

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



PACIFIC ONLINE LIMITED

太平洋網絡有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 543)

**VOLUNTARY ANNOUNCEMENT —
THE AMENDED AND RESTATED PCONLINE STRUCTURE CONTRACTS
AND
THE AMENDED AND RESTATED PCLADY STRUCTURE CONTRACTS**

On 10 September 2018, Lu Wu Qing, being one of the Existing GZ Yingxin Shareholders and the Existing GZ Yingyue Shareholders entered into the Equity Transfer Agreements with certain New GZ Yingxin Shareholders and New GZ Yingyue Shareholders, pursuant to which Lu Wu Qing agreed to transfer all of her respective equity interests in GZ Yingxin and GZ Yingyue.

The Amended and Restated PConline Structure Contracts and the Amended and Restated PClady Structure Contracts

Due to the transfers contemplated under the Equity Transfer Agreement, on 15 October 2018, GZP Computer, GZ Yingxin, GDP Internet, Lu Wu Qing, and the New GZ Yingxin Shareholders entered into the Termination Agreement (Existing PConline Structure Contracts), pursuant to which the parties thereto agreed that the Existing PConline Structure Contracts shall lapse automatically and the relevant parties shall enter into the Amended and Restated PConline Structure Contracts on the date thereto.

On the same day and immediately after the execution of the Termination Agreement (Existing PConline Structure Contracts), the Amended and Restated PConline Structure Contracts were entered into among GZP Computer, GZ Yingxin, the New GZ Yingxin Shareholders and GDP Internet. Pursuant to the Amended and Restated PConline Structure Contracts, the Company will operate its online business relating to the portals of Pconline, PCauto and PCbody through GZ Yingxin, GDP Internet, GZP Advertising and Shanghai Huanyu.

On the same day, GZFW Technology, GZ Yingyue, GZS Internet, Lu Wu Qing, and the New GZ Yingyue Shareholders entered into the Termination Agreement (Existing PClady Structure Contracts), pursuant to which the parties thereto agreed that the Existing PClady Structure Contracts shall lapse automatically and the relevant parties shall enter into the Amended and Restated PClady Structure Contracts on the date thereto.

On the same day and immediately after the execution of the Termination Agreement (Existing PClady Structure Contracts), the Amended and Restated PClady Structure Contracts were entered into among GZFW Technology, GZ Yingyue, the New GZ Yingyue Shareholders and GZS Internet. Pursuant to the Amended and Restated PClady Structure Contracts, the Company will operate its online business relating to the PClady Portal through GZ Yingyue, GZS Internet and GZS Advertising.

As a result of the Amended and Restated POnline Structure Contracts and the Amended and Restated PClady Structure Contracts, the Group can continue to recognize and receive the economic benefits of the businesses and operations of the Domestic Entities. The Amended and Restated POnline Structure Contracts and 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 in Domestic Entities.

Listing Rules Implications

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 POnline Structure Contracts subject to the Conditions (the “**Conditions**”). The Conditions include, among others, that on the basis that the Existing POnline 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 Amended and Restated POnline Structure Contracts and the Amended and Restated PClady Structure Contracts, though entered into among different parties and with terms in compliance with the more updated and stringent requirements set out in the listing decision handed down by the Stock Exchange subsequent to the Existing POnline Structure Contracts, which are more beneficial to the Shareholders as a whole, have terms and conditions substantially the same as those of the Existing POnline Structure Contracts, they are merely clones of the Existing POnline Structure Contracts. As such, the Directors are of the view that the contractual arrangements underlying the Amended and Restated POnline Structure Contracts and the Amended and Restated PClady Structure Contracts are in compliance with the Conditions under which the Waiver was granted.

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

- the Amended and Restated POnline Structure Contracts and the Amended and Restated 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 Yingxin, GDP Internet, GZ Yingyue and GZS Internet relating to the Amended and Restated POnline Structure Contracts and the Amended and Restated PClady Structure Contracts will be exempt from the continuing connected transaction requirements under Chapter 14A of the Listing Rules.

BACKGROUND

References are made to the Prospectus and the announcements (the “**Announcements**”) of the Company dated 2 July 2015 and 7 August 2018. As disclosed in the section headed “Structure Contracts” in the Prospectus and in the Announcements, 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 multi-portals and online advertising business through GDP Internet, GZS Internet and GZ Shangcong Online, the operating ICP companies, pursuant to the contractual arrangements underlying the Existing POnline Structure Contracts, the Existing PClady Structure Contracts and the PChouse Structure Contracts.

The Group does not have direct ownership of GZ Yingxin, GZ Yingyue and GZ Yingyou, whose sole purpose is to hold the entire interest in GDP Internet, GZS Internet and GZ Shangcong Online respectively. The contractual arrangements under the Existing POnline Structure Contracts, the Existing PClady Structure Contracts and the PChouse

Structure Contracts allow the Group to effectively control GZ Yingxin, GZ Yingyue, GZ Yingyou, GDP Internet, GZS Internet and GZ Shangcong Online and therefore recognize and receive the economic benefits of their businesses and operations.

The Company has sought, and the Stock Exchange has granted or has confirmed, the 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 POnline Structure Contracts, the Existing PClady Structure Contracts and the PChouse Structure Contracts on a number of Conditions.

The corporate structure of the Group under the structure contracts arrangements before the Transfers (as defined below) is set out in Schedule A of this announcement.

THE EQUITY TRANSFER AGREEMENTS AND THE REASONS FOR ENTERING INTO THE AMENDED AND RESTATED PCONLINE STRUCTURE CONTRACTS AND THE AMENDED AND RESTATED PCLADY STRUCTURE CONTRACTS

Since Lu Wu Qing, who is one of the Existing GZ Yingxin Shareholders and the Existing GZ Yingyue Shareholders, has resigned from her position of chief administrative officer of the Group. As such, on 10 September 2018, Ms. Lu Wu Qing entered into the Equity Transfer Agreements to transfer her equity interests in each of GZ Yingxin and GZ Yingyue to other employees of the Group (the "Transfers"). The table below shows the details of the Transfers.

