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PACIFIC PLYWOOD HOLDINGS LIMITED
太平洋實業控股有限公司*

(Incorporated in Bermuda with limited liability)
(Stock code: 767)

CONNECTED TRANSACTION IN RELATION TO THE PROPOSED TERMINATION OF MR. SU'S UNDERTAKING

Financial adviser to Pacific Plywood Holdings Limited

VEDA | CAPITAL
智略資本

References are made to (i) the 2015 VSA Announcements, the 2015 VSA Circular and the Voluntary Announcement in connection with the P2P Acquisition; and (ii) the Joint Announcements. Capitalised terms used in this announcement shall have the same meanings as those defined in the 2015 VSA Circular and the Joint Announcements, unless defined otherwise.

THE P2P ACQUISITION

On 20 October 2015, the Company completed the acquisition of 96% of the issued share capital of Katar Global Limited. Katar Global Limited, through its wholly-owned subsidiaries and the Structured Contracts or the New Structured Contracts (as the case may be), is principally engaged in the operation of a P2P online financing platform in the PRC, matching borrowers with private lenders for various financial products through the internet under the "Caijia" ("財加") brand, which is conducted via the website (www.91caijia.com).

* *For identification purposes only*

Details of the P2P Acquisition are set out in the 2015 VSA Announcements, the 2015 VSA Circular and the Voluntary Announcement.

Adoption of the Revised Business Model

As set out in the 2015 VSA Circular, the Company shall, within 3 months after completion of the P2P Acquisition, look for acquisition opportunities of foreign companies principally engaged in e-commerce related business with track records and if the Group is able to identify and complete such acquisition, the Group can immediately obtain sufficient foreign experiences to achieve the Qualification Requirement (as defined below) and then initiate the process of acquiring the entire equity interest in Beijing Huiju Management. However, if the Company is not able to identify any suitable acquisition targets, it shall consider either (i) to establish e-commerce related business overseas by itself to gain foreign e-commerce experiences; or (ii) consider modifying the business model of Katar Global Group such that reliance on the P2P Platform is reduced and expanding the businesses outside of the PRC.

Hence, following completion of the P2P Acquisition and the change in the Registered Shareholders and after exploring various alternatives, the Company plans and intends to adopt the Revised Business Model in order to reduce its reliance on, and henceforth the risks associated with the adoption of, the New Structured Contracts in the operation of the P2P lending business.

Details of the Revised Business Model are set out under the sub-section headed "The Revised Business Model" under the section headed "Adoption of the Revised Business Model" of this announcement.

Termination of the New Structured Contracts and Mr. Su's Undertaking

Upon the adoption of the Revised Business Model, certain existing role and functions of Beijing Huiju Management and the Caijia Website will be shifted to and taken up by the ICP OPCO(s) and the branded website(s)/webpage(s) operated pursuant to the terms of the Cooperation Agreement(s).

Pursuant to the Revised Business Model, Beijing Huiju Management will then not be required to hold and maintain its ICP licence and the VIE Structure under the existing business model is no longer required. Hence, the New Structured Contracts and Mr. Su's Undertaking shall be terminated.

Details of the Beijing JuXin Cooperation Agreement are set out under the sub-section headed "The Beijing JuXin Cooperation Agreement" under the section headed "Adoption of the Revised Business Model" of this announcement.

Details of the termination of the New Structured Contracts and Mr. Su's Undertaking are set out under the section headed "Termination of Existing VIE Structure" of this announcement.

IMPLICATIONS UNDER THE LISTING RULES

As at the date of this announcement, Allied Summit is the controlling shareholder of the Company and is beneficially owned as to approximately 80% by Mr. Su and 20% by Mr. Ng, thus Mr. Su is a connected person of the Company. Therefore, Mr. Su's Undertaking Termination constitutes a connected transaction of the Company and will be subject to the approval of the Independent Shareholders taken by way of poll at the SGM.

GENERAL

The SGM will be held for the purpose of considering and, if thought fit, approving the resolution(s) in respect of Mr. Su's Undertaking Termination and the Special Deals by way of poll. The Shares Vendor, the CN Chargor, the Guarantor, the Offeror and its ultimate beneficial owners, their respective associates and parties acting in concert with any of them and those who are involved in or interested in the Sale and Purchase Agreement, the Listed Shares Disposal Agreement, the CN Modification Deed, the CN Transfer Agreement, the Right of First Offer and the Revised Business Model and the transactions contemplated therein will be required to abstain from voting in respect of the resolution(s) approving Mr. Su's Undertaking Termination and the Special Deals and the respective transactions contemplated thereunder at the SGM.

Shareholders are strongly advised to read (i) the 2015 VSA Announcements and the 2015 VSA Circular which set out the details of the P2P Acquisition; and (ii) the Joint Announcements which set out, amongst others, details of the Sale and Purchase Agreement and the Special Deals, in conjunction with this announcement.

The Circular, which will contain, among other things, information regarding the Revised Business Model and the Special Deals and the respective transactions contemplated thereunder, the recommendation from the Independent Board Committee and the advice of the Independent Financial Adviser on the Revised Business Model and the Special Deals and the respective transactions contemplated thereunder and the notice of the SGM, is expected to be despatched to the Shareholders on or before 28 February 2017.

WARNING: THE OFFER IS A POSSIBILITY ONLY. AS THE OFFER WILL ONLY BE MADE, AMONG OTHERS, UPON THE SPECIAL DEALS BECOME UNCONDITIONAL AND THE SALE AND PURCHASE COMPLETION, ALL OF WHICH ARE SUBJECT TO A NUMBER OF CONDITIONS, THE OFFER MAY OR MAY NOT PROCEED. SHAREHOLDERS AND POTENTIAL INVESTORS ARE THEREFORE ADVISED TO EXERCISE CAUTION WHEN DEALING IN THE SHARES, AND IF THEY ARE IN DOUBT ABOUT THEIR POSITION, THEY SHOULD CONSULT THEIR PROFESSIONAL ADVISERS.

