

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

This announcement is for information purposes only and does not constitute an invitation or offer to acquire, purchase or subscribe for any securities.



Sustainable Forest Holdings Limited

永保林業控股有限公司*

(Incorporated in the Bermuda with limited liability)

(Stock Code: 723)

ISSUE OF NEW SHARES UNDER GENERAL MANDATE AND RESUMPTION OF TRADING

Before trading hours on 26 May 2010, the Company and the Subscriber entered into the Subscription Agreement pursuant to which the Subscriber has agreed to subscribe for, and the Company has agreed to allot and issue to the Subscriber, the Subscription Shares (being 412,000,000 new Shares) at the Subscription Price (being HK\$0.50) per Subscription Share. The Subscription Agreement is subject to the conditions set out below.

The Subscription Shares represent approximately 16.84% of the issued share capital of Company as at the date of this announcement and approximately 14.41% of the issued share capital of the Company as enlarged by the allotment and issue of the Subscription Shares.

The Subscription Price represents (i) a discount of approximately 5.66% to the closing price of HK\$0.53 per Share as quoted on the Stock Exchange on 25 May 2010, being the date immediately prior to the date of the Subscription Agreement; and (ii) a discount of approximately 9.10% to the average closing price of HK\$0.55 per Share as quoted on the Stock Exchange for the last five consecutive trading days up to and including 25 May 2010.

It is expected that the net proceeds from the Subscription will amount to approximately HK\$190,550,000.

Trading in Shares was suspended at the request of the Company from 9:30 a.m. on 26 May 2010, pending the publication of this announcement. Application has been made by the Company to the Stock Exchange for the resumption of trading in Shares from 9:30 a.m. on 27 May 2010.

* *for identification purpose only*

SUBSCRIPTION AGREEMENT

Date: Before trading hours on 26 May 2010

Parties:

- (1) **Issuer:** the Company
- (2) **Subscriber:** the Subscriber, which a subsidiary of NWS Holdings Limited, the issued shares of which are listed on the Stock Exchange. To the best knowledge of the Directors having made all reasonable enquiries, the Subscriber and its associates are third parties independent of the Group.

Number of Subscription Shares:

412,000,000 new Shares, representing approximately 16.84% of the issued share capital of Company as at the date of this announcement and approximately 14.41% of the issued share capital of the Company as enlarged by the allotment and issue of the Subscription Shares. The aggregate nominal amount of the Subscription Shares amounts to HK\$21,959,600.

Subscription Price:

HK\$0.50 per Subscription Share. The net price per Subscription Share amounts to approximately HK\$0.46.

The Subscription Price represents (i) a discount of approximately 5.66% to the closing price of HK\$0.53 per Share as quoted on the Stock Exchange on 25 May 2010, being the date immediately prior to the date of the Subscription Agreement; and (ii) a discount of approximately 9.10% to the average closing price of HK\$0.55 per Share as quoted on the Stock Exchange for the last five consecutive trading days up to and including 25 May 2010.

Ranking:

The Subscription Shares will, upon issue, rank pari passu in all respects with the issued Shares as at the date of its allotment and issue, including the right to receive all dividends and distributions declared, paid or made on or after that date.

Completion:

Completion shall take place on the third business day after the date on which all conditions of the Subscription have been fulfilled.

Conditions for the Subscription:

Completion of the Subscription is conditional on:

- (a) the Listing Committee of the Stock Exchange granting or agreeing to grant the listing of, and permission to deal in, the Subscription Shares (and such listing and permission not subsequently revoked prior to the allotment and issue of the Subscription Shares under the terms of the Subscription Agreement); and
- (b) all other necessary waivers, consents and approvals (if required) from the relevant governmental or regulatory authorities in Hong Kong and Bermuda for the Subscription Agreement and the transactions contemplated thereunder having been obtained and fulfilled.

If any of the conditions of the Subscription set out above is not fulfilled at or before 5:00 p.m. on the 14th day after the date of the Subscription Agreement (or such later date as may be agreed in writing by the Company and the Subscriber), the Subscription Agreement and all rights and obligations thereunder will cease and terminate save for any antecedent breaches thereof.

Additional Director

The Company shall procure the appointment of a person nominated by the Subscriber as a non-executive Director upon Completion.

Option

For the period commencing from the Completion Date and ending on the expiry of 18 months thereafter, in the event the Company shall conduct any fund raising by way of placing or subscription of Shares by cash (the “**Fund Raising**”), the Subscriber shall be entitled to subscribe such number of new Shares at the same issue price as the Fund Raising so as to increase its and its associates’ aggregate shareholding in the Company up to 19.9% of the issued share capital of the Company as at the date of the definitive agreement of the Fund Raising, assuming the Fund Raising had been completed on that day. Completion of such subscription shall be conditional on all consents and approvals having been obtained and full compliance with the Listing Rules, including but not limited to the approval from the Shareholders/ independent Shareholders (as the case may be) of the Company (if required) having been obtained and the approval for dealing in such new Shares on the Stock Exchange having been granted by the Stock Exchange. The Completion Date for the Option shall be the third business day after all consents and approvals have been obtained.

GENERAL MANDATE TO ISSUE THE SUBSCRIPTION SHARES

The Subscription Shares will be allotted and issued under the general mandate granted to the Directors by a resolution of the Shareholders passed at the special general meeting of the Company held on 21 January 2010, which allowed allotment and issue of up to 2,060,021,076 Shares. Such general mandate has not been utilized prior to the execution of the Subscription Agreement.

SHAREHOLDING STRUCTURE

As at the date of this announcement, the Company has issued 19,237,708,312 Preference Shares and outstanding options (the “Options”) to subscribe for 102,798,655 Shares.