	Shareholders of GZ Yingxin and their respective shareholding in GZ Yinxin	Shareholders of GZ Yingyue and their respective shareholding in GZ Yingyue
<i>Before the Proposed Transfers</i>	<ul style="list-style-type: none"> ● Zhang Cong Min: 40% ● Lu Wu Qing: 30%; and ● Fan Zeng Chun: 30% 	<ul style="list-style-type: none"> ● Zhang Cong Min: 60%; and ● Lu Wu Qing: 40%
<i>After the Proposed Transfers</i>	<ul style="list-style-type: none"> ● Zhang Cong Min: 70%; and ● Fan Zeng Chun: 30% 	<ul style="list-style-type: none"> ● Zhang Cong Ming: 60%; and ● Yang Tian Ying: 40%

Due to the change in shareholding structure in GZ Yingxin and GZ Yingyue subsequent to the Transfers and the fact that Lu Wu Qing previously entered into certain agreements under the Existing PConline Structure Contracts and the Existing PClady Structure Contracts, in her capacity of shareholder of GZ Yingxin and GZ Yingyue respectively, on 15 October 2018, the Termination Agreement (Existing PConline Structure Contracts) and the Termination Agreement (Existing PClady Structure Contracts) were entered into, the principal terms of which are set out as follows:

Termination Agreement (Existing PConline Structure Contracts)

- Parties:**
- (i) GZP Computer
 - (ii) GZ Yingxin
 - (iii) GDP Internet
 - (iv) Lu Wu Qing
 - (v) New GZ Yingxin Shareholders

Subject Matter: The parties agreed that the Existing PConline Structure Contracts shall lapse automatically from the date of signing of the Termination Agreement (Existing PConline Structure Contracts).

The relevant parties to the Termination Agreement (Existing PConline Structure Contracts) shall enter into the Amended and Restated PConline Structure Contracts.

Termination Agreement (Existing PClady Structure Contracts)

- Parties**
- (i) GZFW Technology
 - (ii) GZ Yingyue
 - (iii) GZS Internet
 - (iv) Lu Wu Qing
 - (v) the New GZ Yingyue Shareholders

Subject Matter The parties agreed that the Existing PClady Structure Contracts shall lapse automatically from the date of signing of the Termination Agreement (Existing PClady Structure Contracts).

The relevant parties to the Termination Agreement (Existing PClady Structure Contracts) shall enter into the Amended and Restated PClady Structure Contracts.

The Amended and Restated POnline Structure Contracts were entered into among GZP Computer, GZ Yingxin, the New GZ Yingxin Shareholders and GDP Internet, and the Amended and Restated PClady Structure Contracts were entered into among GZFW Technology, GZ Yingyue, the New GZ Yingyue Shareholders and GZS Internet. The details of the Amended and Restated POnline Structure Contracts and the Amended and Restated PClady Structure Contracts are set out below.

The entering into of the Amended and Restated POnline Structure Contracts and the Amended and Restated PClady Structure Contracts would have the same effect in allowing the Group to effectively control over GZ Yingxin and GDP Internet and over GZ Yingyue and GZS Internet, and to recognize and receive the economic benefits of their businesses and operations as that before the Transfers.

The corporate structure of the Group under structure contracts arrangements after the Transfers is set out in Schedule B of this letter.

DETAILS OF THE AMENDED AND RESTATED PCONLINE STRUCTURE CONTRACTS AND THE AMENDED AND RESTATED PCLADY STRUCTURE CONTRACTS

1. Exclusive Management Consultation Service Agreements

Pursuant to the exclusive management consultation service agreements respectively entered into by (i) GZP Computer and GDP Internet and (ii) GZFW Technology and GZS Internet on 15 October 2018, GZP Computer and GZFW Technology agreed to provide management and consultation services to GDP Internet and GZS Internet respectively 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 respectively from GZP Computer and GZFW Technology, GDP Internet and 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 agreements shall belong to GZP Computer or GZFW Technology accordingly.

Each of the exclusive management consultation service agreements is for a term of 10 years commencing from the date of signing of the agreement, and can be extended at the respective discretion of GZP Computer and GZFW Technology. GZP Computer and GZFW Technology are entitled to unilaterally terminate the exclusive management consultation service agreements. GDP Internet and GZS Internet are not contractually entitled to terminate the exclusive management consultation service agreement.

2. Exclusive Technical Support and Technical Service Agreements

Pursuant to the exclusive technical support and technical service agreements respectively entered into by (i) GZP Computer and GDP Internet and (ii) GZFW Technology and GZS Internet on 15 October 2018, GZP Computer and GZFW Technology agreed to provide certain technical support and technical services to GDP Internet and GZS Internet respectively 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 in providing such services. In addition, without prior written consent respectively from GZP Computer and GZFW Technology, GDP Internet and GZS Internet shall not receive any other technical support or technical services 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 agreements shall belong to GZP Computer or GZFW Technology accordingly.

Each of the exclusive technical support and technical service agreements is for a term of 10 years commencing from the date of signing of the agreement, and can be extended at the discretion of GZP Computer and GZFW Technology. GZP Computer and GZFW Technology are contractually entitled to unilaterally terminate the exclusive technical support and technical service agreements. GDP Internet and GZS Internet are not contractually entitled to terminate the exclusive technical support and technical service agreements.

3. Strategic Co-operation Agreements

Pursuant to the strategic co-operation agreements entered into among (i) GZP Computer, GZ Yingxin, the New GZ Yingxin Shareholders and GDP Internet, and (ii) GZFW Technology, GZ Yingyue, the New GZ Yingyue Shareholders and GZS Internet on 15 October 2018, GZP Computer and GZFW Technology, in their respective sole discretion, may provide guarantee for any obligations undertaken by GDP Internet and GZS Internet respectively in any business-related contracts.

In return, (i) GDP Internet, GZ Yingxin and the GZ New Yingxin Shareholders agreed to appoint or procure to appoint (as applicable) designated representatives of GZP Computer to the management team of GZ Yingxin and GDP Internet respectively and (ii) GZS Internet, GZ Yingyue and the GZ New Yingyue Shareholders agreed to appoint or procure to appoint (as applicable) designated representative of GZFW Technology to the management team of GZ Yingyue and GZS Internet respectively. The “management team” mentioned refer to the positions including but not limited to, the legal representative, directors, general managers, chief financial officer and other senior management. Such arrangement is to prevent Domestic Entities from taking certain actions that may have material adverse effects

on their operations, including incurring any indebtedness, lending or selling or transferring any assets to any third parties, without the respective prior written consent of GZP Computer and GZFW Technology.

Each of the strategic co-operation agreements is for a term of 10 years commencing from the date of signing of the agreement and can be extended at the respective discretion of GZP Computer and GZFW Technology. GZP Computer and GZFW Technology are contractually entitled to terminate the strategic co-operation agreements unilaterally.

4. Domain Name Pledge Agreements

Pursuant to the domain name pledge agreements entered into (i) by GDP Internet in favour of GZP Computer and (ii) by GZS Internet in favour of GZFW Technology on 15 October 2018, GDP Internet and GZS Internet respectively agreed to pledge all of their domain names to GZP Computer and GZFW Technology in order to secure their respective obligations under the exclusive management consultation service agreements, the exclusive technical support and technical service agreements, the strategic cooperation agreements and the call option agreements (as described below). Further, GDP Internet and GZS Internet have undertaken and warranted not to transfer or encumber in any form the domain names without the respective prior written consent of GZP Computer and GZFW Technology.

