Yingyue and GZS Internet shall succeed any and all rights and obligations of the registered shareholders under the PClady Structure Contracts as a result of their death, as if the successors was a signing party to such contractual arrangements.

Each of the GZ Yingyue Shareholders has provided a written confirmation/undertaking, to confirm appropriate arrangements have been made to ensure that none of his successor, guardian, creditor, spouse or any other person who may assume rights and interests in his equity interest in GZ Yingyue upon his death, incapacity, divorce or any other circumstances, will carry out any act that may affect or hinder the fulfillment of his obligations under each of the PClady Structure Contracts to which he is a party.

Insurance

The Company does not maintain an insurance policy to cover the risks relating to the contractual arrangements under the PClady Structure Contracts.

Company's Confirmation

As at the date of this announcement, the Company had not encountered any interference or encumbrance from any PRC governing bodies in operating its business through the PRC operating entities under the Existing Structure Contracts.

LEGALITY OF THE PCLADY STRUCTURE CONTRACTS

According to the Regulations for the Administration of Foreign-Invested Telecommunications Enterprises (《外商投資電信企業管理規定》) promulgated by the State Council on 11 December 2001 and amended on 10 September 2008, foreign investors are not allowed to hold more than 50% of the equity interest of a company providing value added telecommunication services, including ICP service.

The PRC Lawyer had an informal discussion with Guangdong Telecommunications Administration Bureau (the “**Bureau**”) whose authority includes administration of ICP license. The Bureau confirmed that it had no objection to structural arrangements in relation to ICP companies. The PRC Lawyer advises that as no filings, consents, permits or recognitions of any PRC governmental authorities are required in connection with the execution, delivery, effectiveness and enforceability of the Structure Contracts and it is not an administrative matter under the PRC laws for governmental authorities to issue formal confirmations on any agreements that do not require the examination and approval of the regulatory authorities, therefore, the Company has not formally filed any request for confirmation regarding the legality of the Structure Contracts.

Having taken all possible actions and steps to enable the PClady Structure Contracts to reach their legal conclusions, Tian Yuan Law Firm, the Company's PRC legal advisers are of the opinion that:

- the Company does not hold, directly or indirectly, any equity interest in GZ Yingyue and GZS Internet; the ownership of each of GZ Yingyue and GZS Internet, the latter which operates the online advertising business, will be in compliance with the existing PRC laws and regulations; the Group's ownership structure, immediately following the entering into the PClady Structure Contracts, will be in compliance with the existing PRC laws and regulations;
- the PClady Structural Contracts shall not be regarded as being invalid due to violation of the PRC Laws, in particular on the ground of “concealing illegal intentions with a lawful form” as provided under Article 52 of the PRC Contract Law;
- each of the PClady Structure Contracts is in compliance with the applicable PRC laws and regulations, and is enforceable, valid and legally binding under the applicable PRC laws and regulations, except for the provisions to the effect that the arbitral body may award remedies over the shares and/or assets of the relevant Domestic Entities, injunctive relief and/or winding up of the relevant Domestic Entities, and that the courts in Hong Kong or Cayman Islands are empowered to grant interim remedies in support of the arbitration pending the formation of an arbitral tribunal may not be recognized or enforceable by the PRC courts;
- all the ICP licenses is held by GZS Internet; and all ICP services to be provided by the Group in relation to PClady Portal will be carried out by GZS Internet only; and none of the entities in which the Company holds, directly or indirectly, any equity interest, will

engage in any ICP services; the agreements among GZFW Technology, GZS Internet, GZ Yingyue and the GZ Yingyue Shareholders described above shall not be deemed to be any form of transfer, lease or sale of the ICP licenses to the Company;

- as of the date of this announcement, the PRC legal advisers are not aware of any published PRC Laws that specifically disallow foreign investors from using any agreements or contractual arrangements to gain control of or operate ICP services and would thus invalidate the PClady Structural Contracts;
- the Group's current business operations under the Existing Structure Contracts are, and business operations under the PClady Structure Contracts will be, in compliance with the relevant PRC laws, rules and regulations in all material respects subject to certain issued discussed in the section headed "Risk Factors in relation to the PClady Structure Contracts" in this announcement; and
- no filings, consents, approvals, permits or recognitions, of any PRC governmental authorities, will be required in connection with the execution, delivery, effectiveness and enforceability of each of the agreements comprising the PClady Structure Contracts.

