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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 ELF AGREEMENT

On 19 January 2012, the Company and the Purchaser entered into the Second 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\$115 million worth of Shares at the Amended MAP of HK\$0.149 per Second Amended Advance Share structured under the Second Amended Equity Facility Line during the Commitment Period.

Reference is made to the announcements (“**Announcements**”) of Sustainable Forest Holdings Limited (“**Company**”) dated 19 December 2011 and 21 December 2011 in relation to the grant of the debt facility line to the Company and the proposed issue of new shares under general mandate. Capitalised terms used herein shall have the same meanings as those defined in the Announcements unless defined otherwise.

THE SECOND SUPPLEMENTAL ELF AGREEMENT

On 19 January 2012, the Company and the Purchaser entered into the Second 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\$115 million worth of Shares at the Amended MAP of HK\$0.149 per Second Amended Advance Share structured under the Second Amended Equity Facility Line during the Commitment Period. Details of the Second Supplemental ELF Agreement are set out below.

* *For identification purpose only*

Date: 19 January 2012

Parties:

Issuer: The Company

Purchaser: YA Global Master SPV Ltd.

The Second Amended Equity Facility Line granted to the Company

Under the ELF Agreement, as supplemented by the Supplemental ELF Agreement and the Second Supplemental ELF Agreement, the Company has been granted the Second Amended Equity Facility Line, pursuant to which the Purchaser agreed to subscribe for up to HK\$115 million (i.e. the Second Amended ELF Commitment Amount) worth of the Second 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 Second Amended Advance Shares structured under the Second Amended Equity Facility Line, subject to the terms and conditions of the ELF Agreement, as supplemented by the Supplemental ELF Agreement and the Second Supplemental ELF Agreement.

Major terms of the Second Supplemental ELF Agreement

Amended MAP: The Minimum Acceptable Price has been altered from HK\$0.155556 to HK\$0.149, being the higher of (a) the Floor Price, i.e. HK\$0.149; and (b) the par value of the Shares.

Second Amended ELF Commitment Amount: The Amended ELF Commitment Amount has been altered from HK\$120,000,000 to HK\$115,000,000.

Under the Second Amended Equity Facility Line, based on the Second Amended ELF Commitment Amount (i.e. HK\$115 million) and the Amended MAP of HK\$0.149 per Second Amended Advance Share, up to a total of 771,812,080 Second Amended Advance Shares will be allotted and issued upon the subscription in full of the Second Amended Advance Shares under the Second Amended ELF Commitment Amount, representing approximately 11.64% 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 771,812,080 Second Amended Advance Shares.

Save for the terms amended by the Second Supplemental ELF Agreement as disclosed above, all other terms and conditions of the ELF Agreement and the Supplemental ELF Agreement remain in full force and effect.

Due to the alteration of the terms of the ELF Agreement, the Company will submit a new or revised application to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Second Amended Advance Shares.

The Purchase Price (and the mechanism for determining the Purchase Price) and the Amended MAP, which represents the Floor Price, set out in the ELF Agreement and Second Supplemental ELF Agreement were determined based on the arm's length negotiations between the Company and the Purchaser, with reference to current market sentiment, the historical Share price and the change in the market conditions since the date of the ELF Agreement up to the date of this announcement. The Directors consider that the Purchase Price and the Amended MAP are fair and reasonable.

MANDATE TO ISSUE THE SECOND AMENDED ADVANCE SHARES

The Company proposes to allot and issue the Second Amended Advance Shares under the General Mandate and is not subject to Shareholders' approval. On 3 January 2012, 19,351,556 Shares, being the Commitment Shares, were allotted and issued by the Company to the Purchaser under the General Mandate. As at the date of this announcement, the amount of unutilized General Mandate is 777,660,601 Shares.

REASON FOR ENTERING INTO THE SECOND SUPPLEMENTAL ELF AGREEMENT

Pursuant to the ELF Agreement (as supplemented by the Supplemental ELF Agreement and the Second Supplemental ELF Agreement), among other conditions precedent to the drawdown of the Initial Loan of HK\$30 million, the Company shall deliver five (5) Predated Advance Notices to the Purchaser in the sum of HK\$6,000,000 each which shall be utilized for repayment of the Initial Loan if the Company so elected. Under the terms of the ELF Agreement (as supplemented by the Supplemental ELF Agreement and the Second Supplemental ELF Agreement), the Company shall not issue such Predated Advance Notices if, among other conditions, the VWAP on the date immediately prior to the Advance Notice Date is below the Minimum Acceptable Price of HK\$0.155556.

Given the reason for and benefit to the Group for entering into the Agreements as set out in the Announcements and taking into consideration factors including the current market sentiment and the historical Share price, in particular, in view of the change in the market conditions since the date of the ELF Agreement up to the date of this announcement, the Company is not allowed to drawdown the Initial Loan if VWAP is continuously below the Minimum Acceptable Price, the Directors are of the view that the terms of the Second Supplemental ELF Agreement and the transactions contemplated thereunder, including the Second Amended ELF Commitment Amount and Amended MAP, 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 and the Second Supplemental ELF Agreement are fair and reasonable.

Assuming subscription in full of the Second Amended Advance Shares under the Second Amended ELF Commitment Amount, the gross proceeds and the net proceeds to be raised by the Company therefrom will be adjusted to HK\$115 million (i.e. the Second Amended ELF Commitment Amount) and about 118.7 million (on the assumption that all Second Amended Advance Shares will be issued at the Amended MAP per Second Amended Advance Share with the net price per Second Amended Advance Share of HK\$0.1538), respectively. As set out in the Announcements, the Company intends to apply the net

proceeds from the allotment and issue of the Second 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 6,633,062,254 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 subscription in full of the Second Amended Advance Shares under the Second Amended ELF Commitment Amount at the Amended MAP are as follows:

	As at the date of announcement		Immediately after the subscription in full of the Second Amended Advance Shares under the Second Amended ELF Commitment Amount at the Amended MAP	
	No. of Shares	Approximate %	No. of Shares	Approximate %
Assure Gain International Limited (Note 1)	1,006,762,347	15.18%	1,006,762,347	13.60%
Winner Global Holdings Limited (Note 2)	320,041,100	4.83%	320,041,100	4.32%
Splendid Asset Holdings Limited (Note 3)	331,100,463	4.99%	331,100,463	4.47%
Li Zhixiong	380,000,000	5.73%	380,000,000	5.13%
Purchaser	19,351,556	0.29%	791,163,636	10.69%
Sub-total	2,057,255,466	31.02%	2,829,067,546	38.21%
Public Shareholders	4,575,806,788	68.98%	4,575,806,788	61.79%
Total	6,633,062,254	100%	7,404,874,334	100%

Notes:

1. Assure Gain International Limited is wholly owned by Ms. Loh Jiah Yee, Katherine, Chairman, managing Director and an 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, Mr. 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.

DEFINITION

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

“Amended MAP”	the amended Minimum Acceptable Price at HK\$0.149, being the higher of (a) the Floor Price; and (b) the par value of the Shares
“Second 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
“Second Amended ELF Commitment Amount”	HK\$115,000,000
“Second 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 and the Second Supplemental ELF Agreement
“Second Supplemental ELF Agreement”	the second supplemental deed to the ELF Agreement entered into between the Company and the Purchaser on 19 January 2012 in relation to the Second Amended Equity Facility Line

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

Hong Kong, 19 January 2012

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; and Mr. John Tewksbury Banigan, Mr. Keung Paul Hinsum and Mr. Donald Smith Worthley as independent non-executive directors.