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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)**

### **CLARIFICATION ANNOUNCEMENT IN RELATION TO THE GRANT OF DEBT FACILITY LINE TO THE COMPANY AND PROPOSED ISSUE OF NEW SHARES UNDER GENERAL MANDATE AND RESUMPTION OF TRADING**

On 21 December 2011, the Company and the Purchaser entered into the Supplemental ELF Agreement, pursuant to which the Purchaser agreed to subscribe for and the Company may require the Purchaser to subscribe for up to HK\$120 million worth of Shares structured under the Amended Equity Facility Line during the Commitment Period.

#### **SUSPENSION AND RESUMPTION OF TRADING OF THE SHARES**

Trading of the Shares was suspended with effect from 9:30 a.m. on 20 December 2011 at the request of the Company, pending the issue of this announcement.

Application has been made by the Company to the Stock Exchange for the resumption of trading of the Shares with effect from 1:30 p.m. on 21 December 2011.

Reference is made to the announcement (“Announcement”) of Sustainable Forest Holdings Limited (“Company”) dated 19 December 2011 in relation to the grant of the debt facility line to the Company, the proposed issue of new shares under specific mandate and general mandate and proposed increase of authorized share capital. Capitalised terms used herein shall have the same meanings as those defined in the Announcement unless defined otherwise.

\* *For identification purpose only*

## **THE SUPPLEMENTAL ELF AGREEMENT**

On 21 December 2011, the Company and the Purchaser entered into the Supplemental ELF Agreement, pursuant to which the Purchaser agreed to subscribe for and the Company may require the Purchaser to subscribe for up to HK\$120 million worth of Shares structured under the Amended Equity Facility Line during the Commitment Period. Details of the Supplemental ELF Agreement are set out below.

**Date:** 21 December 2011

### **Parties:**

Issuer: The Company.

Purchaser: YA Global Master SPV Ltd.

### **The Amended Equity Facility Line granted to the Company**

Under the ELF Agreement, as supplemented by the Supplemental ELF Agreement, the Company has been granted the Amended Equity Facility Line, pursuant to which the Purchaser agreed to subscribe for up to HK\$120 million (i.e. the Amended ELF Commitment Amount) worth of the Amended Advance Shares and the Company may request an Advance at any time during Commitment Period by delivering to the Purchaser an Advance Notice to require the Purchaser to subscribe for the Amended Advance Shares structured under the Amended Equity Facility Line, subject to the terms and conditions of the ELF Agreement, as supplemented by the Supplemental ELF Agreement.

### **Major terms of the Supplemental ELF Agreement**

Amended ELF Commitment Amount: The ELF Commitment Amount of HK\$350 million has been amended to the amount of HK\$120 million (i.e. the Amended ELF Commitment Amount).

Under the Amended Equity Facility Line, based on the Amended ELF Commitment Amount (i.e. HK\$120 million) and the Minimum Acceptable Price of HK\$0.155556 per Amended Advance Share, up to a total of 771,426,367 Amended Advance Shares will be allotted and issued upon the subscription in full of the Amended Advance Shares under the Amended ELF Commitment Amount, representing approximately 11.66% of the existing issued share capital of the Company or approximately 10.42% of the issued share capital of the Company as enlarged by the issue and allotment of such 771,426,367 Amended Advance Shares and 19,351,556 Commitment Shares.

The Company will apply to the Stock Exchange for the listing of, and permission to deal in, the Amended Advance Shares and the Commitment Shares.

Removal of condition precedent in connection with obtaining Specific Mandate and references to Specific Mandate, the First Tranche Advance Shares and the Second Tranche Advance Shares:	As all Amended Advance Shares will be issued under General Mandate, the condition precedent in connection with the seeking and obtaining of Specific Mandate is removed. In addition, all references to Specific Mandate, First Tranche Advance Shares and Second Tranche Advance Shares in the ELF Agreement are removed.
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Save for the terms amended by the Supplemental ELA Agreement as disclosed above and certain corresponding amendments, all other terms and conditions of the ELF Agreement remain in full force and effect.

The Purchase Price (and the mechanism for determining the Purchase Price) and the Minimum Acceptable Price (and after taking into consideration the Commitment Fee (the amount of which being unchanged at HK\$3.5 million) and Advance Commission) set out in the ELF Agreement and the Announcement were determined based on the arm's length negotiations between the Company and the Purchaser, with reference to current market sentiment and the historical Share price. The Directors consider that Purchase Price and the Minimum Acceptable Price (and after taking into consideration the Commitment Fee and Advance Commission) are fair and reasonable.

#### **MANDATE TO ISSUE THE AMENDED ADVANCE SHARES**

The Company proposes to allot and issue the Amended Advance Shares and the Commitment Shares (i.e. an aggregate of 790,777,923 Shares based on the assumptions that the Amended Advance Shares are issued and allotted at the Minimum Acceptable Price) under the General Mandate and is therefore not subject to Shareholders' approval. As disclosed in the Announcement and as at the date of this announcement, the amount of unutilized General Mandate is 797,012,157 Shares.

