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# HC INTERNATIONAL, INC.
# 慧聰網有限公司*

*(incorporated in the Cayman Islands with limited liability)*

**(GEM Stock Code: 8292)**

**(Main Board Stock Code: 2280)**

## TRANSFER OF LISTING FROM THE GROWTH ENTERPRISE MARKET TO THE MAIN BOARD OF THE STOCK EXCHANGE OF HONG KONG LIMITED

On 15 April 2014, an application was made by the Company to the Stock Exchange for the transfer of listing of all the Shares in issue from GEM to the Main Board. The Company has applied for the listing of, and permission to deal in, (i) all Shares in issue; and (ii) all Shares which may fall to be issued upon exercise of the outstanding share options which were granted under the GEM Share Option Scheme, on the Main Board by way of transfer of listing from GEM to the Main Board. The approval-in-principle has been granted by the Stock Exchange on 25 September 2014 for the Shares to be listed on the Main Board and de-listed from GEM, according to Rule 9A.09(6) of the Main Board Listing Rules.

All pre-conditions for the Transfer of Listing as set out in Rule 9A.02 of the Main Board Listing Rules have been fulfilled in relation to the Company and the Shares.

The last day of dealings in the Shares on GEM (Stock code: 08292) will be Thursday, 9 October 2014. Dealing in the Shares on the Main Board (Stock code: 02280) will commence at 9:00 a.m. on Friday, 10 October 2014.

The Transfer of Listing will have no effect on the existing share certificates in respect of the Shares which will continue to be good evidence of legal title and be valid for trading, settlement and registration purposes and will not involve any transfer or exchange of the existing share certificates. Currently, the Shares have a board lot size of 2,000 Shares each and are traded in Hong Kong dollars. No change will be made to the Chinese and English stock short names, the existing share certificates, the board lot size, trading currency of the Shares and the Hong Kong branch share registrar and transfer office of the Company in connection with the Transfer of Listing.

* *For identification purposes only*

Reference is made to the announcement issued by the Company dated 15 April 2014 in relation to the formal application submitted to the Stock Exchange for the Transfer of Listing under the transfer of listing arrangement pursuant to the relevant provisions of the GEM Listing Rules and the Main Board Listing Rules.

## TRANSFER OF LISTING OF THE SHARES FROM GEM TO THE MAIN BOARD

On 15 April 2014, an application was made by the Company to the Stock Exchange for the transfer of listing of all the Shares in issue from GEM to the Main Board. The Company has applied for the listing of, and permission to deal in, (i) all Shares in issue; and (ii) all Shares which may fall to be issued upon exercise of the outstanding share options which were granted under the GEM Share Option Scheme, on the Main Board by way of transfer of listing from GEM to the Main Board. As at the date of this announcement, the Company has (i) 662,816,618 Shares in issue, and (ii) 37,221,000 Shares may fall to be issued upon exercise of the outstanding share options which were granted under the GEM Share Option Scheme. The approval-in-principle has been granted by the Stock Exchange on 25 September 2014 for the Shares to be listed on the Main Board and de-listed from GEM, according to Rule 9A.09(6) of the Main Board Listing Rules.

All pre-conditions for the Transfer of Listing as set out in Rule 9A.02 of the Main Board Listing Rules have been fulfilled in relation to the Company and the Shares.

## BUSINESS OF THE GROUP

The Company has been listed on GEM since 17 December 2003. The Group is one of the leading business-to-business (B2B) e-commerce operators in the PRC according to a report from Enfodesk (易觀智庫). The Group aims to provide business information to facilitate buyers and sellers in the commercial world to disseminate and/or obtain such information to assist them in locating and matching their counterparties and to make business decisions. Currently, the Group has four business segments, namely: (i) on-line services, (ii) trade catalogues and yellow page directories, (iii) seminars, and other services and (iv) B2B household electrical appliances business exhibition centre.

### On-line services

The Group provides its on-line services mainly through the platform of "hc360.com", on which business information is collected and disseminated with an aim to facilitate the location and matching of buyers and sellers. The on-line platform is further divided by industries (such as household appliances, machineries and home decoration, etc.) to assist users by providing information and updates of the relevant industries.

The Group currently derives revenues from its on-line services through receiving subscription fee from users subscribing for fee-charging services provided on the platform.

Principal on-line services provided by the Group includes, among others, Mai-Mai-Tong and Biao-Wang search, etc..

For the years ended 31 December 2011, 2012 and 2013, revenue generated from on-line services of the Group represents approximately 59%, 75% and 83% of the total revenue of the Group, respectively.

**Mai-Mai-Tong (買賣通)** is the principal B2B product of the Group. Users subscribing for Mai-Mai-Tong have access to a range of services (free or fee-charging), which varies based on the category of memberships subscribed. Currently, Mai-Mai-Tong offers free subscription and fee-paying membership (with subscription fee varies based on services attached). After registering for Mai-Mai-Tong, users may establish its on-line storefront on the Group's online platform, on which they may disseminate information subject to vetting of the Group for promotion of its products and services. Users may join industry portals on the platform, and may view messages disseminated by counterparties on the platform. Other functions (free or fee-charging) provided to Mai-Mai-Tong users include precise search, Biao-Wang search, Cai-Gou-Tong, demand quick match, integrated e-commerce services (such as industry news access, on-line trade meeting and smart shop backend). The Group also engages third parties institutions to provide identity certification to fee-paying enterprises members of Mai-Mai-Tong. Services of Mai-Mai-Tong may be offered to users alone or together with other value-added services (for example, Biao-Wang search) as a package.

The Group currently derives revenue from Mai-Mai-Tong by charging subscription fee from users on a pre-paid basis periodically.

The Group is not a party to contracts or agreements for sale and purchase of products or services entered into between buyers and sellers via the Group's on-line platform.

**Search product**, operated under the brand "**Biao-Wang (標王)**", is one of the key value-added services provided to fee-paying Mai-Mai-Tong users. It provides keyword search result services to users through improving and prioritizing users' page links/products' ranking and providing scrolling display on the Group's platform upon search of specify keywords.

The Group currently derives revenue from its search products by charging services fee on a periodical basis per keyword. Such fixed fees are determined based on the ranking and display position on the Group's platform, and are being charged on a pre-paid basis upon entering into of service contract with users, without regard to number of hits.

Other services provided to Mai-Mai-Tong users includes, among others, HuiFuBao (慧付寶) and HC-Minsheng e-Loan Credit Card.

***HuiFuBao (慧付寶)*** is service provided to Mai-Mai-Tong users with an aim to assist transaction between buyers and sellers of the on-line platform. Currently, the Group does not derive any revenue or charge buyers or sellers for use of HuiFuBao service.

HuiFuBao operates through the operation and cooperation pursuant to a payment services agreement (支付服務協議) and a transaction funding escrow services cooperation agreement (交易資金監管服務合作協議), principal terms of which are summarized below:

(a) Pursuant to a payment services agreement (支付服務協議) entered into between Beijing HC International and Xunfu Information Technology Co., Ltd. (迅付信息科技有限公司) ("**Xunfu Information**") (a company established in the PRC with limited liability, and which is a third party independent of the Company and its connected persons) dated 1 August 2013, Xunfu Information provides on-line (or off-line) payment services to Beijing HC International, and Beijing HC International can choose various means of payment services provided by Xunfu Information.

(b) Pursuant to a transaction funding escrow services cooperation agreement (交易資金監管服務合作協議) entered into between Beijing HC International and China Everbright Bank Co., Ltd. Beijing Branch (中國光大銀行股份有限公司北京分行) (established in the PRC with limited liability, and which is a third party independent of the Company and its connected persons) ("**CEB Bank**") dated 14 December 2012 (as supplemented by a supplemental agreement dated 29 December 2012), CEB Bank provides transaction fund escrow services and ancillary financial services to Beijing HC International (including primarily, funding transfer, escrow services on transaction caution money (交易保證金) for buyers and sellers on the platform of Beijing HC International). On the other hand, Beijing HC International shall establish an account with CEB Bank for pooling of transaction deposits. CEB Bank will direct transfer of funding to or from such account (which shall only be made by transfer but not by cash) upon receiving instruction from Beijing HC International and from users who undergo identity certification process. The cooperation agreement shall be valid for two years.

The PRC Legal Advisers are of the opinion that the aforesaid agreements and the operation of HuiFuBao do not violate PRC laws, rules and regulations.

HuiFuBao is part of services provided to Mai-Mai-Tong fee-paying users, and its operations currently rely on services from Xunfu Information and CEB Bank. Dissatisfaction of the Group's users on HuiFuBao may have a material adverse impact on other services offered by the Group, and may damage the Group's reputation. HuiFuBao may expose the Group to risks associated with the Group's on-line business as further set out in the paragraph headed "*Risks associated with its on-line business*" in this announcement below.

In face of such risks, the Group has established its own information technology department, and has adopted and implemented security and precautionary measures, including among others, setting up of firewalls, anti-virus measures, data backup and encryption, etc. in cooperation with Huicong Construction. The Group also implements measures on vetting and review of internet content of users, and third party certification companies are engaged to conduct identity certification for fee-paying Mai-Mai-Tong users.

***HC-Minsheng e-Loan Credit Card*** ("**Credit Card**") refers to a cooperation project between the Group and China Minsheng Banking Corp., Ltd. (中國民生銀行股份有限公司) ("**Minsheng Bank**") pursuant to a strategic cooperation agreement dated 4 February 2013 (as supplemented by a supplemental agreement entered into on the same day) ("**Cooperation Agreement**") entered into between Beijing HC International and Credit Card Centre of China Minsheng Banking Corp., Ltd. (中國民生銀行股份有限公司信用卡中心). The Credit Card serves as a value-added service to Mai-Mai-Tong users, by which they may apply to Minsheng Bank for the Credit Card. The Group will provide to Minsheng Bank for Minsheng Bank's verification work, on the applicant's behalf, information of applicant (including the years of membership and background information, and the information of applicant maintained by the Group, including identity certification) if such applicant meets the minimum requirements which may be stipulated by Minsheng Bank from time to time (for example, currently, only information of applications by fee-paying Mai-Mai-Tong users who have been joining for not less than two years (at least one year of which is fee-charging membership, as required by Minsheng Bank, subject to any subsequent change of policies by Minsheng Bank) will be provided by the Group).

The Cooperation Agreement has a term of two years. Pursuant to the Cooperation Agreement, among other things, Minsheng Bank is entitled to set standard for admittance and granting of facilities, and it is entitled to determine whether to issue the Credit Card, its term and credit limit based on applicants' credit status. Rights of interpretation for determination of issue of Credit Card and determination of credit limit belong to Minsheng Bank. Minsheng Bank shall be responsible for all liabilities in the event of failure of performance by it of its obligations towards holders of the Credit Cards, and Beijing HC International shall not be liable for any disputes between Minsheng Bank and applicant/cardholder for failure of Minsheng Bank to perform its services.

Under the Cooperation Agreement, Beijing HC International shall provide to Minsheng Bank information to allow it to proceed with the approval of credit facilities promptly. Market promotion fee has been paid to the Group upon entering into of the Cooperation Agreement, and the Group will receive fee from successful referral application for the Credit Cards.

The Group faces a risk of over-promising by the sales representatives in respect of the Credit Card, which may cause customer's dissatisfaction in the event application for the Credit Card by Mai-Mai-Tong users being turned down by Minsheng Bank. To mitigate such risk, the Group has imposed strict ban on over-promising by sales representatives. In the Group's service contracts with sales representatives, it is expressly stated that the Group's responsibility is to provide on applicant's behalf information stipulated by Minsheng Bank, and final approval of acceptance or rejection of application for Credit Card is at Minsheng Bank's sole discretion. Since 2014, the Group has been continuing to strengthen internal controls on over-promising by its sales representatives. Currently, only fee-paying Mai-Mai-Tong users who have been joining for not less than two years (at least one year of which is fee-charging membership) may apply for the Credit Cards, subject to any subsequent change of policies by Minsheng Bank.

Upon consultation with the PRC Legal Advisers, the Directors consider that the Group's services performed under the Cooperation Agreement with Minsheng Bank are not subject to any licensing requirements in the PRC.

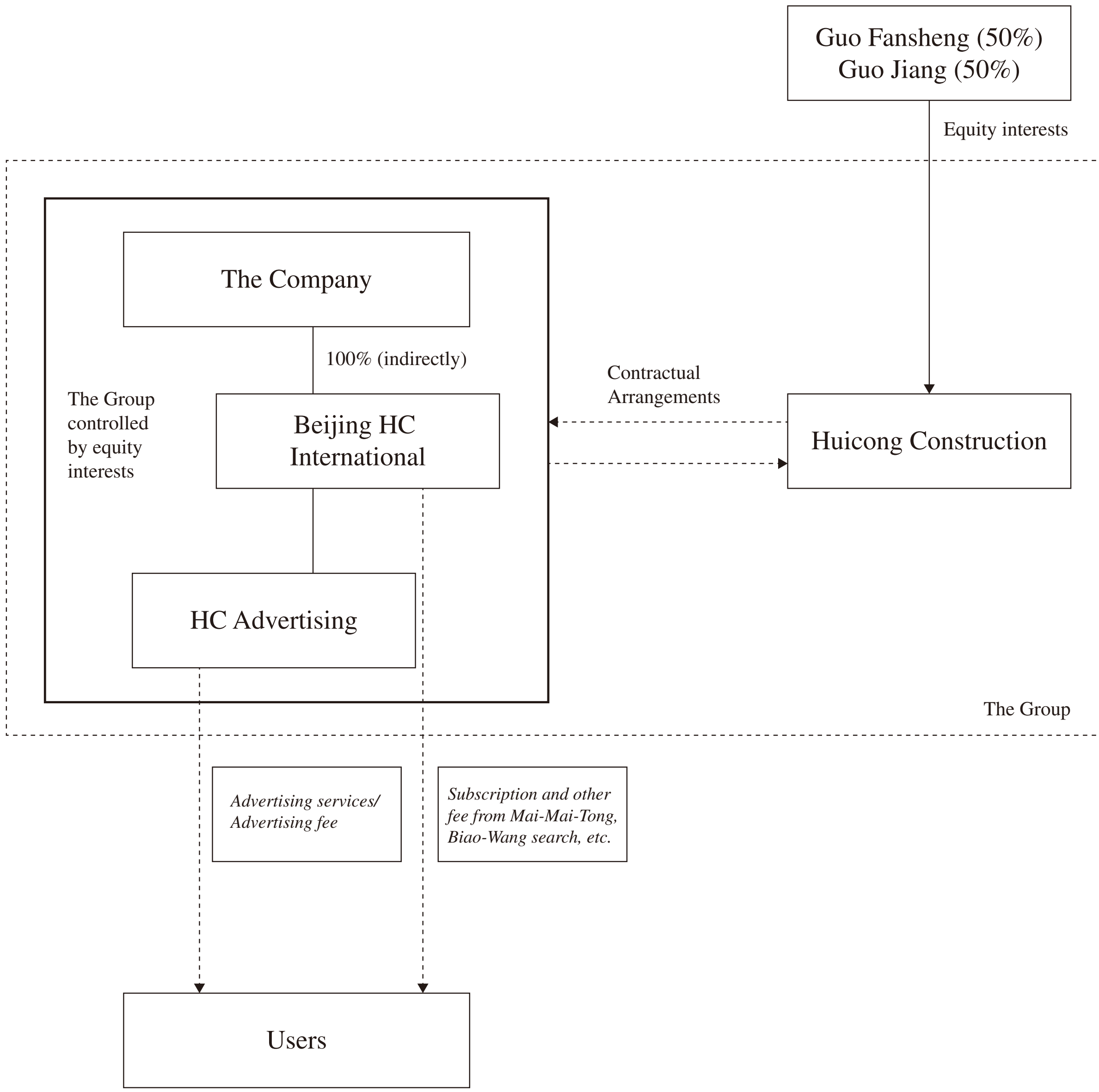
**On-line advertising services** are also provided by the Group on the on-line platform and sub-divided industry pages. The Group derives advertisement income, which are determined based on, among others, display position and size, frequency of display, without regard to number of hits.

## CONTRACTUAL ARRANGEMENTS

As disclosed in the prospectus of the Company dated 8 December 2003, in light of relevant PRC laws and regulations restricting the participation and operation of internet content services by foreign investors, the Group has since January 2002 engaged Huicong Construction to operate its on-line platform, and disseminate its business information on the internet pursuant to certain contractual arrangements. To further strengthen the Group's protection under such contractual arrangements and its management and control over Huicong Construction, in September 2014, the Group amended certain terms of the then existing agreements and entered into new Exclusive Option Agreement, Equity Pledge Agreement and Powers of Attorney with Huicong Construction and/or its registered shareholders (namely, Mr. Guo Fansheng and Mr. Guo Jiang).

As at the date of this announcement, agreements underlying the Contractual Arrangements include (i) the Domain Names and Trademarks Licence Agreement, (ii) the Technology Services Agreement, (iii) the Online Information Distribution Agreement, (iv) the Online

Advertisement Publication Agreement, (v) the Exclusive Option Agreement, (vi) the Equity Pledge Agreement and (vii) the Powers of Attorney. The following simplified diagram illustrates the Contractual Arrangements:




*Note:* The above diagram is included for the purpose of illustrating the Contractual Arrangements only. Not all members of the Group have been included.