References are made to (i) the 2015 VSA Announcements, the 2015 VSA Circular and the Voluntary Announcement in connection with the P2P Acquisition; and (ii) the Joint Announcements. Capitalised terms used in this announcement shall have the same meanings as those defined in the 2015 VSA Circular and the Joint Announcements, unless defined otherwise.

(1) THE P2P ACQUISITION

On 20 October 2015, the Company completed the acquisition of 96% of the issued share capital of Katar Global Limited. Katar Global Limited, through its wholly-owned subsidiaries and the Structured Contracts or the New Structured Contracts (as the case may be), is principally engaged in the operation of a P2P online financing platform in the PRC, matching borrowers with private lenders for various financial products through the internet under the "Caijia" ("財加") brand, which is conducted via the website (www.91caijia.com) (the "**Caijia Website**"). Pursuant to the P2P Acquisition, Katar Global Limited shall procure the change of the registered shareholder to any nominees as designated by the Company and on 29 July 2016, the change in registered shareholder from Beijing KangDingAo to the Registered Shareholders was completed.

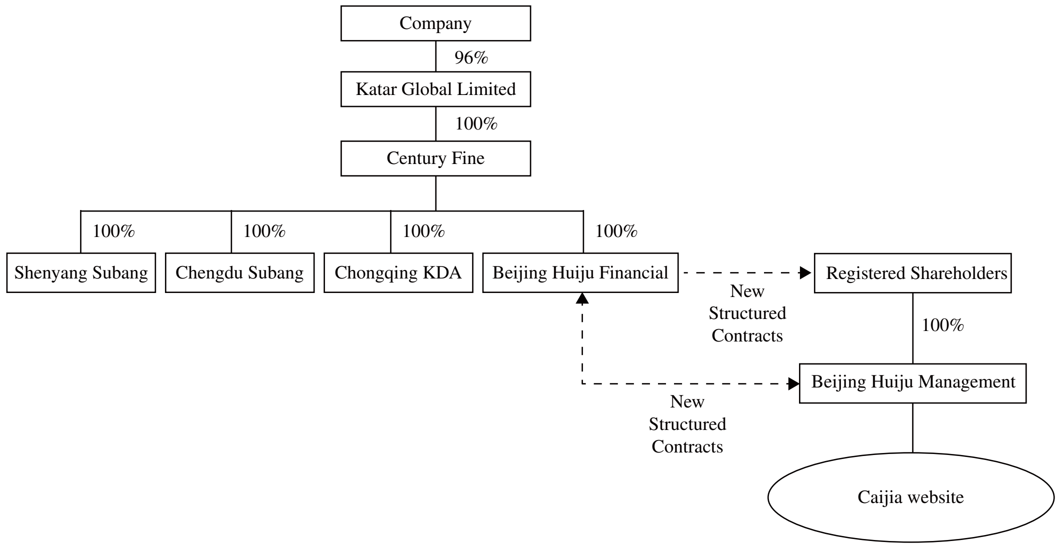
To further safeguard the interests of the Company in the Structured Contracts or the New Structured Contracts (as the case may be), Mr. Su has irrevocably and unconditionally undertaken to the Company that he shall at all times maintain “control” of the Company as defined in and for the purpose of the Draft Law (as promulgated or amended from time to time), currently being not less than 50% of the issued share capital of the Company based on the existing contents of the Draft Law, or such other shareholding percentage ratio(s) of the issued share capital of the Company to ensure that the Structured Contracts or the New Structured Contracts (as the case may be) continue to be in full force and effect pursuant to the relevant updated rules and regulations in the PRC as promulgated or amended from time to time as confirmed by a qualified PRC lawyer, provided that Mr. Su may dispose in any ways any of his securities interest in the Company (including both the Shares and/or the Convertible Notes) with the prior written consent of the Company and such written consent may only be given by the Company so long as (i) the Structured Contracts or the New Structured Contracts (as the case may be) continue to be in full force and effect under the Draft Law or the relevant updated rules and regulations in the PRC as promulgated or amended from time to time as advised and confirmed by a qualified PRC lawyer to the Company to such effect; and/or (ii) the potential purchaser(s) of securities interest in the Company is(are) PRC investor(s) and he(they) has(have) provided an irrevocable undertaking to the Company in substantially the same form as Mr. Su’s Undertaking; and/or (iii) Katar Global Group are allowed to continue its businesses without employing the Structured Contracts or the New Structured Contracts (as the case may be) (free from any adverse impacts on Katar Global Group) pursuant to the relevant updated rules and regulations in the PRC as promulgated or amended from time to time. In addition, Mr. Su shall maintain his Chinese nationality and citizenship during the effective period of Mr. Su’s Undertaking.

Existing Business Model

As at the date of this announcement, the online components of the Group’s P2P lending business comprising (i) account registration for potential lenders/investors and accepting deposits by registered lenders/investors; and (ii) accepting and matching registered lender’s/investor’s bidding orders with borrower’s loan applications (together the “**Online Matching Services**”) are provided through the Caijia Website under the “Caijia” brand managed by Beijing Huiju Management (which is owned by the Registered Shareholders), a variable interest entity controlled by the Company through the New Structured Contracts.

The other components of the P2P lending business are carried out and performed by the Shenyang Subang, Chengdu Subang and Chongqing KDA (collectively known as the “**Operating Subsidiaries**”).

