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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)

DISCLOSEABLE TRANSACTION IN RELATION TO ACQUISITION OF A 95% EQUITY INTEREST IN TRAVEL INN LIMITED

THE SALE AND PURCHASE AGREEMENT

The Board announces that on 5 December 2013 (after trading hours), the Purchaser and the Vendor entered into the Sale and Purchase Agreement pursuant to which the Purchaser has conditionally agreed to purchase and the Vendor has conditionally agreed to sell the Sale Shares at the Consideration of HK\$1,180,000.

Travel Inn is a company incorporated in Hong Kong with limited liability and is principally engaged in the business of licensed travel agent under the Ordinance in Hong Kong.

LISTING RULES IMPLICATION

As one or more of the applicable percentage ratios under Rule 14.07 of the Listing Rules in respect of the Acquisition exceed 5% but less than 25%, the Acquisition constitutes a discloseable transaction for the Company and is subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

* *For identification purpose only*

INTRODUCTION

The Board announces that on 5 December 2013 (after trading hours), the Purchaser and the Vendor entered into the Sale and Purchase Agreement pursuant to which the Purchaser has conditionally agreed to purchase and the Vendor has conditionally agreed to sell the Sale Shares at the Consideration of HK\$1,180,000. The terms of the Sale and Purchase Agreement are summarised below:

THE SALE AND PURCHASE AGREEMENT

Date: 5 December 2013 (after trading hours)

Parties:

- 1) Elite Sign Investments Limited, an indirect wholly-owned subsidiary of the Company, as the Purchaser; and
- 2) Mr. Ng Pui Wah, as the Vendor

The Vendor is a merchant and the legal and beneficial owner of the equity interest of Travel Inn. To the best of the knowledge, information and belief of the Directors, having made all reasonable enquiries, the Vendor is an Independent Third Party.

Assets to be acquired

The Sale Shares represent 95% of the entire issued share capital of Travel Inn.

Consideration

The Consideration for the Sale Shares payable by the Purchaser to the Vendor is HK\$1,180,000 which shall be payable in full to the Vendor by solicitors cheque or cashier order drawn on a licence bank in Hong Kong in favour of the Vendor or his nominee upon Completion.

Basis for the Consideration

The Consideration was arrived at after arm's length negotiations between the parties of the Sale and Purchase Agreement and was determined with reference to the audited net asset value of Travel Inn attributable to holders of 95% equity interests as at 31 March 2013 of HK\$1,191,925.1 with a discount.

Conditions Precedent

Completion is conditional upon the followings:

- (a) approval from the Registrar on the change of ownership and control of the business of the Company following the transfer of the Sale Shares from the Vendor to the Purchaser being obtained;
- (b) legal and financial due diligence, including but not limited to the affairs, business, assets, liabilities, operations, records, financial position, value of assets, accounts, results, legal and financial structure, of Travel Inn being completed to the satisfaction of the Purchaser in its sole discretion and that there no matter arising from the due diligence review which in the opinion of the Purchaser may adversely affect the value of the Sale Shares;
- (c) it has not come to the attention of the Purchaser that any material adverse changes or effect on Travel Inn has occurred prior to the Completion Date or are likely to occur before the Completion Date;
- (d) the representations, warranties and undertakings given by the Vendor pursuant to the Sale and Purchase Agreement remain true, accurate and not misleading in all respects;
- (e) The Purchaser having obtained a confirmation from the Vendor confirming that, from the date of the Sale and Purchase Agreement, there is no material adverse change or effect in respect of the financial or trading position of it;
- (f) all necessary consent and approval from the Stock Exchange (if any) on the transaction contemplated under the Sale and Purchase Agreement having obtained; and
- (g) all necessary approval from the Shareholders (if any) on the transaction contemplated under the Sale and Purchase Agreement having been obtained.

If the above conditions are not fulfilled or in respect of the conditions on or before the 31 March 2014 (or such later date as the parties of the Sale and Purchase Agreement may agree in writing), the Purchaser may terminate the Sale and Purchase Agreement, in which case none of the parties shall have any claim against the others for costs, damages, compensation or otherwise (save in respect of any prior breach of the Sale and Purchase Agreement).

Completion

Subject to all the conditions of the Sale and Purchase Agreement being fulfilled, Completion shall take place at 11:00 a.m. on the second Business Day after the date of fulfilment of the conditions last in time to be fulfilled.