The domain name pledge agreements can be terminated unilaterally by GZP Computer and GZFW Technology.

5. Call Option Agreements

On 15 October 2018, each of the New GZ Yingxin Shareholders, GZ Yingxin and GDP Internet entered into call option agreements with GZP Computer, pursuant to which:

- (i) GZP Computer are entitled to exercise an exclusive, unconditional and irrevocable option to purchase all or any of the equity interests held by the New GZ Yingxin Shareholders in GZ Yingxin and/or all or any of the equity interests held by GZ Yingxin in GDP Internet at the lowest price permitted under the PRC law;
- (ii) each of the New GZ Yingxin Shareholders and GZ Yingxin has undertaken that they will return to GZP Computer any proceeds they will receive upon the exercise of the aforesaid irrevocable option;
- (iii) each of the New GZ Yingxin Shareholders and GZ Yingxin has warranted and undertaken not to sell, transfer to any third party or encumber his/its respective equity interests in GZ Yingxin and GDP Internet in any form, and each of the New GZ Yingxin Shareholders and GDP Internet has further warranted and

undertaken not to transfer or otherwise dispose of the assets of GZ Yingxin or GDP Internet (as applicable) or enter any agreement which may have adverse effects on the assets or financial condition of GZ Yingxin or GDP Internet (as applicable), without the prior written consent of GZP Computer; and

- (iv) each of the New GZ Yingxin Shareholders and GZ Yingxin agreed to execute an irrevocable power of attorney in favour of the individual appointed by GZP Computer, who will be authorised to exercise full power and authority of all shareholder's rights in GZ Yingxin and GDP Internet respectively as permitted under the respective articles of association as permitted under PRC laws.

On the same day, each of the New GZ Yingyue Shareholders, GZ Yingyue and GZS Internet also entered into call option agreements with GZFW Technology, pursuant to which:

- (i) GZFW Technology are entitled to exercise an exclusive, unconditional and irrevocable option to purchase all or any of the equity interests held by the New GZ Yingyue Shareholders in GZ Yingyue and/or all or any of the equity interests held by GZ Yingyue in GZS Internet at the lowest price permitted under the PRC law;
- (ii) each of the New GZ Yingyue Shareholders and GZ Yingyue has undertaken that they will return to GZFW Technology any proceeds they will receive upon the exercise of the aforesaid irrevocable option;
- (iii) each of the New GZ Yingyue Shareholders and GZ Yingyue warrants and undertakes not to sell, transfer to any third party or encumber his/its respective equity interests in GZ Yingyue and GZS Internet in any form, and each of the New GZ Yingyue Shareholders, GZ Yingyue and GZS Internet has further warranted and undertaken not to transfer or otherwise dispose of the assets of GZ Yingyue or GZS Internet (as applicable) or enter into any agreement which may have adverse effects on the assets or financial condition of GZ Yingyue or GZS Internet (as applicable), without the prior written consent of GZFW Technology; and
- (iv) each of the New GZ Yingyue Shareholders and GZ Yingyue agreed 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 respectively as permitted under the respective articles of association as permitted under PRC laws.

The call option agreements are for an indefinite term commencing from 15 October 2018, being the date of signing the agreements, until being terminated (i) upon transfer of all the equity interest in GZ Yingxin/GDP Internet to GZP Computer or GZ Yingyue/GZS Internet to GZFW Technology; or (ii) by any other agreements between the parties thereto.

6. Equity Pledge Agreements

On 15 October 2018, each of GZ Yingxin, the New GZ Yingxin Shareholders and GDP Internet entered into an equity pledge agreement with GZP Computer, pursuant to which each of the New GZ Yingxin Shareholders and GZ Yingxin agreed to pledge all of his/its equity interests in GZ Yingxin and GDP Internet to GZP Computer to secure all his/its obligations and the obligations of GDP Internet under the exclusive management consultation service agreement, the exclusive technical support and technical service agreement, the strategic co-operation agreement and the call option agreements.

GZP Computer is entitled to exercise the rights to dispose of the pledged equity interest of GZ Yingxin or GDP Internet on the occurrence of any breach of or failure to perform the obligations by any of GZ Yingxin, the New GZ Yingxin Shareholders and GDP Internet under the aforesaid agreements.

In addition, each of the New GZ Yingxin Shareholders and GZ Yingxin has undertaken to GZP Computer among other things, not to transfer the equity interest in GZ Yingxin or GDP Internet, create or allow any pledge thereon that may affect the rights and interests of GZP Computer without its prior written consent.

On 15 October 2018, each of GZ Yingyue, the New GZ Yingyue Shareholders and GZS Internet entered into an equity pledge agreement with GZFW Technology, pursuant to which each of the New GZ Yingyue Shareholders, GZ Yingyue and GZS Internet agreed to pledge all of his/its 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 agreement, the strategic co-operation agreement and the call option agreements.

GZFW Technology is entitled to exercise the rights 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 any of GZ Yingyue, the New GZ Yingyue Shareholders and GZS Internet under the aforesaid agreements.

Each of the New 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 15 October 2018, being the date of signing the agreement, until all agreements (other than the equity pledge agreement) underlying the Amended and Restated POnline Structure Contracts or the Amended and Restated PClady Structure Contracts (as the case may be) have been fulfilled or terminated.

Powers of Attorney

Each of (i) the New GZ Yingxin Shareholders and GZ Yingxin and (ii) the New GZ Yingyue Shareholders and GZ Yingyue has executed a power of attorney on 15 October 2018 pursuant to the terms of the call option agreements. Under each of the powers of attorney, each of (i) the New GZ Yingxin Shareholders and GZ Yingxin and (ii) the New 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 it remains as a shareholder of GZ Yingxin or GDP Internet or GZ Yingyue or GZS Internet, as applicable.

Pursuant to the powers of attorney, each of (i) the New GZ Yingxin Shareholders and GZ Yingxin and (ii) the New GZ Yingyue Shareholders and GZ Yingyue respectively authorised representative(s) appointed by GZP Computer and GZFW Technology to exercise all his/its rights and powers as shareholder of (i) GZ Yingxin or GDP Internet (as applicable) and (ii) GZ Yingyue or GZS Internet (as applicable).