Assuming the conversion rights attached to the Preference Shares and the subscription rights attached to the Options are not exercised and there is no other change in the shareholding of the Company after the date of this announcement, to the best of the Directors’ knowledge and based on publicly available information including various filings made under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), the shareholding structure of the Company in respect of the Shares immediately before and after the Completion is as follows:

Name of Shareholder	Shareholding as at the date of this announcement		Shareholding immediately after Completion	
	<i>Number of Shares</i>	<i>% of shareholding (approximate)</i>	<i>Number of Shares</i>	<i>% of shareholding (approximate)</i>
Substantial Shareholders				
Assure Gain International Limited (Note 1)	250,556,651	10.24%	250,556,651	8.76%
Winner Global Holdings Limited (Note 2)	360,052,500	14.72%	360,052,500	12.60%
The Subscriber	–	0.00%	412,000,000	14.41%
Sub-total	610,609,151	24.96%	1,022,609,151	35.77%
Public Shareholders				
Other public Shareholders	1,835,845,258	75.04%	1,835,845,258	64.23%
Sub-total	1,835,845,258	75.04%	1,835,845,258	64.23%
Total	2,446,454,409	100%	2,858,454,409	100%

Notes :

1. Assure Gain International Limited is wholly-owned by Ms Loh Jiah Yee, Katherine. It also holds 6,396,195,799 Preference Shares carrying rights to convert into 1,199,286,712 Shares.
2. Winner Global Holdings Limited is owned as to 43.39% by Assure Gain International Limited. It also holds 4,200,000,000 Preference Shares carrying rights to convert into 787,500,000 Shares.

REASONS FOR THE SUBSCRIPTION AND USE OF PROCEEDS

The Group is principally engaged in the business of sustainable management and investments in tropical hardwood and softwood natural forests in Brazil, other parts of South America and Russia, trading processing, marketing and distribution of timber products under its brand to PRC, India, Europe, Japan and USA. Its goal is to become the world's largest owner of natural forest resources and fully integrated timber products supplier. The Directors believe that the Subscription does not only provide capital to assist the Group in achieving its corporate objectives and goals, it also allows the Group to gain a strategic partnership with the Subscriber.

It is expected that the gross proceeds from the Subscription will amount to HK\$206,000,000 and the net proceeds from the Subscription will amount to approximately HK\$190,550,000. The net proceeds from the Subscription will be used for business development and as general working capital.

The terms of the Subscription Agreement have been negotiated after arm's length negotiations between the Company and the Subscriber and are on normal commercial terms. The Directors consider the terms of the Subscription to be fair and reasonable and believe that the Subscription are in the best interest of the Company and the Shareholders as a whole.

EQUITY FUND-RAISING ON ISSUE OF EQUITY SECURITIES CONDUCTED IN THE 12-MONTH PERIOD IMMEDIATELY PRECEDING THE DATE OF THIS ANNOUNCEMENT

Date of announcement	Event	Net proceeds raised (approximate)	Intended use of proceeds	Actual use of proceeds as at the date of this announcement
1 June 2009	Placing of up to a maximum of 5,636,360,000 shares of HK\$0.01 each, which was completed on 30 July 2009	HK\$187.8 million	as the general working capital of the Group	Used as intended
19 October 2009	Top- up placing of up to a maximum of 917,640,000 shares of HK\$0.01 each, which was completed on 22 October 2009	HK\$72.1 million	as the general working capital of the Group	Used as intended

Save as disclosed above, the Company had not conducted any fund raising exercise during the 12 months immediately preceding the date of this announcement.

APPLICATION FOR LISTING

Application will be made by the Company to the Stock Exchange for the listing of, and permission to deal in the Subscription Shares.

GENERAL

Trading in Shares was suspended at the request of the Company from 9:30 a.m. on 26 May 2010, pending the publication of this announcement. Application has been made by the Company to the Stock Exchange for the resumption of trading in Shares from 9:30 a.m. on 27 May 2010.

DEFINITION

In this announcement, the expressions below have the meanings assigned:

“associates”	has the meaning ascribed to it in the Listing Rules
“Board”	the board of Directors for the time being
“Company”	Sustainable Forest Holdings Limited, an exempt company incorporated in Bermuda with limited liability, the issued Shares of which are listed on the Stock Exchange
“Completion”	completion of the Subscription
“Completion Date”	date of Completion
“Director(s)”	director(s) of the Company
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong for the time being
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“PRC”	the People’s Republic of China, which for the purpose of this announcement shall exclude Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“Preference Share(s)”	share(s) of HK\$0.01 each in the share capital of the Company carrying rights to convert into the Shares
“Share(s)”	ordinary share(s) of HK\$0.0533 each in the capital of the Company

“Shareholder(s)”	holder(s) of Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscriber”	NWS Financial Management Services Limited
“Subscription”	subscription of the Subscription Shares by the Subscriber in accordance with the terms of the Subscription Agreement
“Subscription Agreement”	the agreement entered into by the Company and the Subscriber on 26 May 2010 in relation to the Subscription
“Subscription Price”	HK\$0.50 per Subscription Share
“Subscription Shares”	412,000,000 new Shares
“%”	per cent.

By order of the Board
Sustainable Forest Holdings Limited
Leung Chau Ping, Paul
Executive Director

Hong Kong, 26 May 2010

As at the date of this announcement, the executive Directors are Mr. Leung Chau Ping, Mr. Chiu Raymond Yim and Mr. Leandro Dos Martires Guerra. The independent non-executive Directors are Mr. Leung Siu Hung, Joel, Mr. Chu Kin Wang, Peleus and Mr. John Tewksbury Banigan.