Set out below is a simplified shareholding structure of the Group in relation to its P2P lending business as at the date of this announcement.



Risks specific to the Existing Business Model

As disclosed in the 2015 VSA Circular, the Existing Business Model is subject to a number of risks, in particular the following risks incidental specifically to the VIE Structure.

(a) The concept that underpins the adoption of the VIE Structure is that control is obtained through legal agreements (i.e. the New Structured Contracts) rather than through share ownership. The Company can only look to and rely on the Registered Shareholders and Beijing Huiju Management to act in good faith and be abide by, and perform their respective contractual obligations under the New Structured Contracts. Hence, the New Structured Contracts may not be as effective in providing control over and entitlement to the economic interests in Beijing Huiju Management as direct ownership. The Registered Shareholders may act in breach of the New Structured Contracts, in particular when their interests conflict with those of the Group or when their relationship with the Group deteriorates. The uncertainties in the PRC legal system may also limit the ability of the Group to enforce the New Structured Contracts. There is no assurance that the result will be in favour of the Group and/or that there will not be any difficulties in enforcing any arbitral awards granted in favour of the Group, including specific performance or injunctive relief, against Beijing Huiju Management and/or the Registered Shareholders, the results of which may have a material adverse impact on the business, prospects and results of operation of the Group's P2P lending business.

(b) There is a possibility that the Ministry of Commerce of the PRC and other competent authorities may have different opinions on the interpretation of the relevant regulations and may not agree that the New Structured Contracts comply with the current PRC laws, regulations or rules or those that may be enacted in future, and the authorities may deny the validity, effectiveness and enforceability of the New Structured Contracts. If the authorities deny the validity, effectiveness and enforceability of the New Structured Contracts, the Group may lose its control and entitlement to Beijing Huiju Management and the online platform managed by it and this would have a material adverse impact on the businesses, financial condition and results of operations of the Group's P2P lending business.

(c) Mr. Su's Undertaking has been provided to give further "assurance" that even if the Draft Law comes into effect, the P2P lending business of the Group operated under the Structured Contracts or the New Structured Contracts (as the case may be) may still be valid and continue. Again, Mr. Su's Undertaking remains to be a contractual undertaking and the Company can only rely on Mr. Su to act in good faith in the compliance of his undertaking. There is no assurance that Mr. Su will be abide by the terms of Mr. Su's Undertaking. It is possible that Mr. Su may breach Mr. Su's Undertaking and this is beyond the control of the Company as the Shares indirectly held by Mr. Su are not controlled by the Company. He may dispose of his securities interests in the Company without seeking any valid consents from the Company and in the event that his shareholding in the Company decreases to below 50%, the current VIE Structure of the P2P lending business may become ineffective or illegal when the Draft Law comes into force.

(d) It is possible that any New Structured Contracts that provide de facto control may be deemed illegal or even void when the Draft Law comes into effect, notwithstanding Mr. Su's Undertaking. Under such circumstance, the Company will have no choice but to dispose of its interest in Beijing Huiju Management, and it would have a material adverse impact on the businesses, financial condition and results of operations of the Group's P2P lending business.

(e) Pursuant to Mr. Su's Undertaking, Mr. Su is required to maintain "control" of the Company as defined in and for the purpose of the Draft Law (as promulgated or amended from time to time), currently being not less than 50% of the issued share capital of the Company based on the existing contents of the Draft Law. The Company has also undertaken to enforce Mr. Su's Undertaking. As at the date of this announcement, Mr. Su indirectly owns and controls 70.0% shareholding in the Company. To maintain the effectiveness of Mr. Su's Undertaking, the Company's freedom and ability to raise funds to finance its operation and/or further business opportunities through equity financing will be greatly hampered. Under the present capital structure of the Company, the Company may only issue and allot a further 40% of its existing share capital unless Mr. Su is willing to increase his direct or indirect shareholding in the Company correspondingly through the conversion of the Convertible Notes or purchase of further Shares. The Company will also not be able to pursue any equity fund raising exercise through any rights issue or open offer without the agreement or cooperation of Mr. Su, otherwise, Mr. Su's indirect shareholding in the Company will fall below the 50% mark in breach of Mr. Su's Undertaking as well as the undertaking of the Company to enforce Mr. Su's Undertaking. There is however no assurance that such agreement or cooperation required from Mr. Su will be forthcoming and available when required.

(2) ADOPTION OF THE REVISED BUSINESS MODEL

As set out in the 2015 VSA Circular, the Company shall, within 3 months after completion of the P2P Acquisition, look for acquisition opportunities of foreign companies principally engaged in e-commerce related business with track records and if the Group is able to identify and complete such acquisition, the Group can immediately obtain sufficient foreign experiences to achieve the qualification requirement under the State Council promulgated Regulations for the Administration of Foreign-invested Telecommunications Enterprises (the "**Qualification Requirement**") and then initiate the process of acquiring the entire equity interest in Beijing Huiju Management. However, if the Company is not able to identify any suitable acquisition targets, it shall consider either (i) to establish e-commerce related business overseas by itself to gain foreign e-commerce experiences; or (ii) consider modifying the business model of Katar Global Group such that reliance on the P2P Platform is reduced and expanding the businesses outside of the PRC.

Hence, following completion of the P2P Acquisition and the change in Registered Shareholders after exploring various alternatives, the Company plans and intends to adopt a new business model in order to reduce its reliance on, and henceforth the risks associated with the adoption of, the New Structured Contracts in the operation of the P2P lending business (the "**Revised Business Model**").