As illustrated above, Beijing HC International enters into relevant agreements with users of its on-line services (for example, Mai-Mai-Tong users and Biao-Wang users) and business agreements with third parties directly, all income generated from such on-line services will be paid by users to the Group (as controlled by equity interests) directly. Huicong Construction is responsible for disseminating the information or advertisement from the Group on the internet in accordance with the Contractual Arrangements at fixed fee. The Group provides Huicong Construction with technology support and services related to internet content provider business at fixed fee. Huicong Construction is treated as a wholly-owned subsidiary of the Group as its financial results are being consolidated into that of the Group, as further detailed in the paragraph headed "Contractual Arrangements – Basis of consolidating the results of Huicong Construction" below. Further details of each of the agreements underlying the Contract Arrangements are set out in the paragraph headed "*Contractual Arrangements – Agreements underlying the Contractual Arrangements*" below.

**Information of Huicong Construction**

Huicong Construction is a limited liability company established in the PRC, whose registered capital is owned as to 50% by Mr. Guo Fansheng (the chairman of the Board and an executive Director) and 50% by Mr. Guo Jiang (the chief executive officer of the Company and an executive Director). Huicong Construction was owned as to 80% by Mr. Guo Fansheng, and as to 10% by each of Mr. Wang Chong and Ms. Wang Yonghui (who was an employee of the Group at the time of the founding of the Group back in 1992) until the entering into of agreements by parties for transfer of equity interests dated 2 July 2014. Mr. Wang Chong is still serving at the Group as at the date of this announcement, while Ms. Wang Yonghui has left the Group. As at the date of this announcement and during the three years ended 31 December 2013, Mr. Guo Fansheng is the sole director and the legal representative of Huicong Construction, and he is responsible for the making financial and management decisions of Huicong Construction, and to oversee their implementation, so as to ensure that Huicong Construction operates in accordance with the terms of the Contractual Arrangements. As each of Mr. Guo Fansheng and Mr. Guo Jiang holds 50% equity interests of Huicong Construction and they are the controllers of Huicong Construction, Huicong Construction is a connected person of the Company.

*Licence of Huicong Construction relevant to the Contractual Arrangement*

Huicong Construction currently holds the following licence and certificate relevant to the Contractual Arrangements:

| Name of licence/certificate | Issuing authority | Term |
|---|---|---|
| Telecommunications and information services business operation licence (電訊與信息服務業務經營許可證) ("**ICP Licence**") | Beijing Communications Administration (北京市通信管理局) | 12 March 2012 – 12 March 2017 |
| Internet drug information service qualification certificate (互聯網藥品信息服務資格證書) | Beijing Drug Administration (北京市藥品監督管理局) | 13 January 2010 – 12 January 2015 |

The PRC Legal Advisers are of the opinion that Huicong Construction possesses licence under relevant PRC laws and regulations for operation as contemplated under the Contractual Arrangements. To the best knowledge, information and belief of the Company and as confirmed by Mr. Guo Fansheng and Mr. Guo Jiang, and having consulted the PRC Legal Advisers, the Directors do not expect any material legal impediment to renew these licence or certificate upon their expiry.

*Intellectual properties of Huicong Construction*

The Company has been advised by the PRC Legal Advisers that, pursuant to the MIIT Notice, holders of the ICP License shall hold the domain name and the trademark used for conducting the internet content provider business. Please also refer to the paragraph headed "*Overview of laws and regulations in respect of on-line services of the Group – Regulations on Telecommunications Services*" below for further information of the MIIT Notice.

Currently, Huicong Construction is the registrant of the domain name "hc360.com" in light of relevant requirements in the PRC on internet content provider business. However, Huicong Construction currently does not hold any registered trademark relevant to the business. Huicong Construction is in the process of acquiring the trademark of "hc360" and is currently an assignee of the trademark, and it is expected that the transfer of trademark will be completed by the first quarter of 2015. Please also refer to the paragraph headed "*Contractual Arrangements – Risks associated with the Contractual Arrangements – The transfer of trademark of "hc360" has not been completed, and failure to transfer the trademark may lead to penalty on Huicong Construction*" below for further information in respect of the trademark, and corresponding requirements in relation to the same in the MIIT Notice.

*Business operation of Huicong Construction*

To the best knowledge, information and belief of the Company and as confirmed by Mr. Guo Fansheng and Mr. Guo Jiang, save for the operation and provision of services for the Group as contemplated under the Contractual Arrangements, Huicong Construction has no material business operation during the three years ended 31 December 2013 and up to the date of this announcement.

Other than the measures in respect of compliance and internal control for implementation of the Contractual Arrangements (further information of which are summarized in the paragraph headed "*Contractual Arrangements – Internal control and additional measures*" below), the Company currently does not expect there will be any material change to the Group's operation resulting from additional measures contemplated under the Contractual Arrangements.

**Agreements underlying the Contractual Arrangements**

Set out below are summary of key terms of the agreements underlying the Contractual Arrangements:

*Technology Services Agreement*

Beijing HC International first entered into a technology services agreement with Huicong Construction on 2 January 2002 for a term of three years (and subsequently extended in 2004, 2007, 2009, 2011 and 2014). The existing term of the Technology Services Agreement (as supplemented by a supplemental agreement dated 15 September 2014) is three years commencing from 15 September 2014 (i.e. the date of the supplemental agreement) to 14 September 2017, and may be renewed for additional term of three years at the sole discretion of Beijing HC International (and such renewal shall be subject to the Company having obtained all necessary approval and consents in accordance with applicable laws, rules and regulations (including applicable rules governing listing of Shares on the Stock Exchange)).

Pursuant to the Technology Services Agreement, Beijing HC International is appointed by Huicong Construction as its exclusive agent to provide Huicong Construction with technology support and services related to internet content provider business of Huicong Construction, which includes:

(i) server maintenance services;

(ii) the development, renewal and upgrading of server application software and its application in the internet content provider business;

(iii) the development, renewal and upgrading of application software for internet user;

(iv) the technology service of e-commerce;

(v) the training of technical personnel; and

(vi) other reasonable requests from Huicong Construction for technical services.

Under the Technology Services Agreement, Huicong Construction shall pay Beijing HC International a fee at the rate of RMB20 per hour for the provision of the aforesaid services. Beijing HC International shall assign five persons to provide the aforesaid services and the annual fee shall be RMB211,200. The annual fee thereafter may be adjusted, but it shall not exceed 10% of the amount charged in the previous year.

*Domain Names and Trademarks Licence Agreement*

Beijing HC International first entered into a domain names and trademarks licence agreement with Huicong Construction on 2 January 2002 for a term of three years (and subsequently extended in 2004, 2007, 2009, 2011 and 2014). The existing term of the Domain Names and Trademarks Licence Agreement (as supplemented by a supplemental agreement dated 15 September 2014) is three years commencing from 15 September 2014 (i.e. the date of the supplemental agreement) to 14 September 2017 and may be renewed for additional term of three years at the sole discretion of Beijing HC International (and such renewal shall be subject to the Company having obtained all necessary approval and consents in accordance with applicable laws, rules and regulations (including applicable rules governing listing of Shares on the Stock Exchange)).

Pursuant to the Domain Names and Trademarks Licence Agreement, Beijing HC International licences Huicong Construction to use certain domain names and trademarks (including domain names and trademarks owned by Beijing HC International and to be obtained by it from time to time) for the sole purpose of operating the website and dissemination of information for the benefit of Beijing HC International in the PRC.

Pursuant to the Domain Names and Trademarks Licence Agreement (as supplemented by a supplemental agreement dated 15 September 2014), any intellectual properties developed by Huicong Construction during the term (including any renewed term) of the Domain Names and Trademarks Licence Agreement would belong to Beijing HC International. Parties further agreed that where any intellectual properties are required by law to be registered in the name of Huicong Construction, Huicong Construction shall, where permitted by applicable laws and regulations, upon request of Beijing HC International assign such intellectual property rights to Beijing HC International or a party as designated by Beijing HC International, and shall return any consideration received for such transfer.

To further safeguard Beijing HC International, Huicong Construction has undertaken that they shall warrant and guarantee that such intellectual properties are flawless and it shall bear all damages and losses caused to Beijing HC International by any flaw of such intellectual properties. Beijing HC International has the right to recover all of its losses from Huicong Construction for liabilities to any third party.

Under the Domain Names and Trademarks Licence Agreement, Huicong Construction shall pay an annual fee of RMB240,000. The annual fee thereafter may be adjusted, but the adjustment shall not exceed 10% of the amount charged in the previous year.

*Online Information Distribution Agreement*

Beijing HC International first entered into an online information distribution agreement with Huicong Construction on 2 January 2002 for a term of three years (and subsequently extended in 2004, 2007, 2009, 2011 and 2014). The existing term of the Online Information Distribution Agreement (as supplemented by a supplemental agreement dated 15 September 2014) is three years commencing from 15 September 2014 (i.e. the date of the supplemental agreement) to 14 September 2017, and may be renewed for additional term of three years at the sole discretion of Beijing HC International (and such renewal shall be subject to the Company having obtained all necessary approval and consents in accordance with applicable laws, rules and regulations (including applicable rules governing listing of Shares on the Stock Exchange)).

Pursuant to the Online Information Distribution Agreement, Beijing HC International appoints Huicong Construction to exclusively publish the information collected, edited or produced by Beijing HC International on the website operated by Huicong Construction.

Under the Online Information Distribution Agreement, Beijing HC International shall pay an annual fee of RMB240,000. The annual fee thereafter may be adjusted, but the adjustment shall not exceed 20% of the amount charged in the previous year.

*Online Advertisement Publication Agreement*

HC Advertising first entered into an online advertisement publication agreement with Huicong Construction on 2 January 2002 for a term of three years (and subsequently extended in 2004, 2007, 2009, 2011 and 2014). The existing term of the Online Advertisement Publication Agreement (as supplemented by a supplemental agreement dated 15 September 2014) is three years commencing from 15 September 2014 (i.e. the date of the supplemental agreement) to 14 September 2017, and may be renewed for additional term of three years at the sole discretion of HC Advertising (and such renewal shall be subject to the Company having obtained all necessary approval and consents in accordance with applicable laws, rules and regulations (including applicable rules governing listing of Shares on the Stock Exchange)).

Pursuant to the Online Advertisement Publication Agreement, HC Advertising appoints Huicong Construction to publish exclusively advertisement designed, produced by or entrusted to HC Advertising on the website operated by Huicong Construction.

Under the Online Advertisement Publication Agreement, HC Advertising shall pay an annual fee of RMB100,000. The annual fee thereafter may be adjusted, but the adjustment shall not exceed 20% of the amount charged in the previous year.

*Exclusive Option Agreement*

Beijing HC International entered into the Exclusive Option Agreement with Huicong Construction, Mr. Guo Fansheng and Mr. Guo Jiang on 15 September 2014, pursuant to which Mr. Guo Fansheng and Mr. Guo Jiang jointly and severally granted to Beijing HC International (and Huicong Construction having consented to such grant) an irrevocable exclusive option for Beijing HC International (or such third party as it may designate) to purchase, to the extent permitted by PRC laws, all or part of their equity interests in Huicong Construction, at the consideration of RMB1,400,000 or a minimum purchase price permitted under PRC laws and regulations at the time of exercise of such option. Such exclusive option is for an indefinite term commencing on 15 September 2014 (being the date of the Exclusive Option Agreement) until (i) it is terminated by Beijing HC International in writing, or (ii) upon transfer of the entire equity interests held by Mr. Guo Fansheng and Mr. Guo Jiang in Huicong Construction. Such exclusive option may not be revoked or varied during the term of the Exclusive Option Agreement.

Pursuant to the Exclusive Option Agreement, each of Mr. Guo Fansheng and Mr. Guo Jiang has undertaken to Beijing HC International, among other things, that (i) they shall not create any pledge, indebtedness or third party encumbrances, and shall not transfer, give by way of gift, pledge or otherwise dispose of its equity in Huicong Construction to any party other than Beijing HC International (or such third party as it may designated by it). Further, Huicong Construction has undertaken to Beijing HC International, among other things, that:

(i) it will operate its business in accordance with laws, regulations, requirements and other management requirements or directions by relevant governmental department;

(ii) it shall ensure the continual existence of Huicong Construction in accordance with good financial and business standards and practices, and shall prudently and effectively operate its business and transactions, and shall use its best endeavours to ensure Huicong Construction obtaining all licences, permits and approval requires for its operation, and to ensure that they shall not be cancelled, revoked or declared invalid;

(iii) Huicong Construction shall provide all its information in respect of its operation and finance at Beijing HC International's request;

(iv) Huicong Construction shall not conduct any of the following matters unless with prior written approval from Beijing HC International: (a) sell, transfer, pledge or otherwise dispose of any assets, business, or income, or allow encumbrance be created thereon (save as in its ordinary course of business or with prior written approval from Beijing HC International); (b) enter into any transactions which will materially and adversely affect its assets, obligations, operation, equity interest and other legal rights (save as in its ordinary course of business or with prior written approval from Beijing HC International); (c) declare dividend, bonus to its shareholders; (d) incur, take up, guarantee or allow any indebtedness other than those in the ordinary course of business and with the prior written consent of Beijing HC International;

(v) resolve any shareholders' resolution on increasing or decreasing its registered capital, or alerting its registered capital structure;

(vi) alter its articles of association, or change its scope of business; and

(vii) change or remove any of its director or senior management.

To ensure due discharge of obligations under the Exclusive Option Agreements, each of Mr. Guo Fansheng and Mr. Guo Jiang, as registered shareholders of Huicong Construction, has executed a blank equity transfer agreement with respect of his equity interests in Huicong Construction to the custody of Beijing HC International, which may be effected by Beijing HC International (or such third party as it may designate) in the event he fails to discharge his obligations.

Huicong Construction, Mr. Guo Fansheng and Mr. Guo Jiang further executed an undertaking dated 15 September 2014 ("**Undertaking**"), pursuant to which, among other things, they undertake to unconditionally return to the Group any consideration they receive in the event Beijing HC International acquires the equity interests in Huicong Construction, and to unconditionally transfer the domain name "hc360.com" and related registered trademark(s) to Beijing HC International (or such third party as it may designated by it) in the event that the agreements underlying the Contractual Arrangements lapse, expire or be terminated.

*Power of Attorney*

On 15 September 2014, each of Mr. Guo Fansheng and Mr. Guo Jiang has executed a Power of Attorney. Pursuant to each of the Powers of Attorney, each of Mr. Guo Fansheng and Mr. Guo Jiang unconditionally and irrevocably authorizes any individual designated by Beijing HC International (which shall be a director of the Company (other than Mr. Guo Fansheng, Mr. Guo Jiang or their associates), and shall be a resident of PRC) to represent him in exercising all his rights as shareholders of Huicong Construction under applicable PRC laws, including without limitation, to transfer all his equity interests, to determine the consideration for such transfer, to complete all relevant procedures regarding such transfer, to attend general meetings and exercise voting rights, to execute all such relevant documents, agreements and resolutions, etc.. Such Powers of Attorney shall remain in full force and effect from 15 September 2014 (i.e. date of the Powers of Attorney) until Mr. Guo Fansheng or Mr. Guo Jiang (as the case may be) ceases to be a shareholder of Huicong Construction.

*Equity Pledge Agreement*

Beijing HC International, Mr. Guo Fansheng and Mr. Guo Jiang entered into the Equity Pledge Agreement on 15 September 2014, pursuant to which each of Mr. Guo Fansheng and Mr. Guo Jiang pledged all their respective equity interests in Huicong Construction to Beijing HC International to secure performance of all their obligations and the obligations of Huicong Construction under the Domain Names and Trademarks Licence Agreement, the Technology Services Agreement, the Online Information Distribution Agreement, the Online Advertisement Publication Agreement, the Exclusive Option Agreement and the Powers of Attorney.

Beijing HC International will be entitled to exercise the rights of pledge in the event Huicong Construction fails to pay the service fee under the Technology Services Agreement and the Domain Names and Trademarks Licence Agreement or fail to perform any other term of the above agreements, the Online Information Distribution Agreement and the Online Advertisement Agreement, or any of Huicong Construction, Mr. Guo Fansheng or Mr. Guo Jiang fails to perform any term of the Exclusive Option Agreement and the Powers of Attorney (as the case may be), upon reasonable notice.

If Huicong Construction declares any dividend, bonus or adopt any proposal for distribution of profits during the term of the Equity Pledge Agreement, such dividends, bonus or economic benefits of all such proposal for distribution shall be delivered to Beijing HC International.

The Equity Pledge Agreement is for an indefinite term commencing from 15 September 2014 (i.e. the date of the Equity Pledge Agreement) until (i) all the agreements (other than the Equity Pledge Agreement) underlying the Contractual Arrangements have been terminated by Beijing HC International and/or HC Advertising (as the case may be) or (ii) all the obligations under the Equity Pledge Agreement have been fulfilled. The Equity Pledge Agreement has been filed at relevant Industry and Commerce Bureau on 16 September 2014.

The PRC Legal Advisers have confirmed that the Equity Pledge Agreement has been duly registered with the relevant PRC governing authority pursuant to PRC laws and regulations.

**Dispute resolution**

Under each of the agreements (other than the Powers of Attorney) underlying the Contractual Arrangements (as supplemented by the corresponding supplemental agreements entered into by Beijing HC International and/or HC Advertising (as the case may be) with Huicong Construction dated 15 September 2014), any dispute arising from the interpretation and implementation of the Contractual Arrangements between the parties should first be resolved through negotiation, failing which any party may submit the said dispute to the Beijing Arbitration Commission with a view to resolving the dispute through arbitration in accordance with the arbitration rules of the commission. The results of the arbitration shall be final and binding on all relevant parties, and that the arbitral body may award remedies over shares and/or assets of Huicong Construction, injunctive relief and/or winding up of Huicong Construction. In addition, parties also acknowledge that courts in Hong Kong and the Cayman Islands are of competent jurisdiction with the power to grant interim remedies in support of arbitration pending formation of the arbitral tribunal.