These rights include (i) to exercise voting rights in shareholders' meetings to appoint directors; (ii) to attend board meeting and exercise all rights as a director under the relevant articles of association and the PRC laws; and (iii) all rights entitled as a shareholder under the relevant articles of association and the 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 GZP Computer and GZFW Technology is/are respectively authorised by each of (i) the New GZ Yingxin Shareholders and GZ Yingxin or (ii) the New 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 Yingxin or GDP Internet or GZ Yingyue or GZS Internet, as applicable.

Dispute Resolution

Each of the Amended and Restated POnline Structure Contracts and the Amended and Restated PClady Structure Contracts stipulates that the parties shall negotiate in good faith to resolve the disputes arising from or in relation to the entering, interpretation, implementation and effectiveness of the agreements, failing which any party may submit the said dispute to Shenzhen Court of International

Arbitration (Shenzhen Arbitration Commission) of the PRC 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 Yingxin or GDP Internet or GZ Yingyue or GZS Internet, or order the winding up of GZ Yingxin or GDP Internet or 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 Yingxin or GDP Internet or 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 Yingxin or GDP Internet or GZ Yingyue or GZS Internet.

The Company's PRC legal advisers confirmed that the abovementioned dispute resolution provisions set forth in the Amended and Restated POnline Structure Contracts and the Amended and Restated 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, an arbitral body has no power to grant injunctive relief or winding up order of GZ Yingxin or GDP Internet or GZ Yingyue or GZS Internet. In addition, interim remedies order granted by overseas courts such as Hong Kong or other overseas place may not be recognized or enforced by the PRC courts.

Succession

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

Insurance

The Company does not maintain an insurance policy to cover the risks relating to the contractual arrangements under the Amended and Restated POnline Structure Contracts and the Amended and Restated 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 both the Existing POnline Structure Contracts, the Existing PClady Structure Contracts and the PChouse Structure Contracts.

LEGALITY OF THE AMENDED AND RESTATED PCONLINE STRUCTURE CONTRACTS AND THE AMENDED AND RESTATED 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 6 February 2016, 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 legal advisers of the Company advise 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 Amended and Restated POnline Structure Contracts and the Amended and Restated PClady 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 Amended and Restated POnline Structure Contracts and the Amended and Restated PClady Structure Contracts.

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

- (i) the Company does not hold, directly or indirectly, any equity interest in GZ Yingxin, GDP Internet, GZ Yingyue and GZS Internet; the ownership of each of GZ Yingxin, GDP Internet, GZ Yingyue and GZS Internet, among which, GDP Internet and GZS Internet operate the online advertising businesses, will be in compliance with the existing PRC laws and regulations; the Group's ownership structure, immediately following the entering into the Amended and Restated POnline Structure Contracts and the Amended and Restated PClady Structure Contracts, will not be regarded as violation of the existing PRC laws and regulations;

- (ii) the Amended and Restated POnline Structure Contracts and the Amended and Restated PClady Structure 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;
- (iii) each of the Amended and Restated POnline Structure Contracts and the Amended and Restated 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 the 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;
- (iv) all the ICP licences is held by GDP Internet and GZS Internet; all ICP services to be provided by the Group in relation to the portals of POnline, PCauto and PCbaby will be carried out by GDP Internet only; all ICP services to be provided by the Group in relation to the portal of PClady 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 (i) GZP Computer, GDP Internet, GZ Yingxin and the New GZ Yingxin Shareholders and (ii) GZFW Technology, GZS Internet, GZ Yingyue and the New 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;
- (v) as of the date of this announcement, the PRC legal advisers are not aware of any effective PRC Laws or precedents 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 Amended and Restated POnline Structure Contracts and the Amended and Restated PClady Structure Contracts;
- (vi) the Group’s current business operations under the Existing POnline Structure Contracts, the Existing PClady Structure Contracts and the PChouse Structure Contracts are, and business operations under the Amended and Restated POnline Structure Contracts and the Amended and Restated PClady Structure Contracts will be, in compliance with the relevant PRC laws, rules and regulations in all material respects, subject to certain issues discussed in the section headed “Risk Factors in relation to the Amended and Restated POnline Structure Contracts and the Amended and Restated PClady Structure Contracts” in this announcement; and

- (vii) 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 Amended and Restated POnline Structure Contracts and the Amended and Restated PClady Structure Contracts.

Based on the above, the Directors believe that the the Amended and Restated POnline Structure Contracts and the Amended and Restated PClady Structure Contracts are enforceable under the relevant laws and regulations, subject to certain issued discussed in the section headed “Risk Factors in relation to the Amended and Restated POnline Structure Contracts and the Amended and Restated PClady Structure Contracts” in this announcement.

EFFECTS OF THE AMENDED AND RESTATED PCONLINE STRUCTURE CONTRACTS AND THE AMENDED AND RESTATED PCLADY STRUCTURE CONTRACTS

As a result of the Amended and Restated POnline Structure Contracts and the Amended and Restated PClady Structure Contracts, the Group is able to recognize and receive the economic benefits of the business and operations of the Domestic Entities. The Amended and Restated POnline Structure Contracts and 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 Yingxin Shareholders in GZ Yingxin, the equity interests of GZ Yingxin in, or assets of, GDP Internet, the equity interests of GZ Yingyue Shareholders in GZ Yingyue, and the equity interests of GZ Yingyue in, or assets of, GZS Internet. In summary, the Amended and Restated POnline Structure Contracts and the Amended and Restated PClady Structure Contracts will provide the Company with:

- (i) the right to receive the online advertising revenue received by GDP Internet and GZS Internet from their respective online advertising operations through various commercial arrangements;
- (ii) the right to acquire all the shares in and/or assets of GZ Yingxin, GDP Internet, 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 GZP Computer and GZFW Technology) is able to effectively control the business of GDP Internet and GZS Internet pursuant to the strategic co-operation agreements; and
- (iii) pledge over the entire equity interests in the registered capital of GZ Yingxin, GDP Internet, GZ Yingyue and GZS Internet.

Annual Caps

Both the exclusive technical support and technical service agreements and exclusive management consultation service agreements 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 GZP Company and GZFW Technology in accordance with the strategic cooperation agreements, the Group does not foresee any difficulty in ensuring the Company to derive substantially all economic benefits from the Domestic Entities.

Accordingly, the Amended and Restated POnline Structure Contracts and the Amended and Restated PClady Structure Contracts have been designed to ensure that there will be no limit on the amount of fees payable to the Group thereunder. Therefore, there will be no monetary cap on any agreements under the Amended and Restated POnline Structure Contracts and the Amended and Restated PClady Structure Contracts.