EFFECTS OF THE PCLADY STRUCTURE CONTRACTS

As a result of the PClady Structure Contracts, the Group is able to recognize and receive the economic benefit of the business and operations of the Domestic Entities. The PClady Structure Contracts are also designed to provide the Company with effective control over and (to the extent permitted by PRC law) the right to acquire the equity interests of GZ Yingyue Shareholders in GZ Tingyue and the equity interests of GZ Yingyue in, or assets of, GZS Internet. In summary, PClady Structure Contracts will provide the Company with:

- the right to receive the online advertising revenue received by GZS Internet from its online advertising operations through various commercial arrangements;
- the right to acquire all the shares in and/or assets of GZ Yingyue and GZS Internet, as and when permitted by PRC laws, for the lowest price permitted under the PRC law;
- the right to ensure that the Company (through GZFW Technology) is able to effectively control the business of GZS Internet including the online advertising business of GZS Internet pursuant to the Strategic Co-Operation Agreement; and
- a pledge over the entire equity interests in the registered capital of GZ Yingyue and GZS Internet.

Annual Caps

Similar to the Existing Structure Contracts, both the Exclusive Technical Support and Technical Service and Exclusive Management Consultation Service Agreement will provide for a revenue transfer mechanism by way of fixed annual fee and floating annual fee which is designed to transfer substantially all of the operating revenue from the Domestic Entities. Further, as all operational and financial decisions will be assigned to a nominee of GZFW Technology in accordance with the Strategic Co-operation Agreement. The Group does not foresee any difficulty in ensuring the Company to derive substantially all economic benefits from the Domestic Entities.

Accordingly, the new structure has been designed to ensure that there will be no limit on the amount of fees payable to the Group under the PClady Structure Contracts. Therefore, there will be no monetary cap on any agreements under the PClady Structure Contracts.

Connected Persons

Upon execution of the PClady Structure Contracts, each of GZ Yingyue, GZS Internet and GZS Advertising will be treated as a wholly-owned subsidiary of the Company, and the directors, chief executive or substantial shareholders (as defined in the Listing Rules) of GZ Yingyue, GZS Internet and GZS Advertising and their respective associates will be treated as “connected persons” of the Company. Given that the PClady Structure Contracts are continuing in nature, transactions between members of the Group and each of GZ Yingyue Shareholders, GZ Yingyue and GZS Internet under the PClady Structure Contracts would constitute continuing connected transactions and, unless an exemption is obtained under the Listing Rules, would be subject to the applicable reporting, announcement and independent shareholders’ approval requirements under Chapter 14A of the Listing Rules.

OPERATIONS IN COMPLIANCE WITH THE PCLADY STRUCTURE CONTRACTS

The Company has assessed the requirements (other than foreign ownership restriction) under applicable laws and regulations upon advices from its legal advisers, and has taken/will take the following steps in respect of the Existing Structure Contracts and PClady Structure Contracts for compliance purpose:

- As the contractual arrangements under the Existing Structure Contracts constitute continuing connected transactions of the Company according to the Listing Rules, the Company has sought, and the Stock Exchange has granted, the Waiver from strict compliance of certain requirements under Chapter 14A of the Listing Rules; the Company has complied with such conditions prescribed by the Stock Exchange in relation to the Waiver.
- As the contractual arrangements under the PClady Structure Contracts will also constitute continuing connected transactions of the Company according to the Listing Rules, the Company has sought, and the Stock Exchange has granted, the Waiver from strict compliance of certain requirements under Chapter 14A of the Listing Rules, and will comply with such conditions to be prescribed by the Stock Exchange in relation to the Waiver.
- The Group has retained Hong Kong and PRC legal advisors to advise from time to time regulatory and compliance matters in relation to applicable Hong Kong and PRC laws in respect of the Existing Structure Contracts and PClady Structure Contracts respectively.
- If required, extra legal advisors and/or other professionals will be retained to assist the Group to deal with specific issues arising from the Existing Structure Contracts and PClady Structure Contracts and to ensure that their operation and implementation will comply with applicable laws and regulations.
- The independent non-executive Directors of the Company have reviewed/will review the Existing Structure Contracts and PClady Structure Contracts on annual basis and their confirmation has been/will be disclosed in the annual report of the Group.