Save as disclosed in the paragraph headed "*Contractual Arrangements – Risks associated with the Contractual Arrangements – Certain terms of the Contractual Arrangements may not be enforceable under PRC laws*" below, the PRC Legal Advisers confirmed that the above dispute resolution provisions set forth in the Contractual Arrangements are in compliance with the PRC laws, legally valid and binding on the relevant parties.

**Succession**

The Directors, having taken into account the advice from the PRC Legal Advisers, are of the view that Mr. Guo Fansheng and Mr. Guo Jiang are controllers of Huicong Construction.

As further detailed in the paragraph headed "*Contractual Arrangements – Agreements underlying the Contractual Arrangements – Exclusive Option Agreement*" above, the Exclusive Option Agreement provides for certain protection to the Group. Among other things, each of Mr. Guo Fansheng and Mr. Guo Jiang shall not create any encumbrances nor transfer their equity interests in Huicong Construction, and Huicong Construction shall not transfer or create encumbrances on its assets or business.

Each of Mr. Guo Fansheng and Mr. Guo Jiang has also undertaken pursuant to the Undertaking that he will procure Huicong Construction in fulfilling its obligations under the agreements underlying the Contractual Arrangements, and will unwind the Contractual Arrangements and transfer all his interests in Huicong Construction to Beijing HC International and/or any third party designed by Beijing HC International as long as the law allows the business to operate without the Contractual Arrangements, and to return to the Group any consideration they receive in the event of such transfer.

In addition, the spouse, child and parents of Mr. Guo Fansheng and Mr. Guo Jiang have also provided a written confirmation dated 15 September 2014 to the Company, confirming that they will procure Huicong Construction in fulfilling its obligations under the agreements underlying the Contractual Arrangements in the event they are entitled to assume rights and interests of Mr. Guo Fansheng or Mr. Guo Jiang (as the case may be) in Huicong Construction, and they will not carry out any act that may affect or hinder the fulfilment of Huicong Construction of its obligations under each of the agreements underlying the Contractual Arrangements, including, in the event of death, incapacity, divorce or any other similar circumstances in respect of Mr. Guo Fansheng or Mr. Guo Jiang (as the case may be). Each of them has also unconditionally and irrevocably waived their rights or entitlements to such equity in Huicong Construction that they may be entitled, and undertook to be bound by the obligations of Mr. Guo Fansheng and Mr. Guo Jiang (as the case may be) under the agreements underlying the Contractual Arrangements in the event they obtain any such equity in Huicong Construction held by Mr. Guo Fansheng or Mr. Guo Jiang (as the case may be).

The Group has been advised by the PRC Legal Advisers that the validity of the Contractual Arrangements would be recognised by the successors in the event of death of any shareholders of Huicong Construction, and Beijing HC International and HC Advertising (as the case may be) can still enforce its right under the Contractual Arrangements against the successors of the shareholders.

**Arrangements to address potential conflicts of interests**

In light of the Contractual Arrangements, the Company has adopted additional measures to, among others, address potential conflicts of interests. Please also refer to the paragraphs headed "*Contractual Arrangements – Risks associated with the Contractual Arrangements – The registered shareholders of Huicong Construction may have potential conflicts of interest with the Group*" and "*Contractual Arrangements – Internal control and additional measures*" below for further information.

In addition, under the Undertaking, each of Mr. Guo Fansheng and Mr. Guo Jiang undertook that during the term of the Contractual Arrangements, if, at the sole discretion of Beijing HC International, there is any occurrence of conflict of interests between the Group on one hand, and Mr. Guo Fansheng and/or Mr. Guo Jiang on the other, Mr. Guo Fansheng and Mr. Guo Jiang will take any action as instructed by Beijing HC International to eliminate such conflict as long as such action is permitted under applicable laws.

**Loss sharing**

None of the agreements underlying the Contractual Arrangements provide that the Company, Beijing HC International and/or HC Advertising be obligated to share the losses of Huicong Construction or provide financial support to Huicong Construction. Having consulted with the PRC Legal Advisers, Huicong Construction is a limited liability company and shall be solely liable for its own debts and losses with assets and properties owned by it, and that the Company or Beijing HC International, as primary beneficiary of Huicong Construction, is not expressly required to share the losses of Huicong Construction or to provide financial support to Huicong Construction.

Notwithstanding the above, given that the Group relies on the Contractual Arrangements with Huicong Construction, who holds the key licence required, in respect of its on-line services, and that the financial condition and results of operation of Huicong Construction are consolidated into that of the Group (as further detailed in the paragraph headed "*Contractual Arrangements – Basis of consolidating the results of Huicong Construction*" below), the Group's business, financial condition and results of operation would be adversely affected in the event of adverse condition or results, or liquidation of Huicong Construction.

**Liquidation**

Pursuant to the Exclusive Option Agreement, in the event of liquidation on the part of Huicong Construction, and if there are any assets remaining after deducting the liquidation expenses and other debts of Huicong Construction, Mr. Guo Fansheng and Mr. Guo Jiang are obligated to transfer such assets or proceeds to Beijing HC International or any other entity designated by Beijing HC International. Since Beijing HC International is a wholly owned subsidiary of the Company, the Company can retain the remaining assets and proceeds upon realization of the remaining assets of Huicong Construction in the event of liquidation.

**Legality of the Contractual Arrangements**

The operation of the Equity Pledge Agreement and the Exclusive Option Agreement entered into by Beijing HC International is permitted under relevant PRC laws. The Equity Pledge Agreement has been duly registered with the relevant PRC governing authority. Accordingly, the PRC Legal Advisers are of the opinion that the operation of the Contractual Arrangements has been limited to minimize potential conflicts with the PRC relevant laws and regulations.

The Company notes that there has been media coverage on a PRC Supreme Court decision and two variable interests entity ("**VIE**") structure-related arbitration decisions in Shanghai, which casted doubt on the validity of use of contractual arrangements for VIE structure ("**Reported Decisions**"). In the said PRC Supreme Court decision, certain trust arrangements and related agreements were considered as a means of circumventing relevant PRC laws and were determined illegal and void by the PRC Supreme Court. Relevant media articles also reported, without providing sufficient details, that two arbitration decisions by the Shanghai International Economic and Trade Arbitration Commission invalidated the Contractual Arrangements used in a VIE structure in 2010 and 2011 on the ground that the VIE structures were "concealing illegal intentions with a lawful form". Such court decision and arbitral decisions may lead to the possibility of the PRC courts taking similar action on VIE structures commonly adopted by foreign investors, including the Contractual Arrangements, to engage in restricted businesses in the PRC; and increase the incentive for registered owners of PRC entities involving VIE structure to renege on their contractual obligations to the structured contracts.

In the opinion of the PRC Legal Advisers, the Contractual Arrangements can be differentiated from the VIE structures illustrated in the preceding paragraph ("**Reported Structures**") for the following reasons: (1) the VIE structures in the PRC Supreme Court decision reported were aiming at achieving equity ownership in the financial institution. The Contractual Arrangements were not aiming at achieving equity ownership but merely arrangements allowing Huicong Construction to disseminate the information or advertisement from the Group on the internet at a fee, and (2) the Reported Structures did not involve nor was it targeted at companies which provide the internet content provider business or VIE structure involving internet content provider business. Furthermore, the Reported Decisions were not guiding case issued by the Supreme People's Court of the PRC, and the Reported Decisions may not be regarded as ruling precedent for other cases with similar nature by courts in the PRC. The PRC Legal Advisers had also conducted further investigations and inquiries through various public channels and did not find any guiding cases issued by the Supreme People's Court of the PRC determining that any contractual arrangement similar to VIE structure be declared by the Supreme People's Court of the PRC as invalid.

The PRC Legal Advisers conducted physical interview with the responsible officer of the Telecommunications Department of Beijing Communications Administration (北京市通信管理局電信管理處) ("**Administration**"), whereby the PRC Legal Advisers were informed that (i) currently, there is no prohibition of adoption of contractual arrangements or VIE entity in the internet content provider business under any relevant laws, rules, regulations and normative documents, and (ii) the officer was not aware of any laws, rules, regulations and normative documents which define the VIE structure as a form of "concealing illegal intentions with a lawful act", and (iii) the Administration has not impose any administrative penalty on any internet companies adopting VIE structures where the Administration is the governing authority of such companies.

The PRC Legal Advisers are of the opinion that save as disclosed above in relation to the dispute resolution provision, (i) the agreements underlying the Contractual Arrangements are, collectively and individually, legal and valid and do not violate PRC laws, rule and regulations, including those applicable to the business of the Company, Beijing HC International, HC Advertising and Huicong Construction, and the articles of association of Beijing HC International, HC Advertising and Huicong Construction; (ii) the agreements underlying the Contractual Arrangements are legally binding on and enforceable against each party of each of the agreements under PRC laws; and (iii) the Contractual Arrangements do not fall within circumstances of "concealing illegal intentions with a lawful form" which may render the contracts being determined to be invalid. However, there is no assurance that the PRC government or judicial authorities would agree that the Contractual Arrangements complying with relevant law and regulations of the PRC that may be adopted in the future. Please also refer to the paragraph headed "*Contractual Arrangements – Risks associated with the Contractual Arrangements*" below for further details.

**Insurance**

Currently, the Group does not maintain any insurance policy to cover the risks relating to the Contractual Arrangements.

**No interference and encumbrance**

The Directors confirm that the Group has complied in good faith all material respects with relevant PRC laws and regulations, and as at the date of this announcement, the Group (including Huicong Construction) has not encountered any interference or encumbrance from any PRC governmental authority in operation of its business pursuant to the Contractual Arrangements.

**Continuing connected transactions under the Main Board Listing Rules**

As Mr. Guo Fansheng is the chairman of the Board and an executive Director, and Mr. Guo Jiang is the chief executive officer and an executive Director, Huicong Construction is a connected person of the Company. The Contractual Arrangements constitute connected transactions of the Company. As the applicable percentage ratios for the Contractual Arrangements were, in aggregate, less than 5% and the consideration was less than HK$3,000,000 in aggregate, the Contractual Arrangements are fully exempt from circular (including independent financial advice), shareholders' approval, announcement, reporting and annual report requirements.

The Board (including the independent non-executive Directors) is of the view that the Contractual Arrangements and the transactions contemplated thereunder have been and shall be entered into in the ordinary and usual course of business of the Group, are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

The Directors consider that all the Contractual Arrangements were entered into for Huicong Construction to facilitate the Group's business. In particular, (i) domain names and trademarks licensed may only be used by Huicong Construction for operating the Group's on-line platform, and (ii) information and advertisements may only be disseminated through the Group's online platform. In light of the above, the Directors consider that the business of Huicong Construction is not similar to those operated by the Group, but to facilitate the operation of the Group, and Mr. Guo Fansheng and Mr. Guo Jiang's interests in Huicong Construction do not render any of them having an interest in a business which competes, or is likely to compete, with the business of the Group under Rule 8.10 of the Main Board Listing Rules.

**Basis of consolidating the results of Huicong Construction**

According to Hong Kong Financial Reporting Standards 10 – Consolidation Financial Statements, a subsidiary is an entity that is controlled by another entity (known as the parent). An investor controls an investee when it is exposed, or has rights to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Although the Company does not directly or indirectly own any equity interests in Huicong Construction, the Contractual Arrangements enable Beijing HC International, among other things, to:

– exercise effective financial and operational control over Huicong Construction;

– exercise equity shareholders' voting rights of Huicong Construction;

– receive returns generated by Huicong Construction in consideration for the business support, technical services provided by Beijing HC International;

– obtain an exclusive right to purchase the entire equity interest in Huicong Construction from Mr. Guo Fansheng and Mr. Guo Jiang, and

– obtain a pledge over the entire equity interest of Huicong Construction from Mr. Guo Fansheng and Mr. Guo Jiang as collateral security to guarantee performance of all the obligations of Mr. Guo Fansheng, Mr. Guo Jiang and Huicong Construction under the Contractual Arrangements.

As a result of the Contractual Arrangements, the Group has rights to variable returns from its involvement with Huicong Construction, has the ability to affect those returns through its power over Huicong Construction, and considered to have control over Huicong Construction. Consequently, Huicong Construction is considered to be a subsidiary of the Group and financial statements of Huicong Construction are included in the Group' consolidated financial statements from 15 September 2014, being the effective date of the Exclusive Option Agreement and the Equity Pledge Agreement.

However, there are uncertainties regarding the interpretation and application of existing and future PRC laws and regulations which could affect the Company's ability to exercise control over Huicong Construction, its right to receive substantially all of the economic interest generated by Huicong Construction, and its ability to consolidate the financial results of Huicong Construction into the Group's consolidated financial statements. Please also refer to the section headed "*Contractual Arrangements – Risks associated with the Contractual Arrangements*" below for further discussion in relation such risk. The Company believes that, based on the opinion obtained from the PRC Legal Advisers, save as disclosed in the paragraph headed "*Contractual Arrangements – Risks associated with the Contractual Arrangements – Certain terms of the Contractual Arrangements may not be enforceable under PRC laws*" below, the Contractual Arrangements are legally binding and enforceable and do not violate current PRC laws and regulations.

**Financial impact of the Contractual Arrangement**

Set out are certain key unaudited financial information of Huicong Construction as prepared in accordance with the PRC accounting standards during the three financial years ended 31 December 2013, respectively:

| | **Year ended 31 December *(RMB'000)*** | | |
|---|---|---|---|
| | 2011 | 2012 | **2013** |
| Revenue | 34 | 34 | **34** |
| Net loss before taxation | (616) | (168) | **(125)** |
| Total assets | 2,230 | 2,110 | **2,003** |

Based on unaudited management accounts, Huicong Construction recorded revenue of RMB340,000, RMB340,000, RMB340,000 and RMB170,000, all of which were derived from the provision of on-line information distribution and advertisement publication services to the Group for the three years ended 31 December 2013 and the six months ended 30 June 2014, respectively. During the same period, the recorded net loss of Huicong Construction was approximately RMB616,000, RMB168,000, RMB125,000 and RMB99,000, respectively. After considering the inter-company transactions between the Group and Huicong Construction, the Directors are of view that there would not be any material impact on the financial results of the Group if the financial results of Huicong Construction were included in the Group for the three years ended 31 December 2013 and the six months ended 30 June 2014.

To the best knowledge, information and belief of the Directors having made reasonable queries, and as confirmed by Huicong Construction, Mr. Guo Fansheng and Mr. Guo Jiang, Huicong Construction has not been the subject of penalty for any material non-compliance with PRC laws and regulations during the three years ended 31 December 2013, the six months ended 30 June 2014 and up to the date of this announcement, and Huicong Construction is not engaged in any litigation or arbitration of material importance, and no litigation or claim of material importance is known to the Directors and Huicong Construction be pending or threatened against Huicong Construction as at the date of this announcement.

**Risks associated with the Contractual Arrangements**

*The government may determine that the agreements underlying the Contractual Arrangements do not comply with applicable regulations, or these regulations or their interpretation may change in the future*

The Company is incorporated in the Cayman Islands and members of the Group established in the PRC are considered as foreign-invested enterprise. Currently, laws and regulations of the PRC restrict participation and operation of internet content services by foreign investors. The Group depends on the Contractual Arrangements with Huicong Construction in respect of its on-line services. Upon interview conducted by the PRC Legal Advisers with relevant responsible officer of the Telecommunication Department of Beijing Communications Administration (北京市通信管理局電信管理處), the PRC Legal Advisers were informed that currently, there is no prohibition of adoption of contractual arrangements or variable interest entity in the business of services, and there has been no law, rules, regulations or normative documents in the PRC which stipulates that such arrangements constitute "concealing illegal intentions with a lawful form" under PRC laws.

Please also refer to the paragraphs headed "*Contractual Arrangements – Legality of the Contractual Arrangements*" and "*Contractual Arrangements – Overview of laws and regulations in respect of on-line services of the Group*" in this announcement for further details.

As disclosed above, save for matters as further discussed in the paragraph headed "*Contractual Arrangements – Risks associated with the Contractual Arrangements – Certain terms of the Contractual Arrangements may not be enforceable under PRC laws*" below, the PRC Legal Advisers are of the opinion that the agreements underlying the Contractual Arrangements are, collectively and individually, legal and valid and do not violate PRC laws, rule and regulations. Since the entering into of the Contractual Arrangements and up to the date of this announcement, the Group has not received any interference regarding the legality of the Contractual Arrangements. However, there is no assurance that the PRC government or judicial authorities would agree that the Contractual Arrangements 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 or the Contractual Arrangements do not comply with applicable PRC laws and regulations, it could have discretion in dealing with such incompliance, including:

(i) discontinuing or placing restriction on the business operation of Beijing HC International, HC Advertising and/or Huicong Construction in the PRC;

(ii) requiring reorganisation or restructuring of ownership or business of Beijing HC International and/or HC Advertising;

(iii) levying fines and/or confiscating the proceeds generated from the operations under the Contractual Arrangements;

(iv) taking other regulatory or enforcement actions that could have a material adverse effect over the Group's financial condition or 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 on-line business. In particular, in the event the imposition of any of these consequence prevent Huicong Construction from providing internet content provider services to the Group and the Group is unable to locate any substitute timely, the operation of the Group's platform could be severely disrupted and the Group may breach its existing contracts for on-line businesses (including among others, subscription for Mai-Mai-Tong and Biao-Wang search). Where the Group loses the right to direct the activities of Huicong Construction as a result of these consequences, the Group would also be no longer able to consolidate the financial results of Huicong Construction.