#### **REASON FOR ENTERING INTO THE SUPPLEMENTAL ELF AGREEMENT**

As the original total number of Advance Shares to be allotted and issued at the Minimum Acceptable Price under the original ELF Commitment Amount of HK\$350 million would have exceeded the unutilized General Mandate, a Specific Mandate should be sought for the issue and allotment of such Advance Shares and the Commitment Shares. Given the reason for and benefit to the Group for entering into the Agreements as set out in the Announcement, and taking into consideration factors including the current market sentiment and the historical Share price and that extra time and costs would be involved for convening and holding the SGM to seek such Specific Mandate, the Directors are of the view that the terms of the Supplemental ELF Agreement and the transactions contemplated thereunder, including the Amended ELF Commitment Amount and removal of the requirement for seeking Specific Mandate, are in the interests of the Company and Shareholders as a whole. Further, the terms of the Agreements together with those of the Supplemental ELF Agreement are fair and reasonable.

Assuming subscription in full of the Amended Advance Shares under the Amended ELF Commitment Amount, the gross proceeds and the net proceeds to be raised by the Company therefrom will be adjusted to HK\$120 million (i.e. the Amended ELF Commitment Amount) and about 118.7 million (on the assumption that all Amended Advance Shares will be issued at the Minimum Acceptable Price per Amended Advance Share with the net price per Amended Advance Share of HK\$0.1539), respectively. As set out in the Announcement, the Company intends to apply the net proceeds from the allotment and issue of the Amended Advance Shares for settlement of the Loan under the DF Agreement, for supporting trading activities and for general corporate and working capital purposes of the Group.

## CHANGES IN SHAREHOLDING STRUCTURE OF THE COMPANY

As at the date of this announcement, the Company had 6,613,710,698 Shares in issue. On the assumption that no Warrant Shares have been issued and allotted, the shareholding structure of the Company (i) as at the date of this announcement; (ii) immediately after the issue and allotment of the Commitment Shares and the subscription in full of the Amended Advance Shares under the Amended ELF Commitment Amount at the Minimum Acceptable Price are as follows:

	As at the date of announcement		Immediately after the issue and allotment of the Commitment Shares and the subscription in full of the Amended Advance Shares under the Amended ELF Commitment Amount at the Minimum Acceptable Price	
	No. of Shares	Approximate %	No. of Shares	Approximate %
Assure Gain International Limited (Note 1)	1,006,762,347	15.22%	1,006,762,347	13.60%
Winner Global Holdings Limited (Note 2)	320,041,100	4.84%	320,041,100	4.32%
Splendid Asset Holdings Limited (Note 3)	331,100,463	5.00%	331,100,463	4.47%
Li Zhixiong	380,000,000	5.75%	380,000,000	5.13%
Purchaser	—	—	790,777,923	10.68%
<b>Sub-total</b>	2,037,903,910	30.81%	2,828,681,833	38.20%
Public Shareholders	<u>4,575,806,788</u>	<u>69.19%</u>	<u>4,575,806,788</u>	<u>61.80%</u>
<b>Total</b>	<u><u>6,613,710,698</u></u>	<u><u>100%</u></u>	<u><u>7,404,488,621</u></u>	<u><u>100%</u></u>

*Notes:*

1. Assure Gain International Limited is wholly owned by Ms. Loh Jiah Yee, Katherine, Chairman, managing Director and executive Director of the Company. As at the date of this announcement, it also holds 1,208,013,390 preference shares carrying rights to convert into 226,502,510 Shares.
2. Winner Global Holdings Limited is owned as to 100% by Assure Gain International Limited.
3. Splendid Asset Holdings Limited is owned as to 100% by Assure Gain International Limited.
4. As at the date of this announcement, Li Zhixiong, an executive Director, beneficially holds 380,000,000 Shares. Mr. Li is also entitled to up to an additional of 389,230,769 Shares which may be issued by the Company to him pursuant to a sale and purchase agreement dated 21 March 2011, details of which were disclosed in the announcement of the Company dated 21 March 2011.

## **REMOVAL OF THE PROPOSED INCREASE OF AUTHORIZED SHARE CAPITAL OF THE COMPANY AND CONVENING AND HOLDING OF THE SGM**

As disclosed in the Announcement, the existing unissued authorised share capital is 1,823,789,302 Shares which is sufficient to cover the issue of the Amended Advance Shares (assuming all of which will be issued at the Minimum Acceptable Price) and the Commitment Shares. Accordingly, the proposal to increase the authorized share capital of the Company as disclosed in the Announcement is currently not necessary and be withdrawn. Further, as the Amended Advance Shares and the Commitment Shares will be issued under the General Mandate, no SGM will be convened and held.

## **SUSPENSION AND RESUMPTION OF TRADING OF THE SHARES**

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## **DEFINITION**

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

“Amended Advance Shares” in relation to an Advance, the number of new Shares to be allotted and issued by the Company to the Purchaser as determined by dividing the Advance Amount by the Purchase Price and subject to the Advance Adjustment

“Amended ELF Commitment Amount” HK\$120,000,000

“Amended Equity Facility Line”

the equity facility line granted by the Purchaser to the Company which shall be accessed, at the option of the Company, by the delivery to the Purchaser an Advance Notice during the Commitment Period in accordance with the terms and conditions set forth in the ELF Agreement, as supplemented by the Supplemental ELF Agreement

“Supplemental ELF Agreement”

the supplemental deed to the ELF Agreement entered into between the Company and the Purchaser on 21 December 2011 in relation to the Amended Equity Facility Line

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

Hong Kong, 21 December 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.*