- The auditor of the Company has been engaged to report on the Group's continuing connected transactions in accordance with the applicable accounting rules and standards on annual basis, and a copy of the auditor's letter will be provided by the Company to the Stock Exchange in accordance with Rule 14A.38 of the Listing Rules.
- The Board will ensure that any designee, person or entity designated/nominated by the Company for the purpose of exercising any of the rights granted to it by GZ Yingxin Shareholders/GZ Yingxin/GZ Yingyue Shareholders/GZ Yingyue pursuant to the relevant power of attorney under the Existing Structure Contracts or PClady Structure Contracts be restricted to a legally-held subsidiary of the Company (which will be under the management control of the Company) or an authorized director of the Company or a legally-held subsidiary (whom shall own fiduciary duties to the Group).

RISK FACTORS IN RELATION TO THE PCLADY STRUCTURE CONTRACTS

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

The Company is incorporated in Cayman Islands company and its wholly-owned PRC subsidiary, GZFW Technology, is considered as a foreign-invested enterprise. The PRC government restricts foreign investment in telecommunications and internet information businesses such as online advertising. Due to these restrictions, the Company conducts its operations in relation to PClady Portal in China through the Domestic Entities. Although the Company does not have any equity interest in any of the Domestic Entities, it is able to exercise effective control over each of the Domestic Entities and receive substantially all of the economic benefits of its operations through the PClady Structure Contracts with GZS Internet, GZ Yingyue and GZ Yingyue Shareholders.

On July 13, 2006, the MIIT issued the Circular on Strengthening the Administration of Foreign Investment in and Operation of Value-added Telecommunications Business (關於加強外商投資經營增值電信業務管理的通知), or the MIIT Notice, which reiterated restrictions on foreign investment in telecommunications businesses. Under the MIIT Notice, a domestic company that holds an ICP License is prohibited from leasing, transferring or selling the license to foreign investors in any form, or providing any assistance, including providing resources, sites or facilities, to foreign investors to provide ICP services illegally in China. Due to a lack of interpretative materials from the authorities, it is uncertain whether the MIIT will not consider the corporate structure and the PClady Structure Contracts as a kind of foreign investment in telecommunication services, in which case the Company may be found in violation of the MIIT Notice.

According to the Administrative Rules for Foreign Investments in Telecommunications Enterprises (外商投資電信企業管理規定) issued by the State Council on 11 December, 2001 and amended on 10 September, 2008, foreign investors' ultimate equity ownership in an entity in the PRC providing value-added telecommunications services shall not exceed 50% and a foreign investor wishing to acquire any equity interest in a value-added telecommunications business in the PRC must demonstrate (i) a good track record; and (ii) experience in providing value-added telecommunications services overseas. However, there are no specific written guidelines in regards to what constitutes "a good track record". As such, the PRC legal advisors take the view that the details of the Qualification Requirement are subject to the

discretion of the MIIT when it handles the specific applications from foreign investors intending to set up a foreign-invested value-added telecommunications enterprise under the Administrative Rules for Foreign Investments in Telecommunications Enterprises (外商投資電信企業管理規定).

The Company's PRC legal advisors, Tian Yuan Law Firm, is of the opinion that (i) the Group's ownership structure does not violate the existing PRC laws and regulations, (ii) except for the provisions to the effect that the arbitral body may award remedies over the shares and/or assets of the relevant Domestic Entities, injunctive relief and/or winding up of the relevant Domestic Entities, and that the courts in Hong Kong or Cayman Islands are empowered to grant interim remedies in support of the arbitration pending the formation of an arbitral tribunal may not be recognized or enforced by the PRC courts, the PClady Structure Contracts are valid and legally binding and do not result in any violation of existing PRC laws and regulations; and (iii) the PClady Structure Contracts entered into by the Group do not fall within any of the circumstances (including, without limitation, "concealing illegal intentions with a lawful form") under Section 52 of the PRC Contract Law pursuant to which the contracts would be determined to be invalid.

However, it cannot be assured the PRC government or judicial authorities would agree that the Group's corporate structure or the PClady Structure Contracts comply with PRC licensing, registration, other regulatory requirements or policies that may be adopted in the future. If the PRC government or judicial authorities determines that the Group does not comply with the applicable laws and regulations, it could have broad discretion in dealing with such incompliance, including:

- requiring the nullification of the PClady Structure Contracts;
- levying fines and/or confiscating the proceeds generated from the operations under the PClady Structure Contracts;
- revoking the business licenses or operating licenses of GZS Internet and/or GZFW Technology;
- discontinuing or placing restrictions or onerous conditions on the business operations of GZS Internet and/or GZFW Technology;
- imposing conditions or requirements which the Company may not be able to comply with;
- requiring the Company to undergo a costly and disruptive restructuring; and
- taking other regulatory or enforcement actions that could be harmful to or even shut down the Group's business.