*The Contractual Arrangements may not provide control as effective as direct ownership*

The Group depends on the Contractual Arrangements with Huicong Construction, who hold key licences required, in respect of its online services. For the year ended 31 December 2011, 2012 and 2013, revenue generated from on-line services of the Group represents approximately 59%, 75% and 83% of the total revenue of the Group, respectively. Huicong Construction is owned as to 50% by Mr. Guo Fansheng (the chairman of the Board and an executive Director) and as to 50% by Mr. Guo Jiang (the chief executive officer of the Company and an executive Director). The Company and its subsidiaries do not own or hold any equity interests in Huicong Construction.

The Contractual Arrangements may not be as effective in providing control over website operations in PRC as direct ownership in these businesses. For example, Huicong Construction and its shareholders could breach or fail to perform their obligations under the Contractual Arrangements. If Huicong Construction fails to perform its obligations under the Contractual Arrangements, the Group will have to resort to legal remedies under the PRC law, which could result in substantial litigation costs and diverse the Group's management's time and efforts away from their running the regular business of the Group. There is uncertainty as to the outcome and duration of legal proceedings and its enforceable. In addition, the Group cannot be sure that contractual remedies would be effective or sufficient to enforce its interests. In the event Huicong Construction refuses or fails to provide the internet content services to the Group and the Group is unable to locate any substitute timely, the operation of the Group's platform could be severely disrupted and the Group may breach its existing contracts for on-line businesses (including among others, subscription for Mai-Mai-Tong and Biao-Wang search).

The Group currently operates its on-line platform principally through the website of "hc360.com". Currently, Huicong Construction is the registrant of the domain name "hc360.com" in light of relevant requirements in the PRC on internet content provider business. Huicong Construction, Mr. Guo Fansheng and Mr. Guo Jiang have undertaken pursuant to the agreements underlying the Contractual Arrangements and the Undertaking that Huicong Construction will, so far as it is permitted under the PRC laws, transfer the domain name and trademark(s) to the Group (or the Group's nominee) in the event the Contractual Arrangements lapse, expire or be terminated. If the Group is unable to acquire the domain name from Huicong Construction, or if Huicong Construction declares bankruptcy or if the domain name, as part of Huicong Construction's assets, become subject to liens or rights of third party, the Group may be unable to continue its existing business using "hc360.com" and may be required to establish a new domain name, and to establish new trademark, which may disrupt the Group's operation, confuse users and damage the Group's reputation, and may materially and adversely affect the Group's results of operation.

Since the entering into of the Contractual Arrangements and up to the date of this announcement, there has been no incidents as to non-performance by Huicong Construction as to its obligations under the Contractual Arrangements, and there has not been any disputes between the Group on one hand, Huciong Construction and its registered shareholders on the other in respect of the Contractual Arrangements.

*The registered shareholders of Huicong Construction may have potential conflicts of interest with the Group*

As disclosed above, as at the date of this announcement, equity interests of Huicong Construction is owned as to 50% by Mr. Guo Fansheng and 50% by Mr. Guo Jiang. Mr. Guo Fansheng is the sole director and the legal representative of Huicong Construction. The Directors, having taken into account the advice from the PRC Legal Advisers, are of the view that Mr. Guo Fansheng and Mr. Guo Jiang are controllers of Huicong Construction. Each of Mr. Guo Fansheng and Mr. Guo Jiang has pursuant to the Undertaking undertakes to the Company that each of them will procure Huicong Construction in fulfilling its obligations under the agreements underlying the Contractual Arrangements. Each of Mr. Guo Fansheng and Mr. Guo Jiang, as a Director, also owes fiduciary duties to the Company and the Shareholders as a whole pursuant to relevant law of the Cayman Islands.

There is no assurance that when conflicts of interests arise, shareholders of Huicong Construction will act in the best interests of the Group, or that any conflicts of interests will be resolved in favour of the Group.

To further strengthen the protections to the Group over potential conflicts of interest between the registered shareholders of Huicong Construction, and the Group, on 15 September 2014, Beijing HC International entered into, among others, the Exclusive Option Agreement, the Equity Pledge Agreement and the Powers of Attorney with Huicong Construction. Pursuant to the Exclusive Option Agreement, Beijing HC International was granted the option to purchase from the registered shareholders their equity interest in Huicong Construction when and to the extent permitted by law. Pursuant to the Equity Pledge Agreement, Beijing HC International is entitled to dispose of the equity interests of Huicong Construction pledged, in the event of stipulated events regarding failure of performance by, among others, registered shareholders of Huicong Construction. Further, each of the Mr. Guo Fansheng and Mr. Guo Jiang has executed the Power of Attorney which authorizes individual designated by Beijing HC International to exercise all of their rights and powers as shareholders of Huicong Construction.

Since the entering into of the agreements underlying the Contractual Arrangements and up to the date of this announcement, neither Huicong Construction nor its registered shareholders commits any breach of the agreements underlying the Contractual Arrangements or undertakings. However, if shareholder(s) of Huicong Construction cause Huicong Construction to breach the Contractual Arrangements, or in the event Mr. Guo Fansheng and/or Mr. Guo Jiang breach the aforesaid undertakings, the Group will have to resort to legal remedies under the PRC law, which could result in substantial litigation costs and diverse the Group's management's time and efforts away from their running the regular business of the Group. There is uncertainty as to the outcome and duration of legal proceedings and its enforceability, and the Group cannot be sure that contractual remedies would be effective or sufficient to enforce its interests. Acquisition by the Group (or by designees of the Group of equity interests under the Exclusive Option Agreement and/or the Equity Pledge Agreement may further be subject to substantial transaction costs) and taxation. In the event that the Contractual Arrangements are breached and the Group is unable to locate any substitute to provide internet content services timely, the operation of the Group's platform could be severely disrupted and the Group may breach its existing contracts for on-line businesses (including among others, subscription for Mai-Mai-Tong and Biao-Wang search), and the Group's operation, result of operations and financial conditions may be materially and adversely affected. Also, if the Group is unable to acquire the domain name in such events, or if Huicong Construction declares bankruptcy or if the domain name, as part of Huicong Construction's assets, become subject to liens or rights of third party, the Group may be unable to continue its existing business using the domain name of "hc360.com" and may be required to establish a new domain name, which may disrupt the Group's operation, confuse users and damage the Group's reputation, and may materially and adversely affect the Group's results of operation.

*The Contractual Arrangements may subject the Group to increase taxation due to different income tax rates applicable to Beijing HC International and Huicong Construction*

Pursuant to the Online Information Distribution Agreement, Huicong Construction provides internet content provider services for an annual fee of RMB240,000 as further detailed in the paragraph headed "*Contractual Arrangements – Agreements underlying the Contractual Arrangements – Online Information Distribution Agreement*" above in this announcement.

As at the date of this announcement and during the three years ended 31 December 2013, Beijing HC International is subject to a preferential tax rate of 15%, and Huicong Construction is subject to a tax rate of 25%.

In light of the different income tax rates applicable, the determination of such annual fee and other payment by the Group to Huicong Construction may be challenged by relevant PRC tax authorities as unfair, and may adjust the taxable income or tax amount payable by the Group, requesting outstanding tax amount be paid or imposing administrative penalty, thereby having adverse tax consequence and affect the Group's business, financial conditions and results of operations of the Group materially and adversely.

Since the entering into of the Contractual Arrangements and up to the date of this announcement, the Group has not received any interference from relevant PRC tax authorities as to the different income tax rates applicable.

*Huicong Construction may not provide internet content services to the Group if the Contractual Arrangements are not renewed or extended on equivalent or similar terms, or if Huicong Construction ceases its operation or corporate entity in the event of dissolution or liquidation, etc.*

The Group depends on the Contractual Arrangements with Huicong Construction, which holds key licences required, to operate the Group's online platform.

Certain of the agreements underlying the Contractual Arrangements (other than the Exclusive Option Agreement, the Equity Pledge Agreement and the Powers of Attorney, which have an indefinite terms unless terminated as further detailed above) currently has a term of three years, and will expire by 14 September 2017, subject to renewal by Beijing HC International and/or HC Advertising at its respective discretion in accordance with the respective terms of the agreements. The Company expects that the Group will renew the agreements on equivalent or similar terms prior to their expiries.

If the Contractual Arrangements are not renewed or extended on equivalent or similar terms, or if Huicong Construction ceases its operation or corporate entity in the event of dissolution or liquidation, the Group would have to engage another PRC entity holding relevant licences required to provide internet content services to the Group.

To strengthen the Group's protection, Beijing HC International entered into the Exclusive Option Agreement dated 15 September 2014, pursuant to which Beijing HC International (or such third party as it may designated) may purchase the equity interests of Mr. Guo Fansheng or Mr. Guo Jiang in Huicong Construction, among others, in the event that Contractual Arrangements are not renewed. The said option is for an indefinite period unless terminated by Beijing HC International or upon Beijing HC International acquiring all equity interests in Huicong Construction. Further, each of the registered shareholders of Huicong Construction (namely, Mr. Guo Fansheng and Mr. Guo Jiang) has executed the Power of Attorney which authorize individual designated by Beijing HC International to exercise all of their rights and powers as shareholders of Huicong Construction. In addition, as each of Mr. Guo Fansheng and Mr. Guo Jiang, being all registered shareholders of Huicong Construction, is a Director, each of them further owes a duty of care to the Company and the Shareholders as a whole under applicable laws. Having consulted with the PRC Legal Advisers, the Directors are of the view that Huicong Construction and/or its registered shareholders are not entitled to terminate the agreements underlying the Contractual Arrangements save for material breach by Beijing HC International and/or HC Advertising (as the case maybe). In such cases of termination, that the Group will be entitled to exercise its rights under the Equity Pledge Agreement to uphold its rights or have to resort to legal remedies under the PRC law.

There is no assurance that the Group can identify new entity which provides internet content services required for the Group's operation timely, or on equivalent or similar terms. In the event that existing PRC entity cannot be located, the Group may be required to engage other parties to set up new entity. Pursuant to the existing laws and regulations, approval procedures for key licences to operate internet content services usually takes three to six months, with such requirements including among others, the Qualification Requirement (as further discussed in the paragraphs headed "*Contractual Arrangement – Risks associated with the Contractual Arrangements – Exercise of option to acquire the equity interests of Huicong Construction may be subject to limitations and the ownership transfer may be subject to substantial costs*" and "*Contractual Arrangement – The Group's intention to unwind the Contractual Arrangements*" below) and a minimum requirement of registered capital of not less than RMB1,000,000, while there is no assurance that such approval will be granted, or will be granted on a timely manner.

In the event that the Contractual Arrangements are discontinued and the Group is unable to locate any substitute to provide internet content services timely, the operation of the Group's platform could be severely disrupted and the Group may breach its existing contracts for on-line businesses (including among others, subscription for Mai-Mai-Tong and Biao-Wang search), which could materially and adversely affect the Group's business operation and financial results.

Since the entering into of the Contractual Arrangements and up to the date of this announcement, there is no substantive difficulties or disputes among the Group, Huicong Construction and its registered shareholders in respect of renewal or extension of the Contractual Arrangements.

*Certain terms of the Contractual Arrangements may not be enforceable under PRC laws*

The Contractual Arrangements provide for dispute resolution by way of arbitration in accordance with the arbitration rules of the Beijing Arbitration Commission in the PRC. The Contractual Arrangements also contain provisions to the effect that, the arbitral body may award remedies over shares and/or assets of Huicong Construction, injunctive relief and/or winding up of Huicong Construction, and that courts in Hong Kong and the Cayman Islands are of competent jurisdiction with power to grant interim remedies in support of arbitration pending formation of arbitral tribunal or in appropriate cases.

The Company has been advised by the PRC Legal Advisers that the above mentioned provisions regarding injunctive relief or interim remedies contained in the Contractual Arrangements may not be enforceable, and that under PRC laws, arbitral body does not have the power to grant any injunctive relief or liquidation order in case of dispute.

Accordingly, such remedies may not be available to us timely, or be available to us at all notwithstanding the relevant contractual provisions contained in the Contractual Arrangements.

*Exercise of option to acquire the equity interests in Huicong Construction may be subject to limitations and the ownership transfer may be subject to substantial costs*

Under the Contractual Arrangements, the Group has the option to purchase equity interests in Huicong Construction. It is the intention of the Group to unwind the Contractual Arrangements as soon as the law allows the business to operate without such Contractual Arrangement, as further discussed in the paragraph headed "*Contractual Arrangements – The Group's intention to unwind the Contractual Arrangements*" below.

The FITE Regulations currently stipulated that foreign investors are not allowed to hold more than 50% of the equity interests of a company providing value-added telecommunications services, including internet content provider services. As the Company is a company incorporated in the Cayman Islands, all members of the Group controlled by the Company through majority shareholdings or equity interests are regarded as such foreign invested enterprise, which restrict the exercise of option.

In addition, under the FITE Regulations, a foreign invested enterprise wishing to acquire any equity interest in a value-added telecommunications business in the PRC must demonstrate a good track record and experience in providing value-added telecommunications services overseas ("**Qualification Requirement**"). The Company has been advised by the PRC Legal Advisers that there is currently no clear guidance on the interpretation of the Qualification Requirement under the existing applicable PRC laws, regulations or rules, and the Company is therefore unable to ascertain the Qualification Requirement as further discussed in the paragraph headed "*Contractual Arrangements – The Group's intention to unwind the Contractual Arrangements*" below. There is no assurance that the Group will be able to sufficiently satisfy the Qualification Requirement, or there will not be any subsequent change, interpretation or guidance on the Qualification Requirement, or such other requirements concerning the operator of internet content provider services. If the restrictions on the percentage of foreign ownership in telecommunications services are removed, the Group may need to unwind the Contractual Arrangements before the Group is in a position to comply with the Qualification Requirement.

The exercise of option to acquire equity ownership of Huicong Construction may incur substantial costs on the part of the Group. Pursuant to the Contractual Arrangements, the Group has an exclusive option to purchase, to the extent permitted by PRC laws, equity interests in Huicong Construction in all or part, at the consideration of RMB1,400,000 or a minimum purchase price permitted under PRC laws and regulations at the time of exercise of such option. Where the relevant PRC authorities determine that the purchase price is below the market value, they may require Beijing HC International to pay enterprise income tax for ownership transfer income with reference to the market value. The amount of tax may be substantial, which could materially and adversely affect the business, financial condition and results of operation of the Group.

*If Huicong Construction fails to obtain and maintain the requisite assets, licences and approvals as required under the regulatory environment for internet content provider business in the PRC, the business, financial condition and results of operations may be materially and adversely affected*

The telecommunications services industry in China is heavily regulated by the PRC government and numerous regulatory authorities of the central PRC government are empowered to issue and implement regulations governing various aspects of the telecommunications services industry. These telecommunications services-related laws and regulations are relatively new and evolving, and there are a certain degree of uncertainty especially on the interpretation and enforcement of these laws. As a result, in certain circumstances it may be difficult to determine what actions or omissions may be deemed to be in violations of applicable laws and regulations.

Huicong Construction is required to obtain and maintain certain assets relevant to its business as well as applicable licenses or approvals from the relevant regulatory authorities in order to provide its current services. These assets and licenses are essential to the operation of internet content provider business and are generally subject to annual review by the relevant governmental authorities. Also, Huicong Construction may need to obtain additional licenses. Although Huicong Construction has substantially complied with all the PRC laws and regulations governing its internet content provider business as of the date of this announcement, the Group cannot assure that it will be able to do so in the future. If Huicong Construction fails to obtain or maintain any of the required assets, licenses or approvals, its continued business operations in the telecommunications services industry may subject it to various penalties, including but not limited to fines and the discontinuation or restriction of its operations. Any such disruption in the business operations of Huicong Construction will materially and adversely affect our business, financial condition and results of operations.

*The Company may lose the ability to use and enjoy assets held by Huicong Construction that are important to the Group's business if Huicong Construction declares bankruptcy or becomes subject to a dissolution or winding up proceeding*

Huicong Construction holds certain assets that are important to the Group's business operations, primarily the ICP Licence and the domain name of "hc360.com". The Contractual Arrangements with Huicong Construction and its shareholders contain terms that specifically obligate Mr. Guo Fansheng and Mr. Guo Jiang to ensure the valid existence of Huicong Construction. However, in the event that Mr. Guo Fansheng or Mr. Guo Jiang breaches this obligation and voluntarily wind up Huicong Construction, or Huicong Construction declares bankruptcy or is otherwise dissolved, some or all of the Group's on-line business operations may have to be ceased, which could materially and adversely affect our business, financial condition and results of operations. If Huicong Construction undergoes a voluntary or involuntary winding-up proceeding, Mr. Guo Fansheng or Mr. Guo Jiang or any other third-party creditors may claim rights to some or all of these assets, resulting in hindrance to the Group's ability to operate the Group's on-line business, which could materially and adversely affect the Group's business, financial condition and results of operations.

*The transfer of trademark of "hc360" has not been completed, and failure to transfer the trademark may lead to penalty on Huicong Construction*

The Company has been advised by the PRC Legal Advisers that holders of the ICP License shall hold the domain name and the trademarks used for conducting the internet content provider business pursuant to the MIIT Notice.

At the time when the MIIT Notice was promulgated in July 2006 and up to the date of this announcement, Huicong Construction did not directly hold any trademark relevant to the business conducted.