Reasons and rationale for adopting the Revised Business Model

The adoption of the existing VIE Structure of the P2P lending business under the Existing Business Model has exposed the Group to the legal, contractual and financial risks and uncertainties mentioned in the section "Risks specific to the Existing Business Model" above, which cannot be easily and readily avoided or mitigated without a change or clarification of the applicable laws and regulations. As disclosed in the 2015 VSA Circular, it has been the Company's plan and intention to adopt a new business model in order to remove its reliance on, and henceforth the risks associated with the adoption of, the VIE Structure and the New Structured Contracts in the operation of the P2P lending business.

Having reviewed in detail the operating components and business flow of the P2P lending business, the Board is of the view that control over or entitlement to the business and economic interests of the ICP licensee ("**ICP OPCO**"), which operates the online platform and provides the Online Matching Services, is not strictly necessary, whether for the purpose of consolidating the financial results of the ICP OPCO into the Group's financial statements, or for service provision. Rather, the Online Matching Services to be provided through online platform(s) can be outsourced to one or more independent third party ICP OPCOs in the same way as a brand owner may outsource and subcontract part of the manufacturing process to a contract manufacturer. The ICP OPCO can be just one of the Group's business partners in its P2P lending business carried out under the "Caijia" brand, while using its own brand to operate its own website(s) or services.

Given that "control" over or entitlement to the business and economic interests of the ICP OPCOs is not strictly required for the purpose of the Group's P2P lending business, and that the P2P lending business itself is profitable and can serve to contribute revenue and profit to the Group, it is in the interests of the Company and its Shareholders as a whole if the business model of the Group's P2P lending business could be modified in such a way that the VIE Structure, and hence the associated risks and uncertainties, can be removed and replaced by one that is, in the belief of the Board, sustainable and having comparatively lower risks and a higher degree of certainty (in terms of legality and business continuity).

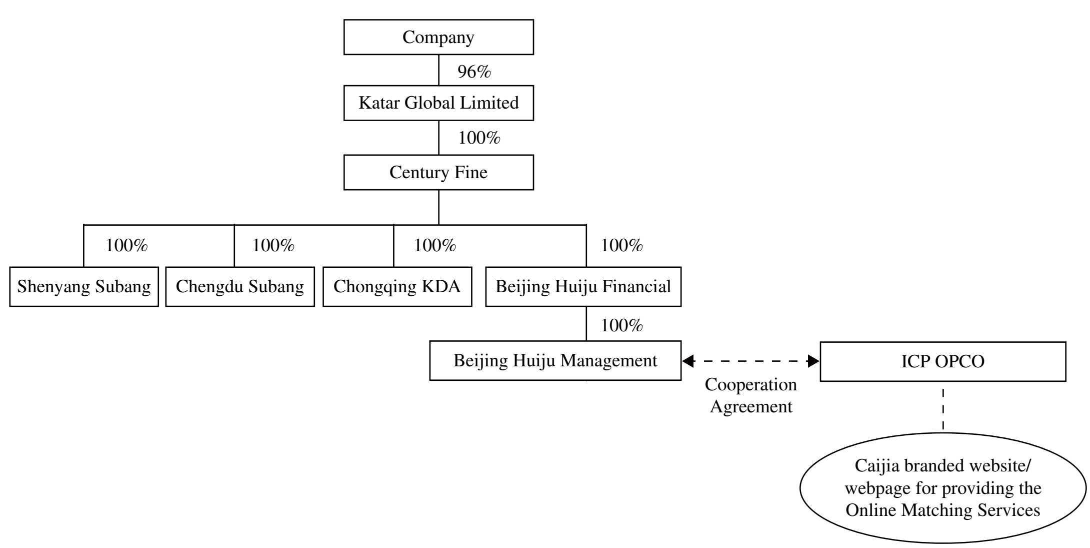
The Revised Business Model

Under the Revised Business Model, the Online Matching Services now provided through the Caijia Website will be outsourced to third party independent ICP OPCO(s) in such a way that (1) the ICP OPCO will be responsible for establishing, operating and administering a branded website/webpage under the "Caijia" trademark of the Group for providing the Online Matching Services; (2) the ICP OPCO will be paid a fee in return for the provision of the Online Matching Services through the branded website/webpage; (3) the relationship between the Group and each ICP OPCO will be a simple contractual one that existed between the parties to an ordinary online cooperation agreement; and (4) the Company will not seek to own or control, whether directly or indirectly, any part of the business or economic interests of the ICP OPCO through any contractual arrangements same as or similar to those of the New Structured Contracts. It follows that the economic interests and results of the ICP OPCO(s) will not be consolidated into the financial statements of the Group.

The Revised Business Model does not involve any dissipation or disposal of any assets or interests in the Katar Global Group. All the revenue generating assets and entities critical to the P2P lending business will remain under the ownership, control and management of the Group.

Except for the outsourcing of the Online Matching Services to the ICP OPCO(s), the remaining procedures will continue to be undertaken by the Operating Subsidiaries.

Set out below is a simplified shareholding structure of the Group's P2P lending business after adoption of the Revised Business Model:



As a first move to adopt the Revised Business Model, it is proposed that Beijing Huiju Management will enter into the Beijing JuXin Cooperation Agreement with Beijing JuXin Management (being an ICP OPCO and an independent third party), a company established in the PRC with limited liability which possesses a valid ICP licence. It is the Group's plan to enter into further Cooperation Agreement(s) of similar terms with other ICP OPCOs as and when appropriate. As at the date of this announcement, save for the proposal to enter into the Beijing JuXin Cooperation Agreement, the Group has not entered into any Cooperation Agreement.

Information of the Beijing JuXin Management

According to the information provided by Beijing JuXin Management, Beijing JuXin Management was established in January 2015 and its sole shareholder and legal representative is Mr. Xu Bin (徐斌) with a paid-up capital of RMB2 million. The registered office of Beijing JuXin Management is located in Chaoyang District, Beijing and the principal business activity of Beijing JuXin Management is the provision of internet information services.