The imposition of any of the above-mentioned consequences could result in a material and adverse effect on the Group's ability to conduct its business. In addition, if the imposition of any of these consequences causes the Company to lose the rights to direct the activities of the Domestic Entities or the Company's right to receive its economic benefits, the Company would no longer be able to consolidate the financial results of the Domestic Entities.

The Company relies on the PClady Structure Contracts to control and obtain the economic benefits from GZS Internet, the operating entity in the PRC, which may not be as effective in providing operational control as direct ownership.

Due to the PRC's legal restrictions on foreign investment in value added telecommunication services, the Company controls through the PClady Structure Contracts rather than equity ownership of GZS Internet, the Group's operating entity in the PRC and the holder of the key licenses required to operate its business in the PRC.

However, the PClady Structure Contracts may not be as effective as in exercising direct control over GZS Internet or GZ Yingyue as equity ownership. For example, GZS Internet, GZ Yingyue and GZ Yingyue Shareholders could breach or fail to perform their obligations under the PClady Structure Contracts. If the Company has direct ownership of GZS Internet or GZ Yingyue, the Company would be able to exercise its rights as a shareholder to effect changes in their board of directors, which in turn could effect changes, subject to any applicable fiduciary obligations, at the management and operational level. Under the PClady Structure Contracts, the Company would need to rely on GZFW Technology's rights under the Strategic Co-Operating Agreement, Exclusive Management Consultation Service Agreement, Exclusive Technical Support and Technical Service and Powers of Attorney to effect such changes, or designate new shareholders for GZS Internet under the Call Option Agreement.

If GZS Internet or GZ Yingyue or GZ Yingyue Shareholders breached their obligations under the PClady Structure Contracts or if the Company loses the effective control over GZS Internet or GZ Yingyue for any reason, the Company would need to bring a claim against them under the terms of the PClady Structure Contracts. The PClady Structure Contracts are governed by the PRC law and provide that any dispute arising from these arrangements will be submitted to the China International Economic and Trade Arbitration Commission, or the CIETAC, for arbitration, the ruling of which will be final and binding. Furthermore, personal liabilities of the GZ Yingyue Shareholders may also be subject to the equity interest they hold in GZ Yingyue to court preservation actions or enforcement.

The legal framework and system in the PRC, particularly those relating to arbitration proceedings, involve significant uncertainties relating to the enforcement of legal rights through arbitration, litigation and other legal proceedings in the PRC, which could limit the Group's ability to enforce the PClady Structure Contracts and exert effective control over the Domestic Entities. If GZS Internet or GZ Yingyue or GZ Yingyue Shareholders fail to perform their respective obligations under the PClady Structure Contracts, and the Group is unable to enforce the PClady Structure Contracts, or suffer significant delay or other obstacles in the process of enforcing the PClady Structure Contracts, the business and operations of the Group could be severely disrupted, which could adversely affect its results of operations.

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

Zhang Con Min, an executive Director and chief operating officer of the Group, and Lu Wu Qing, the chief administrative officer of the Group, are also the shareholders of GZ Yingyue. Conflicts of interest between their dual roles in the Company and in GZ Yingyue may arise.

Protections over potential conflicts of interest between these individuals and the Company exist. Pursuant to the Call Option Agreement, the Company has the option to (i) purchase or to designate a third party to purchase the equity interests of GZ Yingyue when and to the extent permitted by law and (ii) acquire, to the extent permitted by PRC laws and regulations, all or part of the assets of GZS Internet at such minimum purchase price permitted under PRC laws and regulations. Each of the GZ Yingyue Shareholders has executed the powers of attorney to authorize any individual(s) appointed by GZFW Technology to exercise all of their

rights and powers as shareholders of GZ Yingyue or GZS Internet. Each of the individuals appointed by GZFW Technology must be one of the directors of the Company or its legally-held subsidiaries who is a PRC citizen. Each director of the Company or its legally-held subsidiaries owes a duty of loyalty and a duty of care to the Company and the Shareholders as a whole.