Connected Persons

Upon execution of the Amended and Restated POnline Structure Contracts and the Amended and Restated PClady Structure Contracts, each of (i) GZ Yingxin, GDP Internet and GZP Advertising and (ii) 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 each of (i) GZ Yingxin, GDP Internet and GZP Advertising and (ii) GZ Yingyue, GZS Internet and GZS Advertising and their respective associates will be treated as “connected persons” of the Company under the Listing Rules. Given that the Amended and Restated POnline Structure Contracts and the Amended and Restated PClady Structure Contracts are continuing in nature, transactions between members of the Group and each of (i) GZ Yingxin Shareholders, GZ Yingxin and GDP Internet under the Amended and Restated POnline Structure Contracts and (ii) GZ Yingyue Shareholders, GZ Yingyue and GZS Internet under the Amended and Restated 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 AMENDED AND RESTATED PCONLINE STRUCTURE CONTRACTS, THE AMENDED AND RESTATED PCLADY STRUCTURE CONTRACTS AND THE PCHOUSE 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 Amended and Restated POnline Structure Contracts, the Amended and Restated PClady Structure Contracts and the PChouse Structure Contracts for compliance purposes:

- (i) As the contractual arrangements under the PChouse 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.
- (ii) As the contractual arrangements under Amended and Restated POnline Structure Contracts, the Amended and Restated 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.
- (iii) The Group has retained Hong Kong and PRC legal advisers to advise from time to time regulatory and compliance matters in relation to applicable Hong Kong and PRC laws in respect of the Amended and Restated POnline Structure Contracts, the Amended and Restated PClady Structure Contracts and the PChouse Structure Contracts. If required, extra legal advisers and/or other professionals will be retained to assist the Group to deal with specific issues arising from the Amended and Restated POnline Structure Contracts, the Amended and Restated PClady Structure Contracts and the PChouse Structure Contracts and to ensure that their operation and implementation will comply with applicable laws and regulations.
- (iv) The independent non-executive Directors of the Company will review the Amended and Restated POnline Structure Contracts, the Amended and Restated PClady Structure Contracts and the PChouse Structure Contracts on annual basis and their confirmation will be disclosed in the annual report of the Group.
- (v) The auditor of the Company will be 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.

- (vi) 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 the New GZ Yingxin Shareholders/GZ Yingxin/the New GZ Yingyue Shareholders/GZ Yingyue/GZ Yingyou Shareholders/GZ Yingyou pursuant to the relevant power of attorney under the Amended and Restated POnline Structure Contracts, the Amended and Restated PClady Structure Contracts or the PChouse 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 AMENDED AND RESTATED PCONLINE STRUCTURE CONTRACTS AND THE AMENDED AND RESTATED PCLADY STRUCTURE CONTRACTS

If the PRC government finds that the Amended and Restated POnline Structure Contracts and the Amended and Restated 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 the Cayman Islands and its wholly-owned PRC subsidiaries, GZP Computer and GZFW Technology, are considered as foreign-invested enterprises. 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 the portals of POnline, PCauto, PCbaby and PClady 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 their operations through the Amended and Restated POnline Structure Contracts and the Amended and Restated PClady Structure Contracts.

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) (the "MIIT Circular"), which reiterated restrictions on foreign investment in telecommunications businesses. Under the MIIT Circular, 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 under the Amended and Restated POnline Structure Contracts and the Amended and

Restated 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 Circular.

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 6 February 2016, 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 regarding what constitutes "a good track record". As such, the PRC legal advisers of the Company take the view that the details of such requirements 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 advisers, 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 other overseas place 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 Amended and Restated POnline Structure Contracts and the Amended and Restated PClady Structure Contracts are valid and legally binding and do not result in any violation of existing PRC laws and regulations; and (iii) the Amended and Restated POnline Structure Contracts and the Amended and Restated 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 that the PRC government or judicial authorities would agree that the Group's corporate structure under the Amended and Restated POnline Structure Contracts and the Amended and Restated 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:

- (i) requiring the nullification of the Amended and Restated POnline Structure Contracts and the Amended and Restated PClady Structure Contracts;

- (ii) levying fines and/or confiscating the proceeds generated from the operations under the Amended and Restated POnline Structure Contracts and the Amended and Restated PClady Structure Contracts;
- (iii) revoking the business licenses or operating licenses of GDP Internet and/or GZP Computer and/or GZS Internet and/or GZFW Technology;
- (iv) discontinuing or placing restrictions or onerous conditions on the business operations of GDP Internet and/or GZP Computer and/or GZS Internet and/or GZFW Technology;
- (v) imposing conditions or requirements which the Company may not be able to comply with or requiring the Company to undergo a costly and disruptive restructuring; and
- (vi) taking other regulatory or enforcement actions that could be harmful to, or even result in the shutdown of, the relevant business under the Amended and Restated POnline Structure Contracts and the Amended and Restated PClady Structure Contracts.

The imposition of any of the above-mentioned consequences could result in material 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 Amended and Restated POnline Structure Contracts and the Amended and Restated PClady Structure Contracts to control and obtain the economic benefits from Domestic Entities, 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 Amended and Restated POnline Structure Contracts and the Amended and Restated PClady Structure Contracts rather than equity ownership of GDP Internet and GZS Internet, the Group's operating entities in the PRC and the holders of the key licenses required to operate its business in the PRC.

However, the Amended and Restated POnline Structure Contracts and the Amended and Restated PClady Structure Contracts may not be as effective as in exercising direct control over GDP Internet, GZ Yingxin, GZS Internet or GZ Yingyue as equity ownership. For example, GDP Internet, GZ Yingxin and the New GZ Yingxin Shareholders could breach or fail to perform their obligations under the Amended and Restated POnline Structure Contracts. If the Company has direct ownership of GDP Internet or GZ Yingxin, 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 Amended and Restated POnline Structure Contracts, the Company would need to rely on GZP Computer's rights under the strategic co-operating agreement, exclusive management consultation service agreement, exclusive technical support and technical service agreement and powers of attorney to effect such changes, or designate new shareholders for GDP Internet under the call option agreement.

For example, if GDP Internet or GZ Yingxin or the New GZ Yingxin Shareholders breached their obligations under the Amended and Restated POnline Structure Contracts or if the Company loses the effective control over GDP Internet or GZ Yingxin for any reason, the Company would need to bring a claim against them under the terms of the Amended and Restated POnline Structure Contracts. The Amended and Restated POnline Structure Contracts are governed by the PRC law and provide that any dispute arising from these arrangements will be submitted to the Shenzhen Court of International Arbitration (Shenzhen Arbitration Commission) in the PRC for arbitration, the ruling of which will be final and binding. Furthermore, personal liabilities of the New GZ Yingxin Shareholders may also be subject to the equity interest they hold in GZ Yingxin to court preservation actions or enforcement.