Beijing JuXin Management has approximately 10 employees and some of its senior management members graduated from top universities, and have solid experience in internet business, including over 5 years' practical working experience in other sizeable internet service providers, software development companies as well as P2P platform companies before joining Beijing JuXin Management.

As at the date of this announcement, Beijing JuXin Management has yet to launch its planned P2P lending business because of the contemplated collaboration with the Group.

The Beijing JuXin Cooperation Agreement

Set out below are the principal terms of the Beijing JuXin Cooperation Agreement:

Parties:

1. Beijing Huiju Management

2. Beijing JuXin Management, a company established in the PRC with limited liability which possesses a valid ICP licence, being an ICP OPCO

Duration: Until terminated pursuant to the terms of the Beijing JuXin Cooperation Agreement

Terms of cooperation:

1. Beijing Huiju Management shall be responsible for:

   (a) promoting the "Caijia" brand P2P lending business;

   (b) designing loan products;

   (c) identifying/sourcing potential borrower(s);

   (d) arranging and assisting borrowers' registration in the P2P online platform;

   (e) performing credit assessment on potential borrowers;

   (f) managing loan portfolios; and

   (g) providing training and technical support to the Beijing JuXin Management.

2. Beijing JuXin Management shall at its costs and expenses be responsible for establishing and operating the website under its own brand bearing URL: huaronghujin.com for the purpose of providing the Online Matching Services for the Group's P2P lending business in accordance with the service level and performance standards set out in the Beijing JuXin Cooperation Agreement.

3. Beijing Huiju Management shall grant to Beijing JuXin Management a non-exclusive and non-transferable license to use the "Caijia" trademark for the sole purpose of the P2P online platform during the term of the Beijing JuXin Cooperation Agreement.

4. Upon the termination of the Beijing JuXin Cooperation Agreement,

    (a) Beijing Huiju Management shall own all records and database of the borrowers and lenders/investors and Beijing JuXin Management shall remove and/or destroy all records thereof; and

    (b) Beijing JuXin Management shall cease using the "Caijia" trademark.

Restrictive Covenants: At any time during the continuance of the Beijing JuXin Cooperation Agreement and for a period of two (2) years after its termination, Beijing JuXin Management will be prohibited from (i) carrying on or engaging, concerning or having any interest, whether on its own account or in conjunction with or on behalf of any person, firm, company or organization, and whether as principal, agent, shareholder, director, partner or otherwise, directly or indirectly, in any business which is or may be in competition with or similar to the P2P lending business in the PRC; (ii) solicit or persuade any person or corporation who has been a customer or client of the P2P lending business within two (2) years prior to the termination of the Beijing JuXin Cooperation Agreement to do P2P lending business with it or cease doing business with the Group's P2P lending business.

Service fee: Beijing JuXin Management shall be entitled to a service fee equal to 0.55% of total amount of loans successfully matched through the website of Beijing JuXin Management based on the arm's length negotiation between the parties with reference to the net profit margin of the ICP OPCO under the Cooperation Agreement to be around 4% to 6%.

The table below summarises the comparisons between the Existing Business Model and Revised Business Model:

	Existing Business Model	Revised Business Model
Seek to own or control, any part of the business or economic interests of the ICP OPCO through contractual arrangements	Yes	No
VIE Structure required	Yes	No
Legal compliance risk		
– Under the existing laws	Yes, if the relevant authorities' opinion or view on the interpretation of the relevant regulations on the validity, effectiveness and enforceability of the New Structured Contracts is different from that of the Group's PRC legal advisers	No
– If the Draft Law comes into force	Yes, especially when it is uncertain if the Draft Law, when enacted, will become more stringent such that it may increase the required shareholding of the PRC investor or may outlaw the use of New Structured Contracts	No

	Existing Business Model	Revised Business Model
Contractual risk		
– Arising out of breach of the New Structured Contracts or Cooperation Agreement(s) (as the case may be)	Yes and cannot be mitigated	Yes but can be mitigated
– Arising out of breach of Mr. Su's Undertaking in case if the Draft Law comes into effect	Yes and cannot be mitigated	No
Adverse financial effect		
– to the profitability of the Group's P2P lending business	No	Yes but only minimal effect on the overall profitability of the Group's P2P lending business
– to the Company's equity fund raising capability	Yes	No

Financial effect of the Revised Business Model

Saved for the (i) abovementioned adverse financial effect to the profitability of the Group's P2P lending business; and (ii) the service fee of 0.55% of total amount of loan successfully matched between investors and borrowers through the online platform of the ICP OPCO, the adoption of the Revised Business Model has no significant financial effect on the Group.

Risks specific to the Revised Business Model

The Board considers that the Revised Business Model will have the following risks which may adversely affect the business, results of operations and financial conditions of the Group's P2P lending business:

(a) Under the Cooperation Agreement(s), the Group will not seek to control or own the business and economic interests of the ICP OPCO(s). The website/webpage and the Online Matching Services will be operated and provided by the ICP OPCO(s) independently, subject only to the terms of the Cooperation Agreement(s). The accessibility and quality of the website/webpage and/or the Online Matching Services so provided by the ICP OPCO(s) may fall short of the standards required by the Group and the ICP OPCO(s) may also default in the performance of its obligations under the Cooperation Agreement(s).

(b) The ICP OPCO(s) may have acquired significant level of business knowledges (including the identities of lenders, borrowers and methods on operating the business model) in operating a P2P platform after cooperating with the Group. It is possible that the ICP OPCO(s) will leak such knowledge to the Group's competitors in exchange for economic benefits or even start a new business similar to the Group's P2P lending business and become a direct competitor, which may undermine the Group's P2P lending business's customer base and profitability.