It cannot be assured, however, that when conflicts of interest arise, these individuals will act in the best interests of the Company or that conflicts of interest will be resolved in the Company's favour. In the event of any such conflicts of interest arises, these individuals may breach or cause GZ Yingyue or GZS Internet to breach or refuse to renew the PClady Structure Contracts that allow the Company to effectively control and receive economic benefits from the Domestic Entities. If any conflict of interest or dispute between the Company and the GZ Yingyue Shareholders could not be resolved should it arise, the Company would have to rely on legal proceedings, which could result in disruption of the Group's business and subject it to substantial uncertainty as to the outcome of any such legal proceedings. These uncertainties may impede the Company's ability to enforce the PClady Structure Contracts. If any such conflicts are unable to be resolved, or if significant delays or other obstacles as a result of such conflicts are encountered, the business and operations of the Group could be severely disrupted, which could materially and adversely affect the Group's operation results and damage its reputation.

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

The PClady Structural Contracts provide for dispute resolution by way of arbitration in accordance with the arbitration rules of the China International Economic and Trade Arbitration Commission in the PRC. The PClady Structural Contracts contain provisions to the effect that the arbitral body may award remedies over the shares and/or assets of the relevant Domestic Entities, injunctive relief and/or winding up of the relevant Domestic Entities. In addition, the PClady Structure Contracts contain provisions to the effect that the courts in Hong Kong and the Cayman Islands are empowered to grant interim remedies in support of the arbitration pending the formation of an arbitral tribunal.

However, the abovementioned provisions contained in the PClady Structure Contract may not be enforceable. Under the PRC Laws, an arbitral body does not have the power to grant any injunctive relief, provisional or final liquidation order to preserve the assets of or any equity interest in the relevant Domestic Entities in case of disputes. The interim remedies granted by the courts in Hong Kong or the Cayman Islands may not be recognized or enforced by PRC courts.

DIRECTORS VIEW ON THE PCLADY STRUCTURE CONTRACTS

None of the GZ Yingyue Shareholders will receive any financial benefit under the PClady Structure Contracts despite their equity interests in GZ Yingyue. Furthermore, the PClady Structure Contracts do not anticipate any payment or consideration passing from the Group to either GZ Yingyue and/or GZS Internet. Under the PClady Structure Contracts, GZS Internet will agree to pay fees to GZFW Technology for exclusive technical support services and information consulting services. Since the purpose of this structure is to ensure that the economic benefits of the arrangement flow to the Group and not to the connected persons (including Zhang Cong Min, an executive Director) in the Company, there is no question that Zhang Cong Min will be in compliance with the requirements of Rule 14A.01 of the Listing Rules and is not taking advantage of her position as a Director.

The Directors confirm that the PClady Structure Contracts, taken as a whole, are on fair and reasonable terms so far as the Directors are concerned and in the interests of the Shareholders as a whole.