INFORMATION OF THE TARGET COMPANY

Travel Inn is a company incorporated in Hong Kong with limited liability and is principally engaged in the business of licensed travel agent under the Ordinance.

Set out below is a summary of certain audited financial information of Travel Inn for the two years ended 31 March 2012 and 31 March 2013:

	For the year ended	
	31 March	31 March
	2012	2013
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(audited)	(audited)
Turnover	11,552.2	10,870.7
Profit before taxation	61.1	47.9
Profit after taxation	48.5	93.5

As at 31 March 2013, the audited net assets value of Travel Inn was HK\$1,254,658.

Immediately after Completion, Travel Inn will become a 95% owned subsidiary of the Company, and the financial results of Travel Inn will be consolidated into the results of the Group.

REASONS FOR AND BENEFITS OF THE ACQUISITION

The Group is principally engaged in (i) sustainable forest management; and (ii) manufacturing and sale of timber products including but not limited to wooden door, furniture and wooden flooring.

As disclosed in the Company's annual report for the year ended 31 March 2013, the Company suspended the Group's harvesting operations in Acre, Brazil on 27 March 2012 and the operation remained inactive as at the date of this announcement. As a result, the manufacturing and sales of timber products became the sole revenue contributor for the Group. However, due to the challenging market conditions and poor demand for timber products, the outlook for the Group's timber product business is uncertain. In view of such situation, the Company has been keen on identifying and considering new business opportunities that diversifies its business portfolio and provides the Group with a stable revenue stream. The acquisition of Travel Inn, which had a stable turnover and recorded net profit for the latest two financial years, is considered as an opportunity to secure a stable revenue stream of the Group. The Acquisition will also enable the Group to diversify into the business of licensed travel agent.

The Directors consider that the terms of the Sale and Purchase Agreement are on normal commercial terms and fair and reasonable and the Acquisition is in the interests of the Company and its Shareholders as a whole.

LISTING RULES IMPLICATION

As one or more of the applicable percentage ratios under Rule 14.07 of the Listing Rules in respect of the Acquisition exceed 5% but less than 25%, the Acquisition constitutes a discloseable transaction for the Company and is subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

DEFINITIONS

“Acquisition”	the acquisition by the Purchaser of the Sale Shares pursuant to the Sale and Purchase Agreement
“Board”	the board of Directors

“Business Day”	a day (other than a Saturday or a Sunday) on which banks generally are open for business in Hong Kong
“Company”	Sustainable Forest Holdings Limited, a company incorporated in Bermuda with limited liability, the issued shares of which are listed on the Main Board of the Stock Exchange (Stock Code: 723)
“Completion”	completion of the transactions contemplated under the Sale and Purchase Agreement
“Completion Date”	11:00 a.m. on the second Business Day after the date of fulfilment of the conditions last in time to be fulfilled pursuant to the Sale and Purchase Agreement
“Consideration”	consideration for the Acquisition, being HK\$1,180,000
“Director(s)”	director(s) of the Company
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Third Party(ies)”	third party(ies) independent of and not connected with the Company or any of its connected persons (as defined under the Listing Rules)
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Ordinance”	Travel Agents Ordinance, Chapter 218 of the Laws of Hong Kong
“Purchaser”	Elite Sign Investments Limited, a company incorporated in Hong Kong with limited liability, being an indirect wholly-owned subsidiary of the Company

“Registrar”	Registrar of Travel Agents appointed under section 5 of the Ordinance
“Sale and Purchase Agreement”	the sale and purchase agreement dated 5 December 2013 entered into between the Purchaser and the Vendor in respect of the Acquisition
“Sale Shares”	475,000 shares of HK\$1 each in the share capital of Travel Inn, being 95% of the entire issued share thereof
“Share(s)”	ordinary shares of HK\$0.01 each in the share capital of the Company
“Shareholder(s)”	holder(s) of the Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Travel Inn”	Travel Inn Limited, a company incorporated in Hong Kong with limited liability
“Vendor”	Mr. Ng Pui Wah
“HK\$”	Hong Kong dollar, the lawful currency of Hong Kong
“%” or “per cent”	percentage or per centum

By order of the Board
Sustainable Forest Holdings Limited
Zhou Jing
Chairman

Hong Kong, 5 December 2013

As at the date of this announcement, the Board comprises Ms. Zhou Jing and Mr. Mung Wai Ming as executive Directors; and Mr. William Keith Jacobsen, Mr. Wu Wang Li and Mr. Ng Wai Hung as independent non-executive Directors.