The legal framework and system in the PRC, particularly those relating to arbitration proceedings, involves 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 Amended and Restated POnline Structure Contracts and the Amended and Restated PClady Structure Contracts and exert effective control over the Domestic Entities. If GDP Internet or GZ Yingxin or the New GZ Yingxin Shareholders or GZS Internet or GZ Yingyue or the New GZ Yingyue Shareholders fail to perform their respective obligations under the Amended and Restated POnline Structure Contracts and the Amended and Restated PClady Structure Contracts, and the Group is unable to enforce the Amended and Restated POnline Structure Contracts and the Amended and Restated PClady Structure Contracts, or suffer significant delay or other obstacles in the process of enforcing the Amended and Restated POnline Structure Contracts and the Amended and Restated PClady Structure Contracts, the business and operations of the Group could be severely disrupted, which could adversely affect its results of operations.

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

The New GZ Yingxin Shareholder and the New GZ Yingyue Shareholders are also Director or officers of the Group. Zhang Cong Min, Fan Zeng Chun and Yang Tian Ying are the executive Director and chief operating officer of the Group, the vice president of finance of the Group and the assistant to the chief executive officer of the Company respectively. Conflicts of interest between their dual roles in the Company and in GZ Yingxin or in the GZ Yingyue may arise.

Protections over potential conflicts of interest between these individuals and the Company exist under the Amended and Restated POnline Structure Contracts and the Amended and Restated PClady Structure Contracts. Pursuant to the call option agreements, the Company has the option to (i) purchase or to designate a third party to purchase the equity interests of GZ Yingxin and 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 GDP Internet and GZS Internet at such minimum purchase price permitted under PRC laws and regulations. Each of the New GZ Yingxin Shareholders and the New GZ Yingyue Shareholders has executed the powers of attorney to authorize any individual(s) appointed by GZP Computer and GZFW Technology to exercise all of their rights and powers as shareholders of GZ Yingxin or GDP Internet or GZ Yingyue or GZS Internet. Each of the individuals appointed by GZP Computer or 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 or its legally-held subsidiaries and the relevant 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 Yingxin or GDP Internet or GZ Yingyue or GZS Internet to breach or refuse to renew the Amended and Restated POnline Structure Contracts and the Amended and Restated 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 New GZ Yingxin Shareholders or the New 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 subjecting it to substantial uncertainty as to the outcome of any such legal proceedings. These uncertainties may impede the Company's ability to enforce the Amended and Restated POnline Structure Contracts and the Amended and Restated 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 Amended and Restated POnline Structure Contracts and the Amended and Restated PClady Structure Contracts may not be enforceable under the PRC laws.

The Amended and Restated POnline Structure Contracts and the Amended and Restated PClady Structure Contracts provide for dispute resolution by way of arbitration in accordance with the arbitration rules of the Shenzhen Court of International Arbitration (Shenzhen Arbitration Commission) in the PRC and they 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 Amended and Restated POnline Structure Contracts and the Amended and Restated 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 Amended and Restated POnline Structure Contracts and the Amended and Restated PClady Structure Contracts 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.

Potential economic risks of Company.

Because of the arrangements under the Amended and Restated POnline Structure Contracts and the Amended and Restated PClady Structure Contracts, the financial results of the Domestic Entities will be consolidated into the financial statements of the Group, and it is likely that the Company's business and financial position will be affected if any of the Domestic Entities suffers losses or fails to obtain the requisite licences and approvals to continually operate its business in the PRC.

Besides, pursuant the strategic co-operation agreements, each of GZP Computer and GZFW Technology may, at its own discretion and only to the extent permissible under the PRC laws, provide guarantee for any obligations undertaken by GDP Internet and GZS Internet respectively in any business-related contract, whether or not the latter actually incur any such operational loss.

GZP Computer and GZFW Technology's ability to acquire the respective entire equity interests in (i) GZ Yingxin and/or GDP Internet and (ii) GZ Yingyue and/or GZS Internet (the "Target Company(ies)") may be subject to the limitations and substantial costs.

In case GZP Computer or GZFW Technology exercises its options to acquire all or part of the equity interests in the Target Company(ies), as applicable, under the call option agreements, the acquisition of the entire equity interests in the Target Company(ies), as applicable, may only be conducted to the extent as permitted by the applicable PRC laws and will be subject to necessary approvals and relevant procedures under applicable PRC laws. In addition, the abovementioned acquisition may be required to be subject to an appraised value for the entire equity interests of the Target Company(ies) (rather than a nominal price) or other limitations as imposed by applicable PRC laws. Further, a substantial amount of other costs or expenses (such as income tax imposed on the shareholder(s) of the Target Company(ies)) and time may be involved in transferring the ownership of the Target Company(ies).

The Amended and Restated POnline Structure Contracts and the Amended and Restated PClady Structure Contracts may be subject to the scrutiny of the PRC tax authorities and additional tax may be imposed.

The Amended and Restated POnline Structure Contracts and the Amended and Restated PClady Structure Contracts may be subject to scrutiny of the PRC tax authorities and additional tax may be imposed on GZP Computer and GZFW Technology. GZP Computer and GZFW Technology may face adverse tax consequences if the PRC tax authorities determine that the Amended and Restated POnline Structure Contracts and the Amended and Restated PClady Structure Contracts were not entered into based on arm's length negotiations. If the PRC tax authorities determine that the Amended and Restated POnline Structure Contracts and the Amended and Restated PClady Structure Contracts were not entered into on an arm's length basis, they may adjust the income and expenses of GZP Computer and GZFW Technology and the Target Company(ies) for the PRC taxation purposes, which could result in higher tax liabilities on GZP Computer and GZFW Technology or the Target Company(ies). The operation results of GZP Computer and GZFW Technology may be materially adversely affected if the tax liabilities of GZP Computer and GZFW Technology or the Target Company(ies) increase significantly or if they are required to pay interest on late payments.

Risks in relation to the Draft PRC Foreign Investment Law.

Article 149 of Foreign Investment Law of the PRC (Draft for Comments) (the “**Draft PRC Foreign Investment Law**”) which was promulgated by the Ministry of Commerce of the PRC on 9 January 2015 stipulates the legal liabilities for foreign investors and/or foreign-invested enterprises when circumventing the Draft PRC Foreign Investment Law by multi-level re-investment, agreement-based control or any other means. However, as at the date of the announcement, the Draft PRC Foreign Investment Law is only a draft from the Ministry of Commerce of the PRC for public comments without any legal effect. Therefore, the Draft PRC Foreign Investment Law will not have any adverse effect on the Amended and Restated POnline Structure Contracts and the Amended and Restated PClady Structure Contracts and the transactions contemplated thereunder at present. In spite of the case aforementioned, there can be no assurance that the relevant government authority would deem the the Amended and Restated POnline Structure Contracts and the Amended and Restated PClady Structure Contracts to be in compliance with the licensing, registration or other regulatory requirements, or that the legal requirements or policies that may be adopted under the enacted version of the Draft Foreign Investment Law (if there will be such enactment) would not affect the Amended and Restated POnline Structure Contracts and the Amended and Restated PClady Structure Contracts and contractual arrangements contemplated thereunder.