The aforesaid risks, however, can and will be mitigated and avoided by the following measures:

(a) The Group is highly selective in choosing and admitting an ICP OPCO(s) as its business partner for the P2P lending business. There are detailed screening procedures taking into account a number of factors including the professional qualifications, experience and expertise, financial strength and credibility, personal and business ethics and integrity, business reputation and record of the ICP OPCO(s) candidate and its shareholder(s) and management team. Only those ICP OPCO(s) that possess proven experience and business records who are committed to provide the highest possible quality services will be engaged by the Group as the business partners.

(b) The Group will provide all necessary trainings and technical supports to the ICP OPCO(s) to ensure the quality of the website/webpage and the Online Matching Services are up to the required performance levels and operational standards.

(c) The following safeguards which have been/will be incorporated in the operating flow and/or the Cooperation Agreement(s):

- Under the Revised Business Model, the Operating Subsidiaries will continue to be responsible for identifying borrowers and carrying out the credit assessments. The databases and records of both the borrowers and lenders also belong to the Operating Subsidiaries. The online platform of the ICP OPCO(s) forms only a part of the whole operating chain. Without the efforts of and support as provided by the Operating Subsidiaries, the operation of the online platform alone cannot provide the required services to compete against the Group's P2P lending business.

- The loan agreements will be entered into by the borrower, the lender/investor, the ICP OPCO(s) and the Group. All loan agreements are in standardized form and all settlements will be handled by Union Mobile Pay Co., Ltd, an independent third party company. Such setup can ensure that the Group will receive its share of management and service fees and that the ICP OPCO(s) is only able to collect its own fees in accordance with the payment terms of the loan agreements so that the interests of the lenders, borrowers and the Group will not be affected even if there is any default by the ICP OPCO(s) or any untoward circumstance in relation to the website/webpage and/or the Online Matching Services.

- The ICP OPCO(s) is/are required to operate the website and to provide the Online Matching Services in accordance with the performance levels (covering areas like hardware, network and software requirements, customer registration and account management, support, maintenance and service levels) and operational standards (covering areas like network security, system uptime, general respond and repair provisions) prescribed in the Cooperation Agreement(s) in order to maintain and protect the integrity, value and business reputation of the "Caijia" brand and the P2P lending business operated thereunder.

- The ICP OPCO(s) is/are required to provide a monthly report to the Group providing information in sufficient detail to demonstrate its compliance with its obligations under the Cooperation Agreement(s).

– To avoid any actual or potential conflict of interest and unfair competition from the ICP OPCO(s), at any time during the continuance of the Cooperation Agreement(s) and for a period of two (2) years after its termination, the ICP OPCO(s) will be prohibited from (i) carrying on or engaging, concerning or having any interest, whether on its own account or in conjunction with or on behalf of any person, firm, company or organization, and whether as principal, agent, shareholder, director, partner or otherwise, directly or indirectly, in any business which is or may be in competition with or similar to the P2P lending business in the PRC; (ii) solicit or persuade any person or corporation who has been a customer or client of the P2P lending business of the Group within two (2) years prior to the termination of the Cooperation Agreement(s) to have business dealings in P2P lending business with it or cease to have business dealings with the Group's P2P lending business.

The Cooperation Agreement shall be terminated under any of the following circumstances:

1. the ICP OPCO no longer has the qualification to carry out P2P business; it cannot legally operate the P2P online platform;

2. the parties to the Cooperation Agreement terminating the same in writing; or

3. either party may terminate the Cooperation Agreement by 10 Business Days' notice in writing to the other party in advance if the other party is in material breach or omission of any of its representations or warranties causing significant loss of that party.

(d) To reduce and mitigate any risks of over-reliance on any single website for the provision of the Online Matching Services, the Group will continue to enter into Cooperation Agreements with other suitable ICP OPCOs. This will also help the Group in expanding its presence and market share in the P2P lending business.

(3) TERMINATION OF EXISTING VIE STRUCTURE

Upon the adoption of the Revised Business Model, the existing role and function of Beijing Huiju Management and the Caijia Website will be shifted to and taken up by the ICP OPCO(s) and the branded website(s)/webpage(s) operated pursuant to the terms of the Cooperation Agreement(s). Beijing Huiju Management will then not be required to hold and maintain its ICP licence and the VIE Structure is no longer required. Accordingly, it is proposed that following the adoption of the Revised Business Model: (1) Beijing Huiju Management shall apply for the revocation of its ICP licence; (2) the Group shall then exercise its option under the New Exclusive Option Agreement to acquire the entire equity interest in Beijing Huiju Management at a consideration of nil or nominal value, or the minimum price permitted by PRC laws; and (3) the remaining New Structured Contracts shall be terminated.

As the Group will no longer own or control, whether directly or indirectly, any part of the business or economic interests of the ICP OPCO(s) through any contractual arrangements under the Revised Business Model, the VIE Structure and the New Structured Contracts required under the Existing Business Model, following its termination, will not be replicated for the purpose of the Revised Business Model.

Legal opinion from the Group's PRC Legal Adviser

The Company obtained legal opinions issued by Jingtian & Gongcheng (the "**PRC legal adviser**") on 10 March 2016, 18 April 2016 and 21 April 2016 respectively (the "**First Opinions**") and the PRC legal adviser is of the view that the Cooperation Agreement complies with relevant PRC laws and it does not violate the regulations of "網路出版服務管理規定" dated 14 February 2016 published by Ministry of Industry and Information Technology of the PRC.