Huicong Construction has been providing internet content provider service to the Group since 2002, that is, before the promulgation of the MIIT Notice. Huicong Construction is currently an assignee of the trademark "hc360", which was registered under the name of Beijing HC International. The said trademark was applied for in February 2004, and registered in October 2006 by Beijing HC International. At the relevant time, taking into account that Huicong Construction is a service provider of the Group pursuant to the Contractual Arrangements (instead of a subsidiary of or entity controlled by the Group) and with a view to better protect the interests and assets of the Group, the Group intended to own the trademark directly and licenses Huicong Construction to use the same. Taking into account that Huicong Construction has not encountered any enquiry, interference or encumbrance in respect of the requirement of trademark and has passed all annual inspection in the past, the trademark "hc360" remained registered in the name of Beijing HC International instead of under Huicong Construction as required under the MIIT Notice.

As at the date of this announcement and further to an application for transfer of registered trademark between Beijing HC International and Huicong Construction in June 2014, Huicong Construction is the assignee of the trademark of "hc360" ("**Trademark Transfer**") following an extensive review of the Contractual Arrangements, the change of shareholdings of Huicong Construction and the consolidation of Huicong Construction as a subsidiary. The Group and Huicong Construction are using their commercially reasonable best efforts to complete the transfer of the trademark as soon as practicable. Having consulted the PRC Legal Advisers as to the procedures and requirements on transfer of trademarks under relevant PRC regulations, transfer of trademark would normally takes 6 to 8 months to complete, and the Directors expect the Trademark Transfer will pass formal approval (形式審查) by the Trademark Office of The State Administration For Industry & Commerce (國家工商行政管理總局商標局) of the PRC ("**Trademark Office**") by the end of November 2014, and be completed by the first quarter of 2015, assuming the Trademark Office's system be fully recovered by September 2014. Pursuant to the announcement of the Trademark Office in August 2014, it was announced that since April 2014, the Trademark Office suffered a severe failure in its trademark registration and management system, rendering it unable to proceed with various application. According to the said announcement, part of the works of the Trademark Office has been recovered. The Company has been advised by the PRC Legal Advisers that there are no substantial legal restrictions on the Trademark Transfer and it is unlikely for Huicong Construction be penalized in respect of the trademark requirement prior to the completion of the Trademark Transfer. The Company has further been advised by the PRC Legal Advisers that, upon completion of the Trademark Transfer, any penalty with retrospective effect in respect of failure to fulfill the trademark requirement under the MIIT Notice regarding any period prior to the Trademark Transfer is unlikely.

Under relevant PRC laws and regulations, the governing telecommunication authority has the discretion to revoke the ICP License if the ICP License holder fails to transfer the trademark within a stipulated period upon order from such authority. Such stipulated period would be a reasonable period with reference to the time requirement for the normal application procedures of a transfer of trademark in the Group's case. The Company has been advised by the PRC Legal Advisers that a revocation order would only be made if Huicong Construction being ordered by the authority to rectify the same, but still fail to do so within a stipulated period. Up to the date of this announcement, no such order for rectification has been made against Huicong Construction, and Huicong Construction has not encountered any interference or encumbrance in respect of trademark, and has passed all annual inspection in the past. Given that the Trademark Transfer in compliance with the MIIT Notice is in process at the initiative of Huicong Construction and Beijing HC International, the Company has been advised by the PRC Legal Advisers that prior to completion of the Trademark Transfer, it is unlikely that local telecommunication authority to impose penalties, and it is unlikely of Huicong Construction being penalized retrospectively for failing to meet the said trademark requirement after completion of the Trademark Transfer. Apart from the legal perspective, the Directors also consider that there should not be any interference or encumbrance in respect of the Trademark Transfer.

In the unlikely event that the Trademark Transfer cannot be completed, the Group may consider transferring other trademark to Huicong Construction, or arrange for application for registration of other trademark by Huicong Construction, which trademark would bear the word(s) "hc", "hc360", "慧聰", "慧聰網" and/or similar wordings and in classes of goods and services relevant to business conducted by Huicong Construction. The Group may also locate other entity holding ICP Licence to be acquired, or new entity holding ICP Licence to be established by Mr. Guo Fansheng and Mr. Guo Jiang at their costs who fulfill the requirements of MIIT Notice, and which will be subject to identical or substantively identical arrangements as those under the Contractual Arrangements, as substitute for providing internet content services to the Group.

Taking into account the PRC Legal Advisers' advice in respect of the Trademark Transfer as stipulated above, the Directors are of the view that the interests of the Group and its shareholders are not prejudiced.

However, there is no assurance that competent PRC regulatory authorities will ultimately take a view that is consistent with the opinion of the PRC Legal Advisers. If a competent PRC regulatory authority is of the view that rectification actions are not adequate or untimely, Huicong Construction may be subject to various penalties, including but not limited to fines and discontinuation or restriction of its operations. 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 on-line business. In particular, revocation of Huicong Construction's ICP Licence would prevent Huicong Construction from providing internet content provider services to the Group and if the Group is unable to locate any substitute timely, the operation of the Group's platform could be severely disrupted and the Group may breach its existing contracts for on-line businesses (including among others, subscription for Mai-Mai-Tong and Biao-Wang search), which could materially and adversely affect the Group's business and results of operations. Also, since the on-line business segment is the Group's major source of income, the imposition of any of the above mentioned consequences could materially and adversely affect the Group's financial condition.

**Risks associated with its on-line business**

*The Group's technology infrastructure may experience unexpected system failure, interruption, inadequacy or security breaches*

The Group's technology infrastructure may encounter disruptions or other outages caused by problems or defects in the technologies and systems, such as system failure, network overload, or by unexpected network interruption, such as fires, floods, typhoons, local or regional power interruption, telecommunications failures, etc.

Any network interruptions or inadequacy, or failure to maintain the network and server or solve such problems in a timely manner, will affect the Group's operation of its online platform, and will adversely affect the Group's reputation, user base, business operation and financial conditions.

In addition, the Group's infrastructure is potentially vulnerable to physical or electronic break-ins, virus and hacking involving efforts to gain unauthorized access to the Group's information or system, or to cause intentional malfunctions, loss or corruption of data, software, hardware or other computer equipment, or similar events or third-party actions. These may cause interruption of the Group's internet operations, or misappropriation of proprietary or confidential information. Any failure to maintain performance, reliability, security and availability of network infrastructure may harm the Group's reputation and expose it to risks of loss or litigation and possible liability, and could have a material and adverse effect on the Group's business, financial conditions and results of operations.

The Group's technology infrastructure has not experienced any substantial system failure or interruption which has material impact on the Group's operation during the three years ended 31 December 2013 and up to the date of this announcement.

*The Group may be held liable for contents of its online platform, as well as contents of its trade catalogues, yellow page directories, and advertisements it sells*

The Group obtains contents of information retrieved from its on-line platform, and third party sources. As the contents can be distributed to others, there is a risk that claims may be made against the Group for defamation, negligence, copyright or trademark or other intellectual property rights infringement, or other claims based on the nature, contents, publication and distribution of those materials, such as violation of censorship laws or regulations in the PRC, which may result in substantial monetary liability or material disruption of continuity of the Group's business. There is no assurance that internal procedures such as vetting and staff-training imposed by the Group can effectively prevent violation of censorship or other PRC laws or regulations, or prevent civil claims.

The trade catalogues and yellow page directories business of the Group faces similar risks.

As the Group does not carry general liability insurance, any imposition of liability could cause the Group to incur substantial costs and have a material adverse effect on the Group's business, its financial condition and result of operations.

The Group has not been subject to any liability in respect of contents of its online platform, contents of its trade catalogues, yellow page directories and advertisement it sells which has a material adverse impact on the Group during the three years ended 31 December 2013 and up to the date of this announcement.

*Unauthorized use of intellectual property of the Group may adversely affect the Group's business and reputation*

The Group relies heavily upon its proprietary data library and its intellectual property rights to conduct its operations and offer its services. Unauthorized use of the Group's intellectual property by third parties may materially and adversely affect the Group's business and reputation. The Group relies on trademark and copyright laws, trade secret protection and confidentiality agreements with its employees, customers, business partners and others to protect its intellectual property rights. However, there is no assurance that the Group may effectively deter unauthorized disclosure of confidential information, or unauthorized use of the Group's intellectual property, or may provide adequate remedy in the event of unauthorized disclosure of confidential information. The validity, enforceability and scope of protection of intellectual property in internet-related industries are uncertain.

The Group cannot give any assurance that third parties will not make unauthorized disclosure of confidential information, infringe or misappropriate the Group's proprietary rights or that third parties will not independently develop similar proprietary information. Any infringement, misappropriation or independent development could harm the Group's results of operations. The Group may, at times, have to incur significant legal costs and spend time in defending its trademarks and intellectual property rights. Any defense efforts, whether successful or not, would divert both time and resources from the operation and growth of the Group's business, and may have a material adverse effect on the Group's financial condition and results of operation.

The aforesaid risks are not covered by any insurance maintained by the Group, the operation and business may be severely disrupted, which could materially and adversely affect the results of operations of the Group.

During the three years ended 31 December 2013 and up to the date of this announcement, the Group has not encountered any interference or litigation in respect of intellectual property by third parties which has a material adverse impact on the Group's operation.

**Overview of laws and regulations in respect of on-line services of the Group**

Set out below is an overview of the laws and regulations in respect of the on-line services of the Group:

*Regulations on Telecommunications Services*

Value-added telecommunications services in the PRC are governed by the Telecommunications Regulations of the PRC (中華人民共和國電信條例) ("**Telecommunications Regulations**"), which was issued on 25 September 2000 by the State Council of the PRC (中華人民共和國國務院) ("**State Council**"). The Telecommunications Regulations categorize all telecommunications services in the PRC as basic telecommunications services and value-added telecommunications services and set out extensive guidelines on various aspects of telecommunications operations in the PRC. The Catalogue of Telecommunications Businesses (電信業務分類目錄) attached to the Telecommunications Regulations, which was amended on 21 February 2003 and became effective on 1 April 2003, provides that information services via public communication networks, such as fixed networks, mobile networks and the Internet are value-added telecommunications services. According to the Telecommunications Regulations, a commercial telecommunications service provider in the PRC must obtain an operating license from MIIT or its provincial-level counterparts. The Administrative Measures on Internet Information Services (互聯網信息服務管理辦法) ("**Internet Measures**"), issued by the State Council on 25 September 2000 and amended on 8 January 2011, regulates the provision of Internet information services. According to the Internet Measures, "Internet information services" refer to services that provide Internet information to online users, and are categorized as either commercial services or non-commercial services. Pursuant to the Internet Measures, Internet information commercial service providers shall obtain an internet content provider license from the relevant authorities before engaging in the provision of any commercial internet information services in the PRC.

The Administrative Measures for Telecommunications Businesses Operating Licensing (電信業務經營許可管理辦法) ("**Telecom License Measures**") were promulgated by MIIT and became effective on 10 April 2009. The Telecom License Measures, which are formulated in accordance with the Telecommunications Regulations, set out the types of licenses required to provide telecommunications services in the PRC and the procedures and requirements for obtaining such licenses. With respect to licenses for value-added telecommunications businesses, the Telecom License Measures distinguish between licenses for business conducted in a single province, which are issued by the provincial-level counterparts of MIIT, and licenses for trans-provincial businesses, which are issued by MIIT.

Besides, the Internet Measures and other relevant measures also ban internet activities that constitute publication of any content that, among others, propagates obscenity, pornography, gambling and violence, incite the commission of crimes or infringe upon the lawful rights and interests of third parties. If an internet information service provider detects information transmitted on their system that falls within the specifically prohibited scope, such provider must terminate such transmission, delete such information immediately, keep records and report to the governmental authorities in charge. Any provider's violation of these prescriptions will lead to the revocation of its internet content provider license and, in serious cases, the shutting down of its internet systems.

*Regulations Relating to Foreign Investments in Value-added Telecommunications Industry*

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%.

The Guiding Catalogue for Foreign Investment Industries of 2011 (外商投資產業指導目錄(2011)), which was promulgated by the MOFCOM and the National Development and Reform Commission (國家發展和改革委員會) ("**NDRC**"), imposes the same restrictions on the percentage of foreign ownership in value-added telecommunication business as imposed by the Administrative Rules for Foreign Investments in Telecommunications Enterprises (外商投資電信企業管理規定).

On 13 July 2006, MIIT issued the MIIT Notice, which prohibits holders of ICP Licenses from leasing, transferring or selling their licenses to any foreign investors in any form, or providing any resources, sites or facilities to any foreign investors for illegal operation of telecommunications businesses in the PRC. The MIIT Notice requires that holders of ICP Licenses or their shareholders must directly own the domain names and registered trademarks used by such license holders in their ICP-related services. The MIIT Notice further requires that each license holder must have necessary facilities for its approved business operations and maintain such facilities in the regions covered by its license. In addition, all value-added telecommunications service providers are required to maintain network and Internet security in accordance with the standards set out in relevant PRC regulations. If a license holder fails to comply with the requirements in the MIIT Notice and remedy such non-compliance, MIIT or its local counterparts has the discretion to take administrative measures against such license holder, including revocation of its ICP License.

The Company notes there has been media coverage on the Reported Decisions, and the PRC Legal Advisers opine that the Contractual Arrangements can be differentiated from the Reported Structures as further described in the paragraph headed "*Contractual Arrangements – Legality of the Contractual Arrangements*" above.

Notwithstanding the above, the Company cannot assure that it will not be found in violation of any current or future PRC laws and regulations in light of substantial uncertainties regarding the interpretation and application of PRC laws and regulations. In the event that the PRC regulatory authorities ultimately take a view that is consistent with the opinion of the PRC Legal Advisers, and found the Group be in violation of any existing or future PRC laws or regulations, the authority will have broad discretion as further detailed in the paragraph headed "*Contractual Arrangements – The government may determine that the agreements underlying the Contractual Arrangements do not comply with applicable regulations, or these regulations or their interpretation may change in the future*". Any of these actions could cause significant disruption to the Group's business operations and may materially and adversely affect the Group's business, financial condition and results of operations.

**The Group's intention to unwind the Contractual Arrangements**

Investment activities in the PRC by foreign investors are mainly governed by the Guiding Catalog for Foreign Investment Industries of 2011 (外商投資產業指導目錄(2011)) ("**Catalog**"). As advised by the PRC Legal Advisers, according to the Catalog, the operation of internet content provider services by Huicong Construction through the platform of "hc360.com" falls into the category of "value-added telecommunications services," which is considered "restricted".

As illustrated in the paragraph headed "*Contractual Arrangements – Risks associated with the Contractual Arrangements – Exercise of option to acquire the equity interests of Huicong Construction may be subject to limitations and the ownership transfer may be subject to substantial costs*" above, foreign investors' ultimate equity ownership in an entity in the PRC providing value-added telecommunications services shall not exceed 50%. In addition, a foreign investor who invests in a value-added telecommunications business in the PRC must demonstrate the Qualification Requirement.

The Group has relevant technologies and professional personnel in conducting the internet content provider business, and has been, since 2002 through the Technology Services Agreement in force at the relevant time, provide technological support and services related to internet content provider business of Huicong Construction for the platform of "hc360.com". The Directors consider the Company has accumulated substantive experience, capital, personnel in relation to operation of internet content provider business.

However, currently there are no applicable PRC laws, regulations or rules which provides clear guidance on the interpretation of the Qualification Requirement. According to the application requirements published on the official website of MIIT, foreign investors applying for the establishment of foreign-invested value-added telecommunication enterprises in the PRC are required to provide, among other things, the applicant's annual reports for past three years, proof of Qualification Requirement and a business development plan, and MIIT has not provided any further guidance on the proof, record or document required to support the proof satisfying the Qualification Requirement. The PRC Legal Advisers have advised the Company that no interpretation or definite standards are available to provide clear guidance or interpretation on the Qualification Requirement. The PRC Legal Advisers have conducted telephone interview with relevant responsible officer of the Administration, whereby the PRC Legal Advisers were informed that (i) no operational rules have been promulgated in respect of the interpretation of the said guidance, and there is no concrete standards of examination, and (ii) foreign investors may provide financial reports of the past three years to show a good trading record, or provide relevant licences or business registration documents issued by foreign authority to shows its experience. As a result of such lack of clear guidance on the Qualification Requirement, the Company is unable to ascertain whether the Company is capable for fulfilling all requirements of the necessary licence and approval for online operations when the laws allow the Group to directly operate the business. The Group will attend to and review all legal and regulatory updates concerning the Contractual Arrangements from time to time, and make appropriate adjustment in accordance with the applicable laws and regulations as promulgated by the relevant PRC authorities from time to time, for the purposes of becoming qualified, as early as possible, to acquire the entire equity interests of Huicong Construction when the PRC laws allow foreign investors to invest in value-added telecommunications enterprises in China.

The Directors confirm that it is the Company's intention to unwind the Contractual Arrangements and holding all necessary and relevant licences for operation of its business subject to such relevant laws and regulations as soon as the law allows the business to operate without such Contractual Arrangements.

The Group has gradually commence and strengthen its overseas value-added telecommunications services business operations with a view to demonstrate a good track record for meeting the Qualification Requirement in due course once the restrictions on the percentage of foreign ownership in telecommunications services are removed in the PRC by then the Group can unwind the Contractual Arrangements and acquire the entire equity of Huicong Construction. To achieve the above said, the Group has established a subsidiary in Hong Kong, namely, HC Group (Hong Kong) Limited ("**Hong Kong HC**"). Hong Kong HC will be principally engaged in the construction and operation of the Group's new overseas platform in Hong Kong, with an aim to making such platform the overseas platform and provide an expanded and upgraded services for the existing customers of the Group. Such additional platform will allow the existing and future high-quality customers to display their products and services on-line. The Company will also review and keep Shareholders informed of the progress for meeting the Qualification Requirement from time to time, and in any event in the Company's annual reports and interim reports.