LISTING RULES IMPLICATION

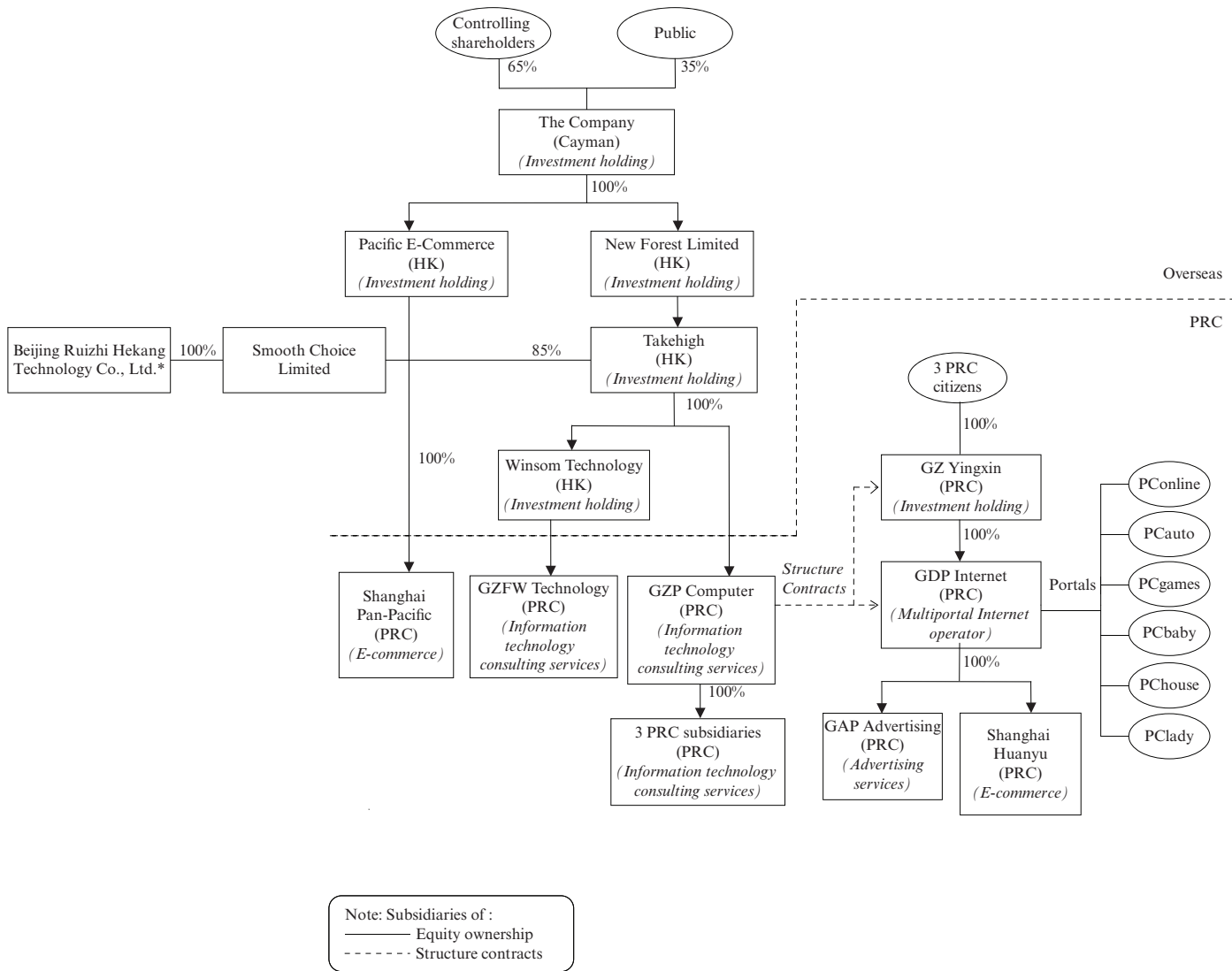
The Directors are of the view that pursuant to the conditions and on the basis that the PClady Structure Contracts, though entered into among different parties, have terms and conditions substantially the same as those of the Existing Structure Contracts. It is therefore merely a clone of the Existing Structure Contracts. The differences between the PClady Structure Contracts and the Existing Structure Contracts are only due to the voluntary compliance with the more updated and stringent requirements set out in the listing decision handed down by the Stock Exchange subsequent to the entering into the Existing Structure Contracts, which are more beneficial to the Shareholders as a whole. As such, the Directors are of the view that the contractual arrangement underlying the PClady Structure Contracts are in compliance with the conditions under which the waiver was granted in respect of the Existing Structure Contracts.

As such, the Company has sought, and the Stock Exchange has provided confirmation that:

- the PClady Structure Contracts will be exempt from the reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules; and
- the transactions between the Company and each of GZ Yingyue, GZS Internet and GZS Advertising relating to the PClady Structure Contracts will be exempt from the continuing connected transaction requirements under Chapter 14A of the Listing Rules.