On 29 September 2016, the Company also obtained another PRC legal opinion (the "**Second Opinion**") from King & Wood Mallesons (being "**the Group's PRC Legal Adviser**") and the Second Opinion essentially agrees with the First Opinions and concludes, on the premises that the parties comply with the Cooperation Agreement, the Revised Business Model is basically referring to the Operating Subsidiaries providing outsourced services to the ICP OPCO(s) and does not amount to "leasing of ICP licence" which violates the regulations of "網路出版服務管理規定". Since it has been confirmed by the Group's PRC Legal Adviser that upon the termination of the remaining New Structured Contracts, the relevant regulation relating to the contractual arrangements under the Draft Law will not apply to the Group's P2P lending business and in these circumstances, Mr. Su's Undertaking, which was given purely to ensure compliance with the Draft Law, should no longer be required.

As advised by the Group's PRC Legal Adviser, the Beijing JuXin Cooperation Agreement and hence the Revised Business Model are both in compliance with the relevant PRC rules and regulations. The Group's PRC Legal Adviser has further confirmed that the Draft Law, if enacted, will not be applicable to the Revised Business Model as it does not seek to own or control, any part of the business or economic interests of an ICP licensee and that the New Structured Contracts will no longer be required under the Revised Business Model for complying with the current laws or the Draft Law.

Upon the termination of the remaining New Structured Contracts, the relevant regulation regarding the contractual arrangement under the Draft Law, even if enacted, will not apply to the Katar Global Group, and hence Mr. Su's Undertaking shall be allowed to be terminated.

Guaranteed profit

As set out in the 2015 VSA Circular, Allied Summit irrevocably and unconditionally guarantees to the Company that the audited consolidated profit before tax of the Katar Global Group (excluding any extraordinary items) for each of the years ending 31 December 2015 and 31 December 2016 will not be less than the amount set opposite to the relevant guaranteed period as set out in the table below:

Guaranteed period	**Guaranteed profit**
1 January 2015 – 31 December 2015	HK$100,000,000
1 January 2016 – 31 December 2016	HK$350,000,000

As confirmed by Allied Summit in writing, the Profit Guarantee will continue to be valid notwithstanding the adoption of the Revised Business Model.

IMPLICATIONS UNDER THE LISTING RULES

As at the date of this announcement, Allied Summit is the controlling shareholder of the Company and is beneficially owned as to approximately 80% by Mr. Su and 20% by Mr. Ng, thus Mr. Su is a connected person of the Company. Therefore, Mr. Su's Undertaking Termination constitutes a connected transaction of the Company and will be subject to the approval of the Independent Shareholders taken by way of poll at the SGM.

GENERAL

The SGM will be held for the purpose of considering and, if thought fit, approving the resolution(s) in respect of Mr. Su's Undertaking Termination and the Special Deals by way of poll. The Shares Vendor, the CN Chargor, the Guarantor, the Offeror and its ultimate beneficial owners, their respective associates and parties acting in concert with any of them and those who are involved in or interested in the Sale and Purchase Agreement, the Listed Shares Disposal Agreement, the CN Modification Deed, the CN Transfer Agreement, the Right of First Offer and the Revised Business Model and the transactions contemplated therein will be required to abstain from voting in respect of the resolution(s) approving the Mr. Su's Undertaking Termination and the Special Deals and the respective transactions contemplated thereunder at the SGM.

Shareholders are strongly advised to read (i) the 2015 VSA Announcements and the 2015 VSA Circular which set out the details of the P2P Acquisition; and (ii) the Joint Announcements which set out, amongst others, details of the Sale and Purchase Agreement and the Special Deals, in conjunction with this announcement.

WARNING: THE OFFER IS A POSSIBILITY ONLY. AS THE OFFER WILL ONLY BE MADE, AMONG OTHERS, UPON THE SPECIAL DEALS BECOME UNCONDITIONAL AND THE SALE AND PURCHASE COMPLETION, ALL OF WHICH ARE SUBJECT TO A NUMBER OF CONDITIONS, THE OFFER MAY OR MAY NOT PROCEED. SHAREHOLDERS AND POTENTIAL INVESTORS ARE THEREFORE ADVISED TO EXERCISE CAUTION WHEN DEALING IN THE SHARES, AND IF THEY ARE IN DOUBT ABOUT THEIR POSITION, THEY SHOULD CONSULT THEIR PROFESSIONAL ADVISERS.

DEFINITIONS

In this announcement, unless the context otherwise requires, the following terms have the meanings set out below:

"2015 VSA Announcements"	the announcements of the Company dated 4 May 2015 and 10 July 2015 in relation to the P2P Acquisition
"Beijing Huiju Financial"	Beijing Huiju Financial Consulting Co. Limited# (北京滙聚融通財務顧問有限公司), a wholly-owned foreign enterprise established in the PRC with limited liability on 3 June 2013 and is wholly-owned by Century Fine

"Beijing Huiju Management"	Beijing Huiju Wealth Management Consultant Company Limited# (北京滙聚財富管理諮詢有限公司), a company established in the PRC with limited liability on 13 December 2012 and is wholly-owned by the Registered Shareholders
"Beijing JuXin Cooperation Agreement"	the cooperation agreement to be entered into between Beijing Huiju Management and Beijing JuXin Management with respect to the cooperation operations of the P2P Platform
"Beijing JuXin Management"	Beijing JuXin Wealth Management Consultant Company Limited# (北京聚信財富管理諮詢有限公司), a company established in the PRC with limited liability which possesses a valid ICP licence
"Beijing KangDingAo"	Beijing KangDingAo Hospital Investment Management Company Limited# (北京康鼎澳醫院投資管理有限公司), a company established in the PRC with limited liability on 21 February 2008
"Century Fine"	Century Fine Limited, a company incorporated in Hong Kong with limited liability on 9 August 2010 and is wholly-owned by Katar Global Limited
"Chengdu Subang"	Chengdu Subang Management Consulting Co. Limited# (成都速幫管理諮詢有限公司), a wholly-owned foreign enterprise established in the PRC with limited liability on 11 September 2013 and is wholly-owned by Century Fine
"Chongqing KDA"	Chongqing KangDingAo Financing Consulting Co. Limited# (重慶康鼎澳財務諮詢有限公司), a wholly-owned foreign enterprise established in the PRC with limited liability on 27 September 2013 and is wholly-owned by Century Fine
"Cooperation Agreement(s)"	the cooperation agreement(s) to be entered into between Beijing Huiju Management and ICP OPCO(s) with respect to the cooperation operations of P2P Platform(s)