Making use of the Group's strong customer base and media resources, Hong Kong HC and its overseas platform will help Hong Kong and overseas buyers to locate qualified PRC suppliers and facilitate transactions between them. The Directors consider the Group possesses the necessary technics and operating experiences as well as strong internal resources to facilitate the operation of Hong Kong HC with its overseas platform.

As at the date of this announcement, Hong Kong HC is the registrant of the domain name "hc360.com.hk" and the Group has launched the construction of the Group's new overseas platform and expects to commit not less than HK$2 million to the development and operation of the new overseas platform. Such financial commitment shall include, but not limited to, the establishment of the server, network services, staff costs and marketing costs. More financial resources will be committed by the Group according to the business needs of the new overseas platform.

The Company has been advised by the PRC Legal Advisers that, taking into account the discretion of the Administration on interpretation of the Qualification Requirement, business operated or planned by the Group as described above are reasonable and appropriate, and there would be no substantive legal impediments for the Group to acquire entire equity interests of Huicong Construction to operate its on-line business directly when the PRC laws allow foreign investors to invest in value-added telecommunications enterprises in China.

Each of Huicong Construction, Mr. Guo Fansheng and Mr. Guo Jiang has executed the Undertaking under which they have undertaken to the Company, subject to the relevant laws and regulations, to return to the Group any consideration they receive in the event that the Group acquires the equity interests of Huicong Construction, or any assets of Huicong Construction in relation to the business operation under the Contractual Arrangements when unwinding the Contractual Arrangements.

**Internal control and additional measures**

In light of the Contractual Arrangements, the Company has adopted additional measures to ensure legal and regulatory compliances, and the effective operation of the Group and the implementation of the Contractual Arrangements:

(i) as part of the internal control measures, major issues arising from implementation of the Contractual Arrangements will be regularly reviewed, at least on a quarterly basis, by the Board. As part of such review, the Board will determine whether legal advisers and/or other professionals will be retained to assist the Group to deal with specific issues arising from the Contractual Arrangements with Huicong Construction;

(ii) matters relating to compliance and regulatory enquiries from government authorities (if any) will be discussed at these regular meetings;

(iii) the relevant business units and operation divisions of the Group will report regularly, which will be no less frequently than on a monthly basis, to the senior management of the Company in relation to compliance and performance conditions under the Contractual Arrangements and other related matters;

(iv) if required, legal advisers and, or other professionals will be retained to assist the Group to deal with specific issues arising from the Contractual Arrangements and to ensure that the operation and implementation of the Contractual Arrangements as a whole will comply with applicable laws and regulations;

(v) the Board (excluding Mr. Guo Fansheng and Mr. Guo Jiang and their associates, if any) will review the compliance of the Contractual Arrangements on an annual basis;

(vi) there will be no change to the Contractual Arrangements without approval of the independent non-executive Directors;

(vii) after the listing of Shares commenced on the Main Board, no subsequent change will be made to the Contractual Arrangements without the approval of the independent Shareholders save as described in paragraph (viii) below. Once independent Shareholders' approval of any change has been obtained, no further announcement or approval of the independent Shareholders, except for those described above, will be required under Chapter 14A of the Main Board Listing Rules unless and until further changes are proposed. The period reporting requirement regarding the Contractual Arrangements in the annual report of the Company will continue to be applicable;

(viii) on the basis that the Contractual Arrangements provide an acceptable framework for the relationship between the Company and its subsidiaries in which the Company has direct shareholding, on one hand, and Huicong Construction, 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 (including branch company) engaging in the same business as that of the Group which the Group might wish to establish when justified by business expediency, without obtaining the approval of the Shareholders, on substantially the same terms and conditions as described under the paragraph headed "*Contractual Arrangements – Agreements underlying the Contractual Arrangements*" in this announcement. Such new wholly foreign owned enterprise or operating company (including branch company) may be established by the Group for expansion into the market due to potential business growth. The Group may also establish new companies as and when considered necessary. The directors, chief executive or substantial shareholders (as defined in the Main Board Listing Rules) of any existing or new wholly foreign-owned enterprise or operating company (including branch company) engaging in the same business as that of the Group which the Group may establish when justified by business expediency will, upon renewal and/or cloning of the agreements underlying the Contractual Arrangements, be treated as the Group's connected persons, and transactions between these connected persons and the Group other than those under similar agreements underlying the Contractual Arrangements shall comply with Chapter 14A of the Main Board Listing Rules. The aforesaid is subject to the relevant laws, regulations and approvals of the PRC;

(ix) the Board (including the independent non-executive Directors) will ensure that any designee or person or entity designated by Beijing HC International for the purpose of exercising any of the rights granted to Beijing HC International under the Contractual Arrangements shall 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 Company). The Board will also ensure that no rights shall be granted to any other third parties outside of the Group which does not owe any fiduciary duties to the Company;

(x) the Company will also keep Shareholders informed of its business operating through the Contractual Arrangement subsisting during or at the end of the financial period in the Company's annual reports in accordance with relevant guidelines as may be issued by the Stock Exchange from time to time;

(xi) the Group will disclose details relating to the Contractual Arrangements on an ongoing basis as follows:

(a) the independent non-executive Directors will review the Contractual Arrangements annually and confirm in the Company's annual report for the relevant year that: (1) the transactions carried out during such year have been entered into in accordance with the relevant provisions of the Contractual Arrangements, and (2) no dividends or other distributions have been made by Huicong Construction to its registered shareholders which are not otherwise subsequently assigned or transferred to the Group; and

(b) the auditors of the Company will carry out agreed upon review procedures annually on transactions carried out pursuant to the agreements underlying the Contractual Arrangements, and will provide a letter to the Directors with a copy to the Stock Exchange, at least ten business days before the Company bulk prints its annual report (or such other time as may from time to time be required under the Main Board Listing Rules or by the Stock Exchange) that there is nothing that has come to their attention that causes them to believe that the transactions have not been approved by the Board, were not entered into, in all material respect, in accordance with the relevant agreement governing the transactions; and

(xii) for the purposes of Chapter 14A of the Main Board Listing Rules, and in particular the definition of "connected person", Huicong Construction will be treated as the Company's subsidiary, and at the same time, the directors, chief executive or substantial shareholders (as defined in the Main Board Listing Rules) of Huicong Construction and their respective associates will be treated as connected persons of the Company, and transactions between such connected persons and the Group (including for this purpose Huicong Construction) (other than those contemplated under the Contractual Arrangements) shall comply with Chapter 14A of the Main Board Listing Rules.

To ensure that Mr. Guo Fansheng, Mr. Guo Jiang and Huicong Construction will comply with the Contractual Arrangements, the Company will further introduce the following measures:

(i) the independent non-executive Directors will continue to play an independent role in the Board by reviewing the effective implementation of the procedures and controls referred to above and compliance of the Contractual Arrangements;

(ii) each of Mr. Guo Fansheng and Mr. Guo Jiang, being the registered shareholder of Huicong Construction, will abstain from voting in any Shareholders' meeting approval any contract involving a conflict of interest relating to the Contractual Arrangements;

(iii) each of Mr. Guo Fansheng and Mr. Guo Jiang shall abstain from voting on any resolutions of Beijing HC International; and

(iv) Huicong Construction will undertake that, for so long as the Contractual Arrangements remain in effect and the Shares are listed on the Stock Exchange, it will provide the Board and the Company's auditors with full access to its records for the purpose of the Company's auditors review of the transactions contemplated under the Contractual Arrangements.

*Trade catalogue and yellow page directories*

Such services represent offline products of the Group, which generate advertising fee on offline trade catalogues and yellow page directories for the Group. Main products of this segment include the followings:

"**HC Trade Catalogues**" is a purchasing guide in China. It covers information on enterprises and quotations of products.

"**Yellow Page Directories**", as a business yearbook for specific industries, features as a systematic compilation of industry information, product technology and industry news.

*Seminars and other services*

Such offline segment generates revenue by charging sponsors and participants to trade exhibitions and seminars.

The Group launched the promotion campaigns for industry brands since 2008, at which the Group gave awards to people and enterprises for their contribution to the industrial development, reform and transformation with an aim to build up brand influence for enterprises and promote industrial progress.

*Online to offline (O2O) – The B2B household electrical appliances business exhibition centre*

Shunde Subsidiary, which is owned as to 53.1% by Tianjin HC as at the date of this announcement, has been established with the view to construct and operate a B2B household electrical appliance business exhibition centre ("**Exhibition Centre**") on the land located at No.8, East of State Road 105, Beijiao Town, Shunde, PRC ("**Land**"). Currently, the construction of the Exhibition Centre has commenced, and is scheduled to complete by the end of 2015 and shall be put into operation afterwards.

With a view to maintain the financial position of the project, a total floor area of 10,400 square meters, representing approximately 6.25% of the total gross floor area of the Land, was sold. All proceeds from the sale are or will be applied as capital for further construction of the Exhibition Centre, or for repayment of facilities or loan of Shunde Subsidiary. The aforesaid sale are within the ambit and contemplation of the grant of the Land and pursuant to the terms of transfer contract for land use rights of state-owned land for the Land and in line with the conditions as set out in the tender notice of the Land, which provides for not more than 50% of the total floor area of the Land be sold or transferred within 7 years after delivery of the Land. It is contemplated that further sale of total gross floor area of not more than 70,000 square meters, representing approximately 42.09% of the total gross floor area of the Land may be conducted in the second half of 2014 and 2015. The total gross floor area already sold and to be sold before expiry of the said 7-year period would in any event be not more than 50% of the total gross floor area of the Exhibition Centre, and proceeds are expected to be applied also as capital for further construction or for repayment of facilities or loan of Shunde Subsidiary. With reference to the scheduled completion of construction by the end of 2015, taking into account: (a) the estimate costs for completion of construction of the Exhibition Centre of approximately RMB1,295 million (of which approximately RMB535 million has been settled as at the date of this announcement), (b) the capital available to Shunde Subsidiary of approximately RMB599 million (deriving from the registered capital of Shunde Subsidiary of RMB200 million, the government grant of RMB197 million and proceeds of approximately RMB202 million from the sale which had taken place ("**Previous Sale**"); (c) banking facilities already obtained by Shunde Subsidiary of approximately RMB280 million, secured by land use rights of the Land; and (d) for illustrative purpose only (i) proceeds of RMB660 million expected to derived from further sale of a total floor area of not more than 68,000 square meters, assuming either (1) only half of such sale in contemplation (i.e. 34,000 square meters) can be achieved, assuming the average selling price be the same as that of the Previous Sale, or (2) such further sale are conducted at an average selling price at a discount of 50% to average price per square meter of the Previous Sale or (ii) assuming no such further sale would take place at all, facilities of loan of RMB660 million which is expected to be available to Shunde Subsidiary, taking into account the estimate value of properties of such 68,000 square meters of Shunde Subsidiary of approximately RMB1,320 million which may be served as security in the event of application for bank facilities and assuming a lending rate of 50% to average price of sale of the Previous Sale, the Directors are of the view that the Group would still have sufficient working capital for the construction if the planned level of sales cannot be achieved. The Company currently has no intention to raise additional fund from the capital market to finance the construction of the Exhibition Centre or other projects.

In 2013, an one-off government grant in the amount of RMB197 million was granted by the People's Governments of Beijiao as industry support fund in relation to the Exhibition Centre, and was intended to be applied to subsidize Shunde Subsidiary for loss of income resulted from provision of rental discount by Shunde Subsidiary to household appliance enterprises as tenants of the Exhibition Centre from July 2016 to June 2036 (being 20 years upon operation of the Exhibition Centre). The grant requires the Exhibition Centre to include an operating area of not less than 60,000 square meters and the Company will ensure such requirement on operating area will be fulfilled. The Government grant does not contain any stipulation which requires Shunde Subsidiary to return the amount of Government grant.

Shunde Subsidiary is owned as to 53.1% by Tianjin HC as at the date of this announcement. Save for being a substantial shareholder of Shunde Subsidiary, each of the remaining shareholders is otherwise not connected with the Company and its connected persons. Based on the existing articles of association of Shunde Subsidiary, shareholders of Shunde Subsidiary are entitled to share the profits of Shunde Subsidiary in the proportion to its shareholding.

Please also refer to the announcement of the Company dated 3 July 2012 regarding the entering into of the investment and cooperation agreement dated 3 July 2012 by Tianjin HC, the circular of the Company dated 18 January 2013 regarding mandate for possible major transaction regarding acquisition of the Land, and the announcement of the Company dated 1 November 2013 regarding discloseable transaction in relation to general contracting construction and management contract for the Exhibition Centre for further details.

*Chongqing Digital China Huicong Micro-Credit Co., Ltd.*

Chongqing Digital China Huicong Micro-Credit Co., Ltd. (重慶神州數碼慧聰小額貸款有限公司) ("**Micro-Credit JV**") is owned as to 60% by Digital China Holdings Limited and as to 40% by the Group. The Micro-Credit JV was established pursuant to a joint venture agreement, further details of which are set out in the circular of the Company dated 20 December 2013. The financial results of Micro-Credit JV are not consolidated into those of the Group.

As at the date of this announcement, Micro-Credit JV has been established and an aggregate of RMB375,000,000 has been injected into Micro-Credit JV as registered capital as contemplated under the relevant joint venture agreement (details of which are set out in the circular of the Company dated 20 December 2013), and Micro-Credit JV has commenced business. Micro-Credit JV is also processing with the application for approval for further registered capital of an aggregate of RMB625,000,000 as contemplated under the said joint venture agreement.

*Hui De Holding Co. Ltd.*

Hui De Holding Co., Ltd. (慧德控股有限公司) ("**Hui De**") is owned as to 20% by the Group. Hui De was established pursuant to a joint venture agreement, details of which are set out in the announcement of the Company dated 9 December 2013.

Hui De's business direction shall include, without limitation, investment, construction, operation of e-commerce industrial centre project(s) at where industries which Tianjin HC has advantages gather. The Group intends, through its investment in Hui De by subscribing 20% of its shareholding, to obtain sole operation rights of said e-commerce industrial centre project of not less than 15 years.

The establishment of Hui De has been completed as at the date of this announcement. Hui De is currently at the stage of research and feasibility study for considering the location of its project. The Directors expected that once the location of the project is chosen, Hui De will acquire land and commence construction of the centre. The Group will enter into further negotiation and agreement with Hui De for operation rights for the centre. As at the date hereof, the location of the project has not yet been fixed, and accordingly, required capital for the project have not yet been fixed.

The Group's exposure in relation to Hui De is loss of investment in relation to the registered capital injected (i.e. RMB20,000,000). The joint venture agreement underlying the establishment of Hui De makes no compulsory obligations on provision of further capital or shareholders' loan. In the event of financial needs of Hui De, the Group may, but is not obliged to, consider providing shareholders' loan proportionate to its shareholding on normal commercial terms.

As a minority shareholder interested in 20% shareholding, the Group will principally be an investor, who is to assist Hui De in choosing the location of its project at where industries Tianjin HC has advantage gathers, and to assist Hui De in seeking the consent and support of local government in construction of the centres. The Group has appointed a director to Hui De to oversee the Group's investment.

The major risk exposed to the Group in respect of the establishment of Hui De is that, after obtaining the exclusive right to operate the commercial properties, the returns of the e-commerce industrial centre project were not as good as expected. In addition, as a minority shareholder of Hui De, the Group has the right to appoint only one out of three directors of Hui De, and holds only 20% of the voting rights at general meetings of Hui De. The Group does not have control over Hui De at the board of directors' level, or at general meetings level. Based on the joint venture agreement underlying the establishment of Hui De, as part of the Group's right under the contract, the Group was granted a right of first refusal for obtaining the sole operating right for the industrial centre project. Upon consultation with the PRC Legal Advisers, the Directors are of the view that the joint venture agreement and such right is enforceable and binding. Currently, as the location of the project has not yet been fixed, no further agreements have yet been entered into regarding such sole operating rights.

The Group's return from the investment on Hui De shall be derived directly from the distribution of dividend of Hui De based on its profit, which will in turn, be depends on the development, construction, sales and operation of the projects by Hui De. If the right of operation realize upon completion of construction of e-commence industrial centre, the Group expects to generate income from operation of the said centre.

## REASONS FOR THE TRANSFER OF LISTING

The Directors believe that the listing of Shares on the Main Board will enhance the profile of the Group as a whole, and will improve the trading liquidity of the Shares. The Directors consider that the listing of the Shares on the Main Board will be beneficial to the future growth, financial flexibility and business development of the Company, and allow the Company to gain a wider recognition among the public and institutional and retail investors. No change in nature of the business of the Group is contemplated by the Directors following the Transfer of Listing.

## DEALINGS IN THE SHARES ON THE MAIN BOARD

The Shares have been accepted as eligible securities by HKSCC for deposit, clearance and settlement in the CCASS with effect from 17 December 2003, the date on which the Shares were first listed on GEM. Subject to the continued compliance with the stock admission requirements of HKSCC, the Shares will continue to be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS once dealings in the Shares on the Main Board commence, and that all activities under CCASS are subject to the General Rules of the CCASS and CCASS Operational Procedures in effect from time to time.

