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Sustainable Forest Holdings Limited

永保林業控股有限公司*

(Incorporated in Bermuda with limited liability)

(Stock code: 723)

ALTERATION OF TERMS OF NON-LISTED WARRANTS AND EXTENSION OF LONG STOP DATE FOR COMPLETION OF WARRANT SUBSCRIPTION

The Board announces that on 18 November 2011, the Company and the Subscriber entered into the Second Supplemental Agreement to alter the Warrant Exercise Price from HK\$0.32 per Warrant Share (subject to adjustment) to HK\$0.25 per Warrant Share (subject to adjustment) and the Subscription Period from eighteen (18) months to twelve (12) months commencing from the date immediately after the date of issue of the Warrants.

Further, pursuant to the Second Supplemental Agreement, the parties agreed to change the integral multiples for transfer of Warrants from 1,000,000 Warrants to 500,000 Warrants.

Pursuant to the Second Supplemental Agreement, the parties also agreed to further extend the Long Stop Date from 18 November 2011 to 15 December 2011 (or such later date as the parties may agree in writing).

As a result of the alteration of the Warrant Exercise Price to HK\$0.25 per Warrant Share, the potential inflow of capital upon exercise in full of the subscription rights attaching to the Warrants will be adjusted to a maximum of HK\$74,950,000 which will be applied as general working capital and as funds for future development of the Group when investment opportunities.

Reference is made to the announcements of Sustainable Forest Holdings Limited (“**Company**”) dated 22 September (“**September Announcement**”) and 31 October 2011 respectively in relation to, among other things, the signing of the Warrant Subscription Agreement between the Company as issuer and CITIC Merchant Co., Limited as Subscriber, for the proposed issuance of 300,000,000 Warrants upon completion of the Warrant

* For identification purpose only

Subscription and the extension of the long stop date for fulfilment of conditions precedent to completion of the Warrant Subscription. Capitalised terms used herein shall have the same meanings as those defined in the September Announcement unless defined otherwise.

ALTERATION OF TERMS OF NON-LISTED WARRANTS

The Board announces that on 18 November 2011, the Company and the Subscriber entered into a second supplemental agreement to the Warrant Subscription Agreement (“**Second Supplemental Agreement**”) to alter the Warrant Exercise Price from HK\$0.32 per Warrant Share (subject to adjustment) to HK\$0.25 per Warrant Share (subject to adjustment) (“**Altered Exercise Price**”) and the period (“**Subscription Period**”) during which the Subscriber may exercise the subscription rights attaching to the Warrants from eighteen (18) months to twelve (12) months commencing from the date immediately after the date of issue of the Warrants.

The Altered Exercise Price will be subject to such adjustment events as set out in the September Announcement.

Further, pursuant to the Second Supplemental Agreement, the parties agreed to change the integral multiples for transfer of Warrants from 1,000,000 Warrants to 500,000 Warrants. In the event of a transfer of Warrants to a connected person of the Company, prior approval from the Company and the Stock Exchange will be obtained.

REASONS FOR THE ALTERATION OF THE TERMS OF WARRANTS

As disclosed in the September Announcement, the Warrant Exercise Price of HK\$0.32 per Warrant Share represents a premium of approximately 28% and 3.23% over the closing price of HK\$0.25 per Share on the date of the Warrant Subscription Agreement and the average closing price of HK\$0.31 per Share for the last five consecutive trading days up to and including the Last Trading Date before the date of the September Announcement respectively. The Warrant Exercise Price equals the average closing price for the last ten consecutive trading days up to and including the Last Trading Date.

During the period after the date of the Warrant Subscription Agreement up to the day of this announcement (i.e. from 23 September 2011 to 18 November 2011, “**Reference Period**”), the closing price per Share ranged from HK\$0.174 to HK\$0.295. The average closing price per Share during the Reference Period of HK\$0.216 represents a drop of about 13.6% from the closing price per Share of HK\$0.25 on the date of the Warrant Subscription Agreement and the Warrant Exercise Price of HK\$0.32 per Warrant Share represents a premium of approximately 48.1% over the said average closing price during the Reference Period.

The Altered Exercise Price of HK\$0.25 per Warrant Share represents:

- (i) the closing price of HK\$0.25 per Share as quoted on the Stock Exchange on the date of the Warrant Subscription Agreement;
- (ii) a discount of approximately 19.4% to the average closing price of HK\$0.31 per Share as quoted on the Stock Exchange for the last five consecutive trading days up to and including the Last Trading Day for the Shares before the September Announcement;

- (iii) a premium of approximately 18.5% over the closing price of HK\$0.211 per Share as quoted on the Stock Exchange on 18 November 2011, being the day of this announcement; and
- (iv) a premium of approximately 16.8% over the average closing price of HK\$0.214 per Share as quoted on the Stock Exchange for the last five consecutive trading days (*note*) up to and including 18 November 2011.