DIRECTORS' VIEW ON THE AMENDED AND RESTATED PCONLINE STRUCTURE CONTRACTS AND THE AMENDED AND RESTATED PCLADY STRUCTURE CONTRACTS

None of the New GZ Yingxin Shareholders or the New GZ Yingyue Shareholders will receive any financial benefit under the Amended and Restated POnline Structure Contracts and the Amended and Restated PClady Structure Contracts despite their respective equity interests in GZ Yingxin and GZ Yingyue. Furthermore, the Amended and Restated POnline Structure Contracts and the Amended and Restated PClady Structure Contracts do not anticipate any payment or consideration passing from the Group to either GZ Yingxin and/or GDP Internet and/or GZ Yingyue and/or GZS Internet. Under the Amended and Restated POnline Structure Contracts and the Amended and Restated PClady Structure Contracts, GDP Internet and GZS Internet will agree to pay fees to GZP Computer and GZFW Technology respectively 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 Amended and Restated POnline Structure Contracts and the Amended and Restated PClady Structure Contracts, taken as a whole, are on fair and reasonable terms and in the interests of the Shareholders as a whole.

LISTING RULES IMPLICATIONS

The Directors are of the view that pursuant to the Conditions and on the basis that the Amended and Restated POnline Structure Contracts and the Amended and Restated PClady Structure Contracts, though entered into among different parties, have terms and conditions substantially the same as those of the Existing POnline Structure Contracts, they are therefore merely clones of the Existing POnline Structure Contracts.

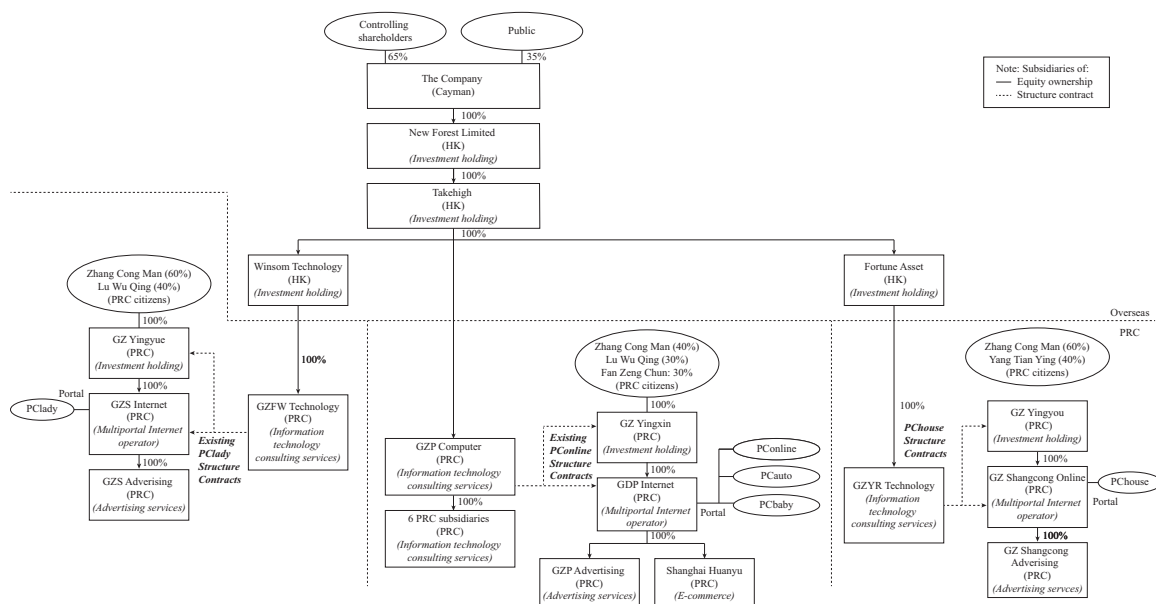
Other than the differences in the parties thereto, the differences between the the Amended and Restated POnline Structure Contracts and the Amended and Restated PClady Structure Contracts, and the Existing POnline Structure Contracts are only due to the voluntary compliance with the more updated and stringent requirements set out in the listing decision handed down by the Stock Exchange subsequent to the entering into the Existing POnline Structure Contracts, which are more beneficial to the Shareholders as a whole. As such, the Directors are of the view that the contractual arrangements underlying the Amended and Restated POnline Structure Contracts and the Amended and Restated PClady Structure Contracts are in compliance with the Conditions under which the Waiver was granted in respect of the Existing POnline Structure Contracts.

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

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

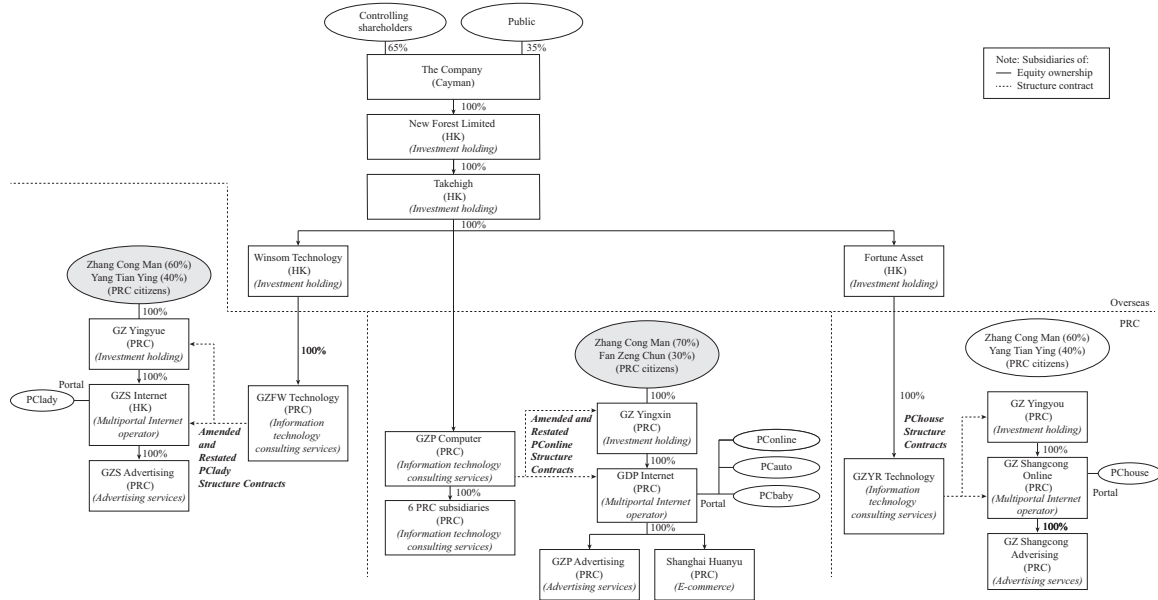
Schedule A

Corporate Structure of the Group before the Equity Transfer Agreements (*This chart shows the structure contracts-related entities only)