The last day of dealings in the Shares on GEM (Stock code: 08292) will be Thursday, 9 October 2014. Dealing in the Shares on the Main Board (Stock code: 02280) will commence at 9:00 a.m. on Friday, 10 October 2014.

The Transfer of Listing will have no effect on the existing share certificates in respect of the Shares which will continue to be good evidence of legal title and be valid for trading, settlement and registration purposes and will not involve any transfer or exchange of the existing share certificates. Currently, the Shares have a board lot size of 2,000 Shares each and are traded in Hong Kong dollars. No change will be made to the Chinese and English stock short names, the existing share certificates, the board lot size, trading currency of the Shares and the Hong Kong branch share registrar and transfer office (which is Computershare Hong Kong Investor Services Limited) of the Company in connection with the Transfer of Listing.

## GEM SHARE OPTION SCHEME

Upon the listing of the Shares being transferred from GEM to the Main Board, the GEM Share Option Scheme will terminate and no further share option will be offered or granted thereunder. As at the date of this announcement, 37,221,000 Shares may be issued upon exercise of all the outstanding share options granted under the GEM Share Option Scheme. All such outstanding share options will remain valid and exercisable after the Transfer of Listing. The Company may consider adopting a new share option scheme which will be in compliance with the Main Board Listing Rules in the future and will then make further announcement when appropriate and obtain the approval by the Shareholders in accordance with the Main Board Listing Rules.

As at the date of this announcement, there are no outstanding options, warrants or similar rights or convertible equity securities issued by the Company which will be transferred to the Main Board save as disclosed above.

## GENERAL MANDATES TO ISSUE AND REPURCHASE SHARES

Pursuant to Rule 9A.12 of the Main Board Listing Rules, the general mandates granted to the Directors to allot and issue new Shares and repurchase Shares by the Shareholders on 30 April 2014 will continue to be valid and remain in effect until the earliest of:

(a) the conclusion of the next annual general meeting of the Company;

(b) the expiration of the period within which the next annual general meeting of the Company is required by the laws of the Cayman Islands or the articles of association of the Company to be held; and

(c) the revocation or variation of such authority given by an ordinary resolution of Shareholders in general meeting.

## COMPETING INTERESTS

As at the date of this announcement, none of the Directors or their respective associates has an interest in a business which competes or may compete, either directly or indirectly, with the business of the Group.

## REGULAR PUBLICATION OF RESULTS

Upon the Transfer of Listing, the Company will continue the practice of quarterly reporting of financial results and will follow the relevant requirements of the Main Board Listing Rules which include publishing its interim results and annual results.

## DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be made available for viewing on the respective websites of the Company at http://www.hcgroup.com and of the Stock Exchange at http://www.hkexnews.hk:

(a) the published directors' report and annual accounts of the Company for the year ended 31 December 2013;

(b) the interim report of the Company for the six months ended 30 June 2014;

(c) the quarterly report of the Company for the three months ended 31 March 2014;

(d) amended and restated memorandum and articles of association of the Company;

(e) the circular of the Company dated 18 January 2013 in relation to, among other things, mandate for possible major transaction;

(f) the circular of the Company dated 28 March 2013 in relation to, among other things, renewal of general mandates to issue and repurchase shares and re-election of directors;

(g) the circular of the Company dated 20 December 2013 in relation to, among other things, major and connected transaction in relation to establishment of a joint venture company;

(h) the circular of the Company dated 28 March 2014 in relation to, among other things, renewal of general mandates to issue and repurchase shares and re-election of directors;

(i) the agreements underlying the Contractual Arrangements (including the Domain Names and Trademarks Licence Agreement, the Technology Services Agreement, the Online Information Distribution Agreement, the Online Advertisement Publication Agreement, the Exclusive Option Agreement, the Equity Pledge Agreement and the Powers of Attorney, together with such supplemental agreements supplementing and amending the aforesaid agreements);

(j) the Undertakings; and

(k) a copy of each of announcements and other corporate communications made by the Company before the date of this announcement as required under the GEM Listing Rules and the Main Board Listing Rules.

## BIOGRAPHICAL INFORMATION OF DIRECTORS

The Company discloses below the biographical information of each current Director:

### Executive Directors

*GUO Fansheng*

**GUO Fansheng (郭凡生)**, aged 58, is an executive Director and the Chairman of the Board. He is also the chairman of the Nomination Committee of the Company. Mr. Guo was appointed as an executive Director on 21 March 2000.

Mr. Guo found the Group in October 1992 and is responsible for the overall strategic development and policy of the Group. From 1990 to 1992, Mr. Guo worked as a manager in a State-owned business information company in Beijing, the PRC. From 1987 to 1990, Mr. Guo served as a director of the Liaison Office and General Office of the Economic System Reform Institute under the State Commission for Economic Restructuring, and as the deputy director of the Western China Development Research Centre. Prior to working at the State Commission for Economic Restructuring, Mr. Guo served from 1982 to 1987 as a senior official in the government of the Inner Mongolia Autonomous Region. Mr. Guo obtained a bachelor degree in industrial economics from Renmin University of China, the PRC in 1982.

Up to April 2012, Mr. Guo was an independent non-executive director of China Finance Online Co., Ltd., a NASDAQ-listed company. Save as disclosed above, he has not held any directorship in other public companies listed in Hong Kong or overseas in the past three years.

As at the date of this announcement, Mr. Guo was beneficially interested in 57,749,015 Shares, representing approximately 8.71% of the entire issued share capital of the Company.

Mr. Guo has entered into a service contract with the Company for a term of 3 years commencing from 30 November 2012, which may be terminated by either the Company or Mr. Guo by giving at least three months' written notice or otherwise in accordance with the terms of the director's service contract. Under the director's service contract of Mr. Guo, Mr. Guo is entitled to basic annual salaries of RMB600,000, which was determined with reference to his roles and responsibility and the prevailing market conditions, and a discretionary bonus, which is determined with reference to his performance during the relevant period of time. Save for the said salaries and discretionary bonus, Mr. Guo is not entitled to any other emolument for holding his office as an executive Director.

Mr. Guo is the uncle of Mr. Guo Jiang, an executive Director and the chief executive officer of the Company. Ms. Geng Yi, a senior management of the Company, is the spouse of Mr. Guo Jiang. Save as disclosed above, Mr. Guo does not have any relationship with any Director, senior management, substantial shareholder or controlling shareholder of the Company.

*GUO Jiang*

**GUO Jiang (郭江)**, aged 41, is an executive Director and the chief executive officer of the Company. He is also a member of the Remuneration Committee of the Company. Mr. Guo was appointed as an executive Director with effect from 1 August 2006.

Mr. Guo joined the Group in 1996 as a sale manager and became the chief executive officer of the Group in 2008. He is responsible for overseeing the operations of the Group. Prior to that, Mr. Guo spent two years at the Broadcasting Science Institute of the State Administration of Radio, Film and Television as an assistant to director. Mr. Guo graduated from the Harbin University of Commerce, the PRC, in 1994 with a bachelor degree in computer science. He also attended the Business Administration Course for Senior Management of Modern Enterprises conducted by Guanghua Business School of Peking University, the PRC, in 2002. He has not held any directorship in other public companies listed in Hong Kong or overseas in the past three years.

As at the date of this announcement, Mr. Guo was deemed to be interested in 88,549,771 Shares pursuant to the SFO, representing approximately 13.36% of the entire issued share capital of the Company. These Shares comprise (i) 59,498,771 Shares (of which 5,150,625 Shares are held by Ms. Geng Yi, the spouse of Mr. Guo), (ii) 13,917,000 underlying Shares derived from the awarded shares granted to Mr. Guo under the employees' share award scheme adopted on 17 November 2011, and (iii) 15,134,000 underlying Shares derived from the GEM Share Option Scheme (of which 5,634,000 underlying Shares derived from share options granted to Ms. Geng Yi).

Mr. Guo has entered into a service contract with the Company for a term of 3 years commencing from 1 August 2012, which may be terminated by either the Company or Mr. Guo by giving at least three months' written notice or otherwise in accordance with the terms of the director's service contract. Under the director's service contract of Mr. Guo, Mr. Guo is entitled to basic annual salaries of RMB600,000, which was determined with reference to his roles and responsibility and the prevailing market conditions, and a discretionary bonus, which is determined with reference to his performance during the relevant period of time. Save for the said salaries and discretionary bonus, Mr. Guo is not entitled to any other emolument for holding his office as an executive Director.

Mr. Guo is the nephew of Mr. Guo Fansheng, an executive Director and the Chairman of the Board. He is also the spouse of Ms. Geng Yi, a senior management of the Company. Save as disclosed above, Mr. Guo does not have any relationship with any Director, senior management, substantial shareholder or controlling shareholder of the Company.

*LEE Wee Ong*

**LEE Wee Ong**, also known as Alex Lee, aged 45, is an executive Director and the chief financial officer of the Company. Mr. Lee was first appointed as an independent non-executive Director on 9 September 2011 and was re-designated as an executive Director on 1 July 2012.

Mr. Lee graduated from the Northern University of Malaysia with a bachelor degree in accounting in 1993. Mr. Lee spent 6 years with Colonial First State Investments Group and Hambros Australia as a fund manager and was seconded to CMG CH China Funds Management. Mr. Lee had been the chief financial officer of the Company, and subsequently the chief strategy officer of the Company from 2000 to 2006. Mr. Lee is the founder of AlexCybot (Beijing) Technology Company Limited (亞力賽博(北京)科技有限公司), while holding directorship in MultiVision (Beijing) Technology Company Limited (卯泰維視(北京)科技有限公司) and Beijing WaterCompass Digital GIS Technology Company Limited (北京水羅盤數字地理信息科技有限公司). He has not held any directorship in other public companies listed in Hong Kong or overseas in the past three years.

As at the date of this announcement, Mr. Lee was deemed to be interested in 4,600,672 Shares pursuant to the SFO, representing approximately 0.69% of the entire issued share capital of the Company. These Shares comprise (i) 2,100,672 Shares, (ii) 1,000,000 underlying Shares derived from the awarded shares granted to Mr. Lee under the employees' share award scheme adopted on 17 November 2011, and (iii) 1,500,000 underlying Shares derived from the GEM Share Option Scheme.

Mr. Lee has entered into a service contract with the Company for a term of 3 years commencing from 1 July 2012, which may be terminated by either the Company or Mr. Lee by giving at least three months' written notice or otherwise in accordance with the terms of the director's service contract. Under the director's service contract of Mr. Lee, Mr. Lee is entitled to basic annual salaries of RMB720,000, which was determined with reference to his roles and responsibility and the prevailing market conditions, and a discretionary bonus, which is determined with reference to his performance during the relevant period of time. Save for the said salaries and discretionary bonus, Mr. Lee is not entitled to any other emolument for holding his office as an executive Director.

Mr. Lee does not have any relationship with any Director, senior management, substantial shareholder or controlling shareholder of the Company.

*YANG Ning*

**YANG Ning (楊寧)**, aged 36, is an executive Director and the president of the Company. Mr. Yang graduated from Hangzhou Institute of Electronics and Engineering (杭州電子工業學院) (now known as Hangzhou Dianzi University (杭州電子科技大學)), the PRC and obtained a bachelor of engineering degree in 1999. He obtained an Master of Business Administration from the China-Europe International Business School (中歐國際工商學院), the PRC, in 2012. Mr. Yang has over 14 years of operational and management experience in the field of business-to-business e-commerce industry. He worked in Alibaba Group from October 1999 to June 2005 and worked in SGS (Societe Generale de Surveillance) of Switzerland from July 2005 to October 2006. Mr. Yang joined the Group in 2006, and is now a president of the Group and a general manager of an e-commerce subsidiary of the Group. Mr. Yang has not held any directorship in any other public companies in Hong Kong or overseas in the last three year.

As at the date of this announcement, Mr. Yang is beneficially interested in 10,131,939 Shares, representing approximately 1.53% of the entire issued share capital of the Company. These Shares comprise (i) 6,131,939 Shares, and (ii) 4,000,000 underlying Shares derived from the awarded shares granted under the employees' share award scheme adopted on 17 November 2011.

Mr. Yang has entered into a service contract as an executive Director with the Company for a term of three year commencing from 17 January 2014, which may be terminated by either the Company or Mr. Yang by giving at least three month's written notice or otherwise in accordance with the terms of the director's service contract. Under the service contract entered into between the Company and Mr. Yang, Mr. Yang is entitled to basic annual salaries of RMB820,000, which was determined with reference to his duties, responsibility and experience, and to prevailing market conditions. Mr. Yang will also be entitled to discretionary bonus to be determined by the Board based on his performance. Save for the said salary and discretionary bonus, Mr. Yang is not entitled to any other emolument for holding his office as an executive Director.

Mr. Yang does not have any relationship with any Directors, senior management, substantial shareholders or controlling shareholder of the Company.

**Non-executive Directors**

*LI Jianguang*

**LI Jianguang (李建光)**, aged 49 is a non-executive Director. He is also a member of the Audit Committee of the Company. He was appointed as a non-executive Director with effect from 1 August 2006.

Mr. Li is a senior partner of IDG Capital Partners. Mr. Li is responsible for the investment management of IDG's China-related early funds and IDG – Accel China Growth Fund. Prior to that, Mr. Li worked in Crosby Asset Management Limited as an investment manager. Mr. Li graduated from Peking University in 1987 with a bachelor degree in economics and attained a master degree from Guelph University in Canada in 1994. Mr. Li is a director of Tarena International, Inc., a company listed on NASDAQ since April 2014. Save as disclosed above, he has not held any directorship in other public companies listed in Hong Kong or overseas in the past three years.

As at the date of this announcement, Mr. Li was deemed to be interested in 32,000,384 Shares, representing approximately 4.83% of the entire issued share capital of the Company, pursuant to the SFO. These Shares are held by Callister Trading Limited, the entire share capital of which is owned by Mr. Li.

There is no service agreement entered into between Mr. Li and the Company in relation to Mr. Li's office as a non-executive Director. Mr. Li is appointed for a fixed term of one year commencing from 1 August 2006, subject to retirement by rotation and/or re-election at the annual general meeting of the Company according to the articles of association of the Company. Mr. Li is not entitled to any emolument for holding his office as a non-executive Director.

Mr. Li does not have any relationship with any Director, senior management, substantial shareholder or controlling shareholder of the Company.

*GUO Wei*

**GUO Wei (郭為)**, aged 51, is a non-executive Director. He is also a member of the Remuneration Committee of the Company. He was first appointed as an independent non-executive Director on 8 March 2002, and was re-designated as a non-executive Director on 10 June 2011.

Mr. Guo is currently the chairman and executive director of Digital China Holdings Limited ("**Digital China**") (stock code: 861), a company listed on the Stock Exchange. Mr. Guo obtained a master degree from the Graduate School of the Chinese Academy of Science (formerly known as Graduate School of the University of Science and Technology of China) in 1988. He joined the Legend Group in 1988 and was once an executive director and senior vice-president of the Legend Group. He is currently a standing committee member of the 12th National Committee of the Chinese People's Political Consultative Conference, member of the 4th Advisory Committee for State Informatization, and president of Beijing Informatization Association. Mr. Guo is currently an independent non-executive director of Shanghai Pudong Development Bank Co., Ltd (上海浦東發展銀行股份有限公司), a company listed on the Shanghai Stock Exchange. Mr. Guo is also the chairman of Digital China Information Service Company Ltd. (神州數碼信息服務股份有限公司), a company listed on the Shenzhen Stock Exchange. Mr. Guo was a director of Digiwin Softwin Co., Ltd. (鼎捷軟件股份有限公司), a company listed on ChiNext and was a director of SJI Inc., a company listed on the Jasdaq Securities Exchange Inc. Save as disclosed above, Mr. Guo has not held any directorship in other public companies listed in Hong Kong or overseas in the past three years.

Mr. Guo does not have any interest in the securities of the Company within the meaning of Part XV of the SFO as at the date of this announcement. He is interested in 6.75% (including shares and underlying shares derived from share options) of the entire issued share capital of Digital China, who is, in turns, indirectly interested in 137,758,107 Shares (representing approximately 20.78% of the issued share capital of the Company) held by Talent Gain Developments Limited, an indirect wholly-owned subsidiary of Digital China, as at the date of this announcement.

There is no service agreement entered into between Mr. Guo and the Company in relation to Mr. Guo's office as a non-executive Director. Mr. Guo is appointed for a fixed term of one year commencing from 10 June 2011, subject to retirement by rotation and/or re-election at the annual general meeting of the Company according to the articles of association of the Company. Mr. Guo is not entitled to any emolument for holding his office as a non-executive Director.

Save as disclosed above, Mr. Guo does not have any relationship with any Director, senior management, substantial shareholder or controlling shareholder of the Company.

### Independent Non-Executive Directors

*ZHANG Ke*

**ZHANG Ke (張克)**, aged 60, is an independent non-executive Director. He is the chairman of the Audit Committee and the Remuneration Committee of the Company, respectively, and a member of the Nomination Committee of the Company. Mr. Zhang was appointed as an independent non-executive Director on 28 March 2003.

Mr. Zhang is a certified public accountant in the PRC and is currently the chairman and chief partner of ShineWing Certified Public Accountants. He graduated from Renmin University of China in 1982 with a bachelor degree in economics majoring in industry economics. He has many years of experience in the fields of economics, accounting and finance. Mr. Zhang is currently a vice-president of the Chinese Institute of Certified Public Accountants, a member of the Certified Public Accountants Examination Committee of the Ministry of Finance, a member of Internal Control Standard Committee of the Ministry of Finance and a vice-president of Beijing Association of Forensic Science.