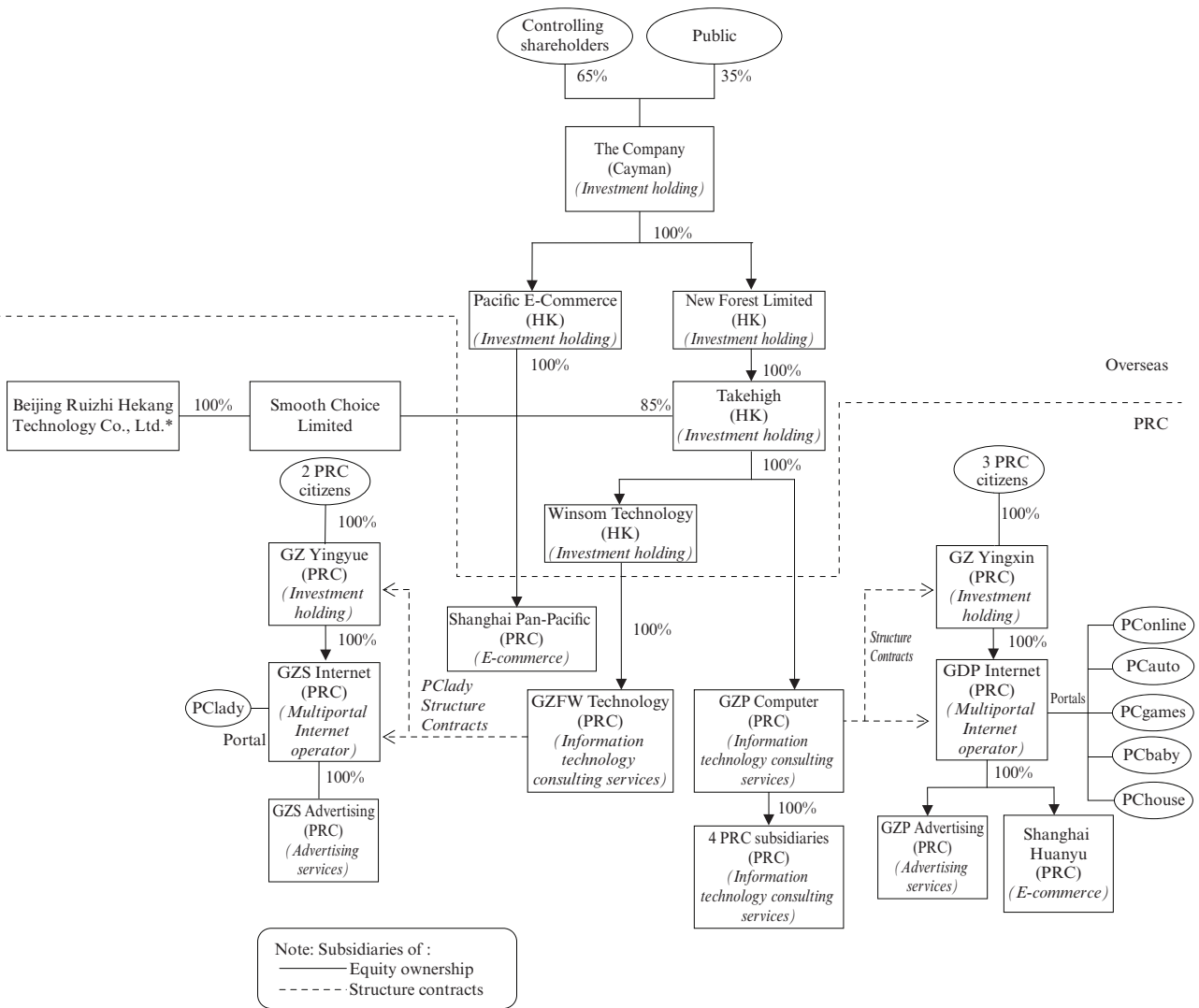
Schedule A

Corporate Structure of the Group before the PClady Structure Contracts



Schedule B

Corporate Structure of the Group after the PClady Structure Contracts



In this announcement, unless the context otherwise requires, the following expressions shall have the following meanings:

“Board”	the board of Directors;
“Call Option Agreements”	the call option agreements entered into between each of the GZ Yingyue Shareholders and GZ Yingyue respectively with GZS Internet and GZFW Technology on 30 June 2015;
“Company”	Pacific Online Limited, a company incorporated in the Cayman Islands with limited liability, the issued shares of which are listed on the Main Board of the Stock Exchange;
“Exclusive Management Consultation Service Agreement”	the exclusive management and exclusive management consultation service agreement entered into between GZFW Technology and GZS Internet on 30 June 2015;
“Director(s)”	the director(s) of the Company;
“Domain Name Pledge Agreement”	the domain name pledge agreement entered into between GZS Internet and GZFW Technology on 30 June 2015;
“Domestic Entities”	GZ Yingyue, GZS Internet and GZS Advertising;
“Equity Pledge Agreements”	the equity pledge agreements entered into between each of the GZ Yingyue Shareholders and GZ Yingyue respectively with GZS Internet and GZFW Technology on 30 June 2015;
“Existing Structure Contracts”	the contracts entered into among GZP Computer, GZ Yingxin, the GZ Yingxin Shareholders and GDP Internet as described in the section headed “Structure Contracts” in the Prospectus;
“GDP Internet”	廣東太平洋互聯網信息服務有限公司 (Guangdong Pacific Internet Information Service Co., Ltd.*), a company incorporated in the PRC with limited liability and wholly owned by GZ Yingxin, which is effectively controlled by the Company through the contractual arrangements under the Existing Structure Contracts;
“Group”	the Company and its subsidiaries from time to time;
“GZ Yingxin”	廣州英鑫計算機科技交流有限公司 (Guangzhou Yingxin Computer Technology Exchange Co., Ltd.*), a company incorporated in the PRC with limited liability that holds 100% of the equity interest of GDP Internet, which is owned as to 40% by Zhang Cong Min, 30% by Lu Wu Qing and 30% by Fan Zeng Chun, being the GZ Yingxin Shareholders, and is effectively controlled by the Company through the contractual arrangement under the Existing Structure Contracts;
“GZ Yingxin Shareholders”	Zhang Cong Min (an executive Director and the chief operating officer of the Group), Lu Wu Qing (the chief administrative officer of the Group) and Fan Zeng Chun (the accounting director of the Group), all of whom are PRC citizens;