Note: Trading of the Shares suspended from 1:30 p.m. to 4:00 p.m. on 16 November 2011.

The Board has taken into consideration the following issues in agreeing with the Subscriber for change of the Warrant Exercise Price and the Subscription Period:

1. in view of the change in market conditions since the date of the Warrant Subscription Agreement up to the date of this announcement, the Altered Exercise Price was determined with reference to the current market sentiment and the historical Share price, especially the Share price during the Reference Period;
2. the shortened Subscription Period reflects the intention of both the Company and the Subscriber that the Subscriber will become a strategic partner and a shareholder of the Company, by among others, exercising the subscription rights attaching to the Warrants in the near future;
3. as disclosed in the September Announcement, for the purpose of the formation of the strategic partnership between the Company and the Subscriber, and as an appropriate means of fund raising for the Group, the Directors considered it prudent for the Company to issue Warrants to the Subscriber. If the alteration of Warrant Exercise Price was not agreed between the parties and consent from the Subscriber was not obtained for completion of the Warrant Subscription, the Warrant Subscription Agreement would lapse and the intended reasons for the Group to proceed the Warrant Subscription with the Subscriber would be defeated;
4. the Board reasonably foresees that after the Subscriber becoming a strategic partner of the Group, the Group and the Subscriber would formulate co-investment and/or cooperation plans and strategies in a more concrete way by, for instance, approaching potential business and/or investment counterparties jointly. The Board reasonably expects that the Group would enjoy synergies through the partnership with the Subscriber with its extensive business network in energy, resources and renewable energy sectors.

Further, as the multiples number of Warrants for transfer reduced from 1,000,000 Warrants to 500,000 Warrants, the Board reasonably expects that transferability and liquidity of Shares would be enhanced and shareholder base would be widened.

The Directors consider that the Altered Exercise Price, the altered Subscription Period and alteration of the multiple number of Warrants for transfer are fair and reasonable and are in the interests of the Company and the Shareholders as a whole.

EXTENSION OF THE LONG STOP DATE FOR COMPLETION OF THE WARRANT SUBSCRIPTION

Under the Warrant Subscription Agreement as supplemented and amended by the first supplemental agreement entered into between the parties dated 31 October 2011, completion of the Warrant Subscription is conditional upon fulfillment of various conditions precedent on or before 4:00 p.m. on 18 November 2011 (“**Long Stop Date**”), or such other time and date as the Subscriber and the Company shall agree in writing. Failing such fulfillment, the Warrant Subscription Agreement will terminate and neither party shall have any claim against the other in respect of any matter or thing arising out of or in connection with the Warrant Subscription Agreement, save the liabilities for any antecedent breaches thereof.

Due to the alteration of the Warrant Exercise Price and the Subscription Period, the Company will submit a new or revised application to the Listing Committee of the Stock Exchange for the listing of, and the permission to deal in, the Warrant Shares which may fall to be allotted and issued upon exercise of the subscription rights attaching to the Warrants. Further, additional time is required for the fulfillment of the conditions precedent to the completion of the Warrant Subscription in relation to the obtaining of the necessary consents and approvals from both parties in respect of the Warrant Subscription Agreement and the transactions contemplated thereunder. Accordingly, the conditions precedent to the completion of the Warrant Subscription may not be fulfilled on the Long Stop Date.

Pursuant to the Second Supplemental Agreement, the parties agreed to further extend the Long Stop Date from 4:00 p.m. on 18 November 2011 to 4:00 p.m. on 15 December 2011 (or such later time or date as the parties may agree in writing).

Save as disclosed in this announcement, the Directors confirm that no other alteration to the terms and conditions of the Warrant Subscription Agreement has been made up to the date of this announcement and all the provisions of the Warrant Subscription Agreement shall continue to remain in full force and effect.

ADJUSTMENT TO THE AMOUNT OF PROCEEDS ARISING FROM THE ISSUE OF WARRANT SHARES

As a result of the alteration of the Warrant Exercise Price to HK\$0.25 per Warrant Share, the potential inflow of capital upon exercise in full of the subscription rights attaching to the Warrants will be adjusted from the original maximum amount of HK\$95,950,000 to a maximum of HK\$74,950,000 (after deducting all the fees and expenses of approximately HK\$50,000) which, as disclosed in the September Announcement, will be applied as general working capital and as funds for future development of the Group when investment opportunities.

By order of the Board
Sustainable Forest Holdings Limited
LOH Jiah Yee, Katherine
Chairman

Hong Kong, 18 November 2011

As at the date of this announcement, the Board comprises Ms. Loh Jiah Yee, Katherine, Ms. Fletcher Yurk Nam, Sandy, Mr. Shih Chiu, David, Mr. Li Zhixiong and Mr. Leung Siu Hung, Joel, as executive directors; Mr. Leung Chau Ping, Paul as non-executive director; and Mr. John Tewksbury Banigan, Mr. Keung Paul Hinsum and Mr. Donald Smith Worthley as independent non-executive directors.