Mr. Zhang is also an independent non-executive director of SEEC Media Group Limited (stock code: 205), a company listed on the Stock Exchange, an independent director of E-Commerce China Dangdang Inc., a company listed on the New York Stock Exchange, an independent director of Guiyang Longmaster Information & Technology Co., Ltd (貴陽朗瑪信息技術股份有限公司), a company listed on the Shenzhen Stock Exchange. Up to 1 February 2013, Mr. Zhang was an independent non-executive director of China Coal Energy Company Limited (中國中煤能源股份有限公司). Save as disclosed above, Mr. Zhang has not held any directorship in other public companies listed in Hong Kong or overseas in the past three years.

Mr. Zhang does not have any interest in the securities of the Company within the meaning of Part XV of the SFO as at the date of this announcement.

Mr. Zhang has entered into a service contract with the Company for a term of one year, which shall automatically be renewed thereafter until terminated by either the Company or Mr. Zhang by giving one month's written notice, and such appointment is subject at all times to the articles of association of the Company. Although Mr. Zhang has served the Company as independent non-executive Director for more than nine years, Mr. Zhang meets the independent guidelines set out in applicable rules governing the listing of securities on the Stock Exchange, and the Board is of the view that his independence is not affect by his long service with the Company. Under the director's service contract entered into between the Company and Mr. Zhang he is entitled to an annual remuneration of RMB100,000, which was determined with reference to his duties, responsibility and experience, ad to prevailing market conditions.

Mr. Zhang does not have any relationship with any Director, senior management, substantial shareholder or controlling shareholder of the Company.

*XIANG Bing*

**XIANG Bing (項兵)**, aged 51, is an independent non-executive Director. He is also a member of each of the Audit Committee and the Remuneration Committee of the Company. Dr. Xiang was appointed as an independent non-executive Director on 8 March 2002.

Dr. Xiang graduated from the University of Alberta with a doctorate degree in accounting. He is currently the founding Dean and professor of Cheung Kong Graduate School of Business and a professor of the Guanghua School of Management of Beijing University. Prior to these, Dr. Xiang taught in the Hong Kong University of Science and Technology.

Dr. Xiang is currently an independent non-executive director of China Dongxiang (Group) Co., Ltd. (stock code: 3818), Dan Form Holdings Company Limited (Stock Code: 271), Enerchina Holdings Limited (stock code: 622), Sinolink Worldwide Holdings Limited (stock code: 1168), Longfor Properties Co. Ltd. (stock code: 960), and Peak Sport Products Co., Limited (stock code: 1968), all of which are companies listed on the Stock Exchange. Dr. Xiang is also an independent director of E-House (China) Holdings Limited, a company listed on New York Stock Exchange; an independent non-executive director of Perfect World Co., Ltd, a NASDAQ-listed company; an independent director of Yunnan Baiyao Group Co., Ltd. (雲南白藥集團股份有限公司) and Shaanxi Qinchuan Machinery Development Co., Ltd. (陝西秦川機械發展股份有限公司), all of which are listed on the Shenzhen Stock Exchange. He was an independent non-executive director of Little Sheep Group Limited, a company listed on Stock Exchange up to 1 February 2012; an independent director of LDK Solar Co., Ltd. (a company listed on New York Stock Exchange), up to 31 May 2013; and an independent non-executive Director of Guangzhou Automobile Group Co., Ltd (Stock code: 2238, and a company listed on the Stock Exchange and Shenzhen Stock Exchange) up to 16 December 2013.

Save as disclosed above, Dr. Xiang has not held any directorship in other public companies listed in Hong Kong or overseas in the past three years.

Dr. Xiang does not have any interest in the securities of the Company within the meaning of Part XV of the SFO as at the date of this announcement.

Dr. Xiang has entered into a service contract with the Company for a term of one year, which shall automatically be renewed thereafter until terminated by either the Company or Dr. Xiang by giving one month's written notice, and such appointment is subject at all times to the articles of association of the Company. Although Dr. Xiang has served the Company as independent non-executive Director for more than nine years, Dr. Xiang meets the independent guidelines set out in applicable rules governing the listing of securities on the Stock Exchange, and the Board is of the view that his independence is not affect by his long service with the Company. Under the director's service contract entered into between the Company and Dr. Xiang, he is entitled to an annual remuneration of RMB100,000, which was determined with reference to his duties, responsibility and experience, ad to prevailing market conditions.

Dr. Xiang does not have any relationship with any Director, senior management, substantial shareholder or controlling shareholder of the Company.

*ZHANG Tim Tianwei*

**ZHANG Tim Tianwei (張天偉)**, aged 50, is an independent non-executive Director. He is also a member of each of the Nomination Committee and the Remuneration Committee of the Company. Mr. Zhang was appointed as an independent non-executive Director on 1 November 2011.

Mr. Zhang graduated from Tsinghua University (清華大學) at the Faculty of Precision Instruments & Mechanology in July 1986. He obtained a Master of Economics from the Chinese Academy of Social Sciences (中國社會科學院) and a Master of Business Administration (MBA) from The University of Chicago. Mr. Zhang has over 20 years of experience in financial and business management. He was the founder and managing director of Taconic Capital Ltd. from September 2003 to September 2005. He acted as the vice-chairman and general manager of Unicredit China Capital Limited from September 2005 to June 2007. He served as the managing director of J.P. Morgan Securities (Asia Pacific) from July 2007 to October 2011 and acted as the chairman of J.P. Morgan (China) Venture Capital Investment Co. Ltd. since its foundation in 2010 to October 2011. He served as the managing director of Taconic Capital Group from November 2011 to March 2012. Mr. Zhang is the chief operating officer of China Merchants Capital Management Ltd since April 2012. Mr. Zhang has been a non-executive director to China ITS (Holdings) Co., Ltd (stock code: 1900) since May 2014, whose shares are listed on the Main Board of the Stock Exchange. Mr. Zhang has not held any directorship in other public companies listed in Hong Kong or overseas in the past three years.

Mr. Zhang does not have any interest in the securities of the Company within the meaning of Part XV of the SFO as at the date of this announcement.

Mr. Zhang has entered into a service contract with the Company for a term of one year, which shall automatically be renewed thereafter until terminated by either the Company or Mr. Zhang by giving at least one month's written notice, and such appointment is subject at all times to the articles of association of the Company. Mr. Zhang is entitled to an annual remuneration of RMB100,000, which was determined with reference to his duties, responsibility and experience, and to prevailing market conditions.

Mr. Zhang does not have any relationship with any Director, senior management, substantial shareholder or controlling shareholder of the Company.

Save as disclosed above, the Board is not aware of any information relating to the Directors that ought to be disclosed pursuant to the requirements under Rule 13.51(2)(h) to (v) of the Main Board Listing Rules, nor is there any other matter that ought to be brought to the attention of the Shareholders in relation to the Directors' engagement.

## WAIVER FROM STRICT COMPLIANCE WITH THE MAIN BOARD LISTING RULES

Rule 8.12 of the Main Board Listing Rules provides that an issuer applying for a primary listing on the Stock Exchange must have a sufficient management presence in Hong Kong, which normally means that at least two of its executive Directors must be ordinary resident in Hong Kong.

Given that the business and operation of the Group are primarily located, managed and conducted in the PRC, the Group does not have any material operation in Hong Kong and that none of the executive Directors are ordinarily resident in Hong Kong, the Company currently does not, have a management presence in Hong Kong. Accordingly, the Company has applied to the Stock Exchange for a waiver from strict compliance with the requirements under Rule 8.12 of the Main Board Listing Rules. The Stock Exchange has granted the requested waiver to the Company from strict compliance with the requirements under Rule 8.12 of the Main Board Listing Rules on condition that the Company would adopt the following arrangements to maintain regular communication with the Stock Exchange:

(a) the Company has two authorised representatives pursuant to Rule 3.05 of the Main Board Listing Rules, who will act as the Company's principal channel of communication with the Stock Exchange. The two authorised representatives appointed are Mr. Guo Fansheng and Mr. Guo Jiang, each an executive Director. Each of the authorised representatives will be available to meet with the Stock Exchange in Hong Kong upon reasonable short notice and will be readily contactable by telephone, facsimile or email. Each of the two authorised representatives is authorised to communicate on behalf of the Company with the Stock Exchange;

(b) all the authorised representatives have the means to promptly contact all members of the Board (including the independent non-executive Directors) and of the senior management team at all times as and when the Stock Exchange wishes to contact them or any of them for any matter. To enhance the communication between the Stock Exchange, the authorised representatives and the Directors, the following policies will be implemented by the Company: (i) each Director shall provide his mobile phone number, office phone number, fax number and email address to the authorised representatives; (ii) in the event that a Director expects to travel and be out of office, he shall provide the phone number of the place of his accommodation to the authorised representatives; and (iii) all the Directors and authorised representatives will provide their respective office phone number, fax number, email address, and for executive Directors, also their mobile phone number, to the Stock Exchange;

(c) if the circumstances require, meetings of the Board can be convened and held in such manner as permitted under the articles of association of the Company at short notice to discuss and address any issue with which the Stock Exchange is concerned in a timely manner;

(d) meetings between the Stock Exchange and the Directors can be arranged through the authorised representatives or directly with the Directors within a reasonable time frame. The Company will inform the Stock Exchange promptly of any change in the authorised representatives; and

(e) all the Directors have confirmed that they possess or can apply for valid travel documents to visit Hong Kong and would be able to come to Hong Kong and meet with the Stock Exchange upon reasonable notice.

## DEFINITIONS

*Unless the context otherwise requires, terms used in this announcement shall have the meanings below:*

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| "associate(s)" | has the meanings ascribed to it under the Main Board Listing Rules |
| "Beijing HC International" | Beijing Huicong International Information Co., Ltd (北京慧聰國際資訊有限公司), a limited liability company established in the PRC on 8 April 1999 and as at the date of this announcement, it is a wholly-owned subsidiary of the Group |
| "Board" | the board of Directors |
| "CCASS" | the Central Clearing and Settlement System established and operated by HKSCC |
| "Company" | HC International, Inc., a company incorporated in the Cayman Islands with limited liability and the Shares of which are listed on GEM |
| "connected person(s)" | has the meanings ascribed to it under the Main Board Listing Rules |
| "Contractual Arrangements" | the arrangements contemplated under the Domain Names and Trademarks Licence Agreement, the Technology Services Agreement, the Online Information Distribution Agreement, the Online Advertisement Publication Agreement, the Exclusive Option Agreement, the Equity Pledge Agreement and the Powers of Attorney |
| "Director(s)" | the director(s) of the Company |
| "Domain Names and Trademarks Licence Agreement" | a domain names and trademarks licence agreement (as subsequently supplemented and amended) entered into between Beijing HC International and Huicong Construction, further details of which are set out in the paragraph headed *"Contractual Arrangements – Domain Names and Trademarks Licence Agreement"* in this announcement |
| "Equity Pledge Agreement" | an equity pledge agreement entered into between Beijing HC International, Mr. Guo Fansheng and Mr. Guo Jiang, further details of which are set out in the paragraph headed *"Contractual Arrangements – Equity Pledge Agreement"* in this announcement |

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| "Exclusive Option Agreement" | an exclusive option agreement entered into between Beijing HC International, Huicong Construction, Mr. Guo Fansheng and Mr. Guo Jiang, further details of which are set out in the paragraph headed *"Contractual Arrangements – Exclusive Option Agreement"* in this announcement |
| "FITE Regulations" | The Regulations on the Administration of Foreign-Invested Telecommunications Enterprises (外商投資電信企業管理規定) |
| "GEM" | the Growth Enterprise Market of the Stock Exchange |
| "GEM Listing Rules" | the Rules Governing the Listing of Securities on GEM |
| "GEM Share Option Scheme" | the share option scheme adopted pursuant to the written resolution passed by the Shareholders on 30 November 2003 |
| "Group" | the Company and its subsidiaries |
| "HC Advertising" | Huicong Shangqian (Beijing) Co., Ltd. (慧聰商情廣告(北京)有限公司) (formerly known as Beijing Huicong Advertising Co., Ltd. (北京市慧聰廣告有限公司)), a limited liability company established in the PRC on 26 June 1996, and as at the date of this announcement, it is a wholly-owned subsidiary of the Group |
| "HK$" | Hong Kong dollars, the lawful currency of Hong Kong |
| "HKSCC" | Hong Kong Securities Clearing Company Limited |
| "Hong Kong" | Hong Kong Special Administrative Region of the People's Republic of China |
| "Huicong Construction" | Beijing Huicong Construction Information Consulting Co., Ltd. (北京慧聰建設信息諮詢有限公司), a limited liability company established in the PRC on 11 September 1998, whose registered capital is beneficially owned as to 50% by Mr. Guo Fansheng (the chairman of the Board and an executive Director) and 50% by Mr. Guo Jiang (the chief executive officer of the Company and an executive Director) as at the date of this announcement. Huicong Construction is a connected person of the Company. It is also a subsidiary of the Group for the purpose of the Main Board Listing Rules and the GEM Listing Rules in light of the Contractual Arrangements |

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| "Main Board" | the stock market operated by the Stock Exchange prior to the establishment of GEM (excluding the options market) which stock market continues to be operated by the Stock Exchange in parallel with GEM. For the avoidance of doubt, the Main Board excludes GEM |
| "Main Board 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) |
| "MIIT Notice" | 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) issued by MIIT on 13 July 2006 |
| "Online Advertisement Publication Agreement" | an online advertisement publication agreement (as subsequently supplemented and amended) entered into between HC Advertising and Huicong Construction, further details of which are set out in the paragraph headed *"Contractual Arrangements – Online Advertisement Publication Agreement"* in this announcement |
| "Online Information Distribution Agreement" | an online information distribution agreement (as subsequently supplemented and amended) with entered into between Beijing HC International and Huicong Construction, further details of which are set out in the paragraph headed *"Contractual Arrangements – Online Information Distribution Agreement"* in this announcement |
| "Power(s) of Attorney" | the powers of attorney executed by each of Mr. Guo Fansheng and Mr. Guo Jiang, respectively, in favour of Beijing HC International, further details of which are set out in the paragraph headed *"Contractual Arrangements – Powers of Attorney"* in this announcement |
| "PRC" | the People's Republic of China, and for the purpose of this announcement only, excluding Hong Kong, the Macau Special Administrative Region of the People's Republic of China and Taiwan |
| "PRC Legal Advisers" | King and Wood (北京市金杜律師事務所), the legal advisers to the Company as to laws of the PRC |
| "SFO" | Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) |

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| "Share(s)" | ordinary share(s) of HK$0.1 each of the Company |
| "Shareholder(s)" | holder(s) of the Share(s) |
| "Shunde Subsidiary" | Guangdong Huicong Home-Appliance Investment Co., Ltd. (廣東慧聰家電城投資有限公司), a limited liability company established in the PRC with limited liability, and as at the date of this announcement, it is an indirect non-wholly owned subsidiary of the Company which is owned as to 53.1% by Tianjin HC and as to 22.05% by Foshan Shunde Chengshun Asset Management Co., Ltd. (佛山市順德區誠順資產管理有限公司), as to 14.85% by Foshan Shunde Boshi Investment Co., Ltd. (佛山市順德區博時投資有限公司) and as to 10% by Foshan Shunde Beijiao Investment Management Co., Ltd. (佛山市順德區北滘鎮投資管理有限公司) |
| "Stock Exchange" | The Stock Exchange of Hong Kong Limited |
| "Technology Services Agreement" | a technology services agreement (as subsequently supplemented and amended) entered into between Beijing HC International and Huicong Construction, further details of which are set out in the paragraph headed "Contractual Arrangements – Technology Services Agreement" in this announcement |
| "Tianjin HC" | Huicong (Tianjin) E-Commerce Investment Co., Ltd. (慧聰(天津)電子商務產業投資有限公司), a limited liability company established in the PRC with limited liability, and as at the date of this announcement, it is an indirect non-wholly owned subsidiary of the Company |
| "Transfer of Listing" | the transfer of listing of the Shares from GEM to the Main Board |

* *The English translation of the PRC entities, enterprises, nationals, facilities, regulations in Chinese or another language included in this announcement is for identification purposes only. To the extent there is any inconsistency between the Chinese names of the PRC entities, enterprises, nationals, facilities, regulations and their English translations, the Chinese names shall prevail.*

By order of the Board
**HC International, Inc.**
**Guo Jiang**
*Chief Executive Officer and*
*Executive Director*

Beijing, the PRC, 25 September 2014

As at the date of this announcement, the Board comprises:
Mr. Guo Fansheng *(Executive Director and Chairman)*
Mr. Guo Jiang *(Executive Director and Chief Executive Officer)*
Mr. Lee Wee Ong *(Executive Director and Chief Financial Officer)*
Mr. Yang Ning *(Executive Director and President)*
Mr. Li Jianguang *(Non-executive Director)*
Mr. Guo Wei *(Non-executive Director)*
Mr. Zhang Ke *(Independent non-executive Director)*
Mr. Xiang Bing *(Independent non-executive Director)*
Mr. Zhang Tim Tianwei *(Independent non-executive Director)*

*This announcement, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the GEM Listing Rules and the Main Board Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquires, confirm that to the best of their knowledge and belief the information contained in this announcement is accurate and complete in all material respects and not misleading or deceptive and there are no other matters the omission of which would make any statement herein or this announcement misleading.*

*This announcement will remain on the pages of "Latest Company Announcements" on the GEM website at http://www.hkgem.com for at least 7 days from the date of its posting and the Company's website at http://www.hcgroup.com.*