“GZ Yingyue”	廣州英悅計算機科技有限公司 (Guangzhou Yingyue Computer Technology Co., Ltd.), a company incorporated in the PRC with limited liability that holds 100% of the equity interest of GZS Internet, which is owned as to 60% by Zhang Cong Min and 40% by Lu Wu Qing, being the GZ Yingyue Shareholders, and is effectively controlled by the Company through the contractual arrangement under the PClady Structure Contracts;
“GZFW Technology”	廣州鋒網信息科技有限公司 (Guangzhou Fengwang Information Technology Co., Ltd.*), a wholly foreign-owned enterprise incorporated in the PRC with limited liability and wholly-owned by the Company;
“GZP Computer”	廣州太平洋電腦信息諮詢有限公司 (Guangzhou Pacific Computer Information Consulting Co., Ltd.*), a wholly foreign-owned enterprise incorporated in the PRC with limited liability and wholly-owned by the Company;
“GZS Advertising”	廣州市尚謹廣告有限公司 (Guangzhou Shangjin Advertisement Co., Ltd.*), a company incorporated in the PRC with limited liability and wholly-owned by GZS Internet;
“GZS Internet”	廣州尚進網絡有限公司 (Guangzhou Shangjin Internet Co., Ltd.*), a company incorporated in the PRC with limited liability and wholly-owned by GZ Yingyue, which is effectively controlled by the Company through the contractual arrangements under the PClady Structure Contracts;
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong;
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China;
“ICP”	Internet content provider
“Listing”	the listing of the Shares of the Company on the main board of the Stock Exchange on 18 December 2007;
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange;
“MIIT”	Ministry of Industry and Information Technology of the PRC (中華人民共和國工業和信息化部)
“Pacific E-Commerce”	Pacific E-Commerce Limited (太平洋在線有限公司), a limited liability company incorporated in Hong Kong and a wholly-owned subsidiary of the Company;
“PClady Structure Contracts”	the contracts entered into among GZFW Technology, GZ Yingyue, the GZ Yingyue Shareholders and GZS Internet as described under the section headed “PClady Structure Contracts” in this announcement;

“Prospectus”	the prospectus of the Company dated 5 December 2007 in relation to the Listing;
“Shanghai Pan-Pacific”	上海環宇太平洋網絡科技諮詢有限公司 (Shanghai Huanyu Pacific Network and Technology Consulting Co., Ltd.*), a company incorporated in the PRC with limited liability and a wholly-owned subsidiary of the Company;
“Share(s)”	ordinary share(s) of HK\$0.01 each in the capital of the Company or if there has been a subsequent subdivision, consolidation, reclassification or reconstruction of the share capital of the Company, shares forming part of the ordinary equity share capital of the Company;
“Shareholder(s)”	holder(s) of Share(s);
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“Strategic Co-operation Agreement”	the strategic co-operation agreement entered into among GZFW Technology, GZS Internet, GZ Yingyue and GZ Yingyue Shareholders on 30 June 2015;
“Takehigh”	Takehigh Industrial Limited (裕向實業有限公司), a company incorporated in Hong Kong and a wholly owned subsidiary of the Company;
“Exclusive Technical Support and Technical Service”	The exclusive technical support and technical service agreement entered into between GZFW Technology and GZS Internet on 30 June 2015;
“Winsom Technology”	Winsom Technology Limited, a company incorporated in Hong Kong with limited liability and an indirect wholly-owned subsidiary of the Company;
“%”	per cent.

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

Hong Kong, 2 July 2015

As at the date of this announcement, the Board comprises 4 executive directors, namely, Dr. Lam Wai Yan, Mr. Ho Kam Wah, Mr. Wang Ta-Hsing and Ms. Zhang Cong Min; and 3 independent non-executive directors, namely, Mr. Tsui Yiu Wa, Alec, Mr. Thaddeus Thomas Beczak and Mr. Chan Chi Mong, Hopkins.