Schedule B

Corporate Structure of the Group after the Equity Transfer Agreements (*This chart shows the structure contracts-related entities only)



DEFINITIONS

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

“Amended and Restated PClady Structure Contracts”	the contracts dated 15 October 2018 entered into among GZFW Technology, GZ Yingyue, the New GZ Yingyue Shareholders and GZS Internet as described in this announcement;
“Amended and Restated POnline Structure Contracts”	the contracts dated 15 October 2018 entered into among GZP Computer, GZ Yingxin, the New GZ Yingxin Shareholders and GDP Internet as described in this announcement;
“Board”	the board of Directors;
“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;
“Director(s)”	the director(s) of the Company;
“Domestic Entities”	GZ Yingxin, GDP Internet, GZP Advertising, Shanghai Huanyu, GZ Yingyue, GZS Internet, and GZS Advertising;
“Equity Transfer Agreements”	collectively (1) the equity transfer agreement dated 10 September 2018 entered into between Zhang Cong Min and Lu Wu Qing in relation to the transfer of Lu Wu Qing’s equity interest in GZ Yingxin to Zhang Cong Min, and (2) the equity transfer agreement dated 10 September 2018 entered into between Lu Wu Qing and Yang Tian Ying in relation to the transfer of Lu Wu Qing’s equity interest in GZ Yingyue to Yang Tian Ying;
“Existing GZ Yingxin Shareholders”	Zhang Cong Min (an executive Director and the chief operating officer of the Group), Lu Wu Qing (the then chief administrative officer of the Group) and Fan Zeng Chun (the vice president of finance of the Group), all of whom are PRC citizens;
“Existing GZ Yingyue Shareholders”	Zhang Cong Min (an executive Director and the chief operating officer of the Group), Lu Wu Qing (the then chief administrative officer of the Group), all of whom are PRC citizens;
“Existing PClady Structure Contracts”	the contracts entered into among GZFW Technology, GZ Yingyue, the Existing GZ Yingyue Shareholders and GZS Internet, details of which are set out in the announcement of the Company dated 2 July 2015;

“Existing POnline Structure Contracts”	the contracts entered into among GZP Computer, GZ Yingxin, the Existing 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 POnline Structure Contracts/Amended and Restated POnline Structure Contracts;
“Group”	the Company and its subsidiaries from time to time;
“GZ Shangcong Online”	廣州尚聰網絡技術有限公司 (Guangzhou Shangcong Online Technology Co., Ltd.*), a company incorporated in the PRC with limited liability and wholly-owned by GZ Yingyou, which is effectively controlled by the Company through the contractual arrangements under the PChouse Structure Contracts;
“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 which is owned, as at the date of this announcement, as to 70% by Zhang Cong Min and 30% by Fan Zeng Chun, being the New GZ Yingxin Shareholders, and is effectively controlled by the Company through the contractual arrangement under the Existing POnline Structure Contracts/Amended and Restated POnline Structure Contracts;
“GZ Yingyou”	廣州英佑信息科技有限公司 (Guangzhou Yingyou Information Technology Co., Ltd.*), a company incorporated in the PRC with limited liability that holds 100% of the equity interest of GZ Shangcong Online, which is owned, as at the date of this announcement, as to 60% by Zhang Cong Min, 40% by Yang Tian Ying, being the GZ Yingyou Shareholders, and is effectively controlled by the Company through the contractual arrangement under the PChouse Structure Contracts;
“GZ Yingyou Shareholders”	Zhang Cong Min (an executive Director and the chief operating officer of the Group), Yang Tian Ying (an assistant to the chief executive officer of the Company), 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 which is owned, as at the date of this announcement, as to 60% by Zhang Cong Min and 40% by Yang Tian Ying, being the New GZ Yingyue Shareholders, and is effectively controlled by the Company through the contractual arrangement under the Existing PClady Structure Contracts/ Amended and Restated 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 Advertising”	廣州市太平洋廣告有限公司 (Guangzhou Pacific Advertising Co., Ltd.*), a limited liability company incorporated in the PRC and a wholly-owned subsidiary of GDP Internet;
“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 Advertising 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/Amended and Restated PClady Structure Contracts;
“GZYR Technology”	廣州裕睿信息科技有限公司 (Guangzhou Yurui Information Technology Co., Ltd.*), a wholly foreign-owned enterprise incorporated in the PRC with limited liability and wholly-owned by the Company;
“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);
“New GZ Yingxin Shareholders”	Zhang Cong Min (an executive Director and the chief operating officer of the Group) and Fan Zeng Chun (the vice president of finance of the Group), all of whom are PRC citizens;
“New GZ Yingyue Shareholders”	Zhang Cong Min (an executive Director and the chief operating officer of the Group) and Yang Tian Ying (an assistant to the chief executive officer of the Company), all of whom are PRC citizens;
“PChouse Structure Contracts”	the contracts entered into among GZYR Technology, GZ Yingyou, the GZ Yingyou Shareholders and GZ Shangcong Online, details of which are set out in the announcement of the Company dated 7 August 2018;
“PRC”	the People’s Republic of China, which for the purpose of this announcement only, excludes the Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan;
“Prospectus”	the prospectus of the Company dated 5 December 2007 in relation to the Listing;
“Shanghai Huanyu”	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 GDP Internet;
“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;

“Termination Agreement (Existing PClady Structure Contracts)”	the termination agreement dated 15 October 2018 in relation to the Existing PClady Structure Contracts entered into among GZFW Technology, GZ Yingyue, GZS Internet, Lu Wu Qing and the New GZ Yingyue Shareholders, details of which are set out in this announcement;
“Termination Agreement (Existing POnline Structure Contracts)”	the termination agreement dated 15 October 2018 in relation to the Existing POnline Structure Contracts entered into among GZP Computer, GZ Yingxin, GDP Internet, Lu Wu Qing, and the New GZ Yingxin Shareholders, details of which are set out in this announcement;
“%”	per cent.

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

Hong Kong, 16 October 2018

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. Lam Wai Hon, Ambrose.

* *For identification purposes only.*