"Existing Business Model"	the P2P Platform business operation model of the Group as set out in the 2015 VSA Circular or the one as set out in the Voluntary Announcement after the adoption of the New Structured Contracts (as the case may be)
"Exclusive Technical Licensing and Business Cooperation Agreement"	the exclusive technical licensing and business cooperation agreement dated 21 July 2016 entered into between Beijing Huiju Financial and Beijing Huiju Management
"ICP"	internet content provider
"Independent Shareholder(s)"	Shareholders other than (i) the Shares Vendor, the CN Holder, the CN Chargor, the Guarantor, their associates and parties acting in concert with any of them, (ii) the Offeror and its ultimate beneficial owner, their respective associates and parties acting in concert with any of them (including the Former Limited Partner), and (iii) those who are involved in or interested in the Sale and Purchase Agreement, the Listed Shares Disposal Agreement, the CN Modification Deed, the CN Transfer Agreement and the Right of First Offer and the Revised Business Model and the transactions contemplated therein will be required to abstain from voting in respect of the resolution(s) approving the Listed Shares Disposal, the Proposed CN Amendments, the CN Transfer and the Right of First Offer and the Revised Business Model and the transactions contemplated thereunder at the SGM
"Joint Announcements"	the announcements dated 5 October 2016, 18 October 2016, 15 November 2016 and 30 December 2016 jointly issued by the Company and the Offeror in respect of, amongst others, the Sale and Purchase Agreement, the Special Deals and the Offer
"Mr. Su's Undertaking Termination"	the termination of Mr. Su's Undertaking

"New Exclusive Option Agreement"	the exclusive option agreement dated 21 July 2016 and entered into among Beijing Huiju Financial, Beijing Huiju Management and the Registered Shareholders
"New Structured Contracts"	collectively, the Exclusive Technical Licensing and Business Cooperation Agreement, the New Exclusive Option Agreement, the Share Pledge Agreement, the Power of Attorney and the Spousal Consent
"P2P Platform"	"Caijia", a Peer-to-Peer (P2P) online credit platform in the PRC matching borrowers with private lenders for various financial products through the internet and being managed by Beijing Huiju Management
"Power of Attorney"	the power of attorney dated 21 July 2016 and entered into among Beijing Huiju Financial, Beijing Huiju Management and the Registered Shareholders
"Profit Guarantee"	the guarantee given by Allied Summit to the Company pursuant to the terms and conditions of the 2015 VSA Sale and Purchase Agreement
"Registered Shareholder(s)"	Beijing KangDingAo before 29 July 2016 or Mr. Guo Junfeng and Mr. Dong Zhitian since 29 July 2016 (as the case may be)
"SGM"	the special general meeting of the Company to be convened for the purpose of considering and, if thought fit, approving, among other things, Mr. Su's Undertaking Termination and the Special Deals and the transactions contemplated thereunder respectively
"Share Pledge Agreement"	the share pledge agreement dated 21 July 2016 entered into among Beijing Huiju Financial, Beijing Huiju Management and the Registered Shareholders
"Shenyang Subang"	Shenyang Subang Management Consulting Co. Limited# (瀋陽速幫管理諮詢有限公司), a wholly-owned foreign enterprise established in the PRC with limited liability on 30 May 2013 and is wholly-owned by Century Fine

"Special Deals"	the Listed Shares Disposal, the Proposed CN Amendments, the CN Transfer Agreement and the Right of First Offer and such transactions entered into by the Company or as contemplated under the Sale and Purchase Agreement which constitute special deals for the Company under Rule 25 of the Takeovers Code, details of which are set out in the Joint Announcements
"Spousal Consent"	the spousal consent dated 21 July 2016 and signed by the spouse of each married shareholder of the Beijing Huiju Management
"VIE Structure"	the variable interest entity structure under the Existing Business Model
"Voluntary Announcement"	the voluntary announcement dated 29 July 2016 issued by the Company in respect of, amongst others, the change of the Registered Shareholders

By order of the Board
Pacific Plywood Holdings Limited
Huang Chuan Fu
Executive Director and Chairman

Hong Kong, 5 January 2017

As at the date of this announcement, the Directors are:

Executive Directors
Mr. Huang Chuan Fu *(Chairman)*
Mr. Liang Jian Hua
Ms. Jia Hui
Mr. Jiang Yi Ren

Independent Non-executive Directors
Mr. Wong Chun Hung
Mr. Zheng Zhen
Mr. To Langa Samuelson

The Directors jointly and severally accept full responsibility for the accuracy of the information contained in this announcement and confirm having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in this announcement have been arrived at after due and careful consideration and there are no other facts not contained in this announcement the omission of which would make any statement in this announcement misleading.

The English text of this announcement shall prevail over its Chinese text.

\# *The English translation of Chinese names in this announcement, where indicated, are included for information purpose only, and should not be regarded as the official English translation of such Chinese names.*