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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)

(I) PROPOSED SHARE OPEN OFFER ON THE BASIS OF ONE (1) OFFER SHARE FOR EVERY SIX (6) SHARES HELD ON THE RECORD DATE WITH THE ISSUE OF BONUS SHARES ON THE BASIS OF SEVENTEEN (17) BONUS SHARES FOR EVERY OFFER SHARE SUBSCRIBED;

(II) PROPOSED CONVERTIBLE PREFERRED SHARE OPEN OFFER ON THE BASIS OF ONE (1) OFFER CONVERTIBLE PREFERRED SHARE FOR EVERY SIX (6) CONVERTIBLE PREFERRED SHARES HELD ON THE RECORD DATE WITH THE ISSUE OF BONUS CONVERTIBLE PREFERRED SHARES ON THE BASIS OF SEVENTEEN (17) BONUS CONVERTIBLE PREFERRED SHARES FOR EVERY OFFER CONVERTIBLE PREFERRED SHARE SUBSCRIBED;

AND

(III) PROPOSED CHANGE IN BOARD LOT SIZE

OPEN OFFERS

Share Open Offer with the issue of Bonus Shares

The Board proposes to raise not less than approximately HK\$118.8 million and not more than approximately HK\$123.7 million before expenses by issuing not less than 371,147,618 Offer Shares and not more than 386,428,602 Offer Shares at the Share Offer Price of HK\$0.32 per Offer Share on the basis of one (1) Offer Share for every six (6) Shares held on the Record Date with the issue of seventeen (17) Bonus Shares for every Offer Share subscribed and allotted.

Assuming no conversion of the Share Options, Share Warrants and CPS into Shares on or before the Record Date, the minimum number of Offer Shares and Bonus Shares in aggregate of 6,680,657,124 Shares represents (i) approximately 300% of the issued ordinary share capital of the Company immediately prior to the Completion; and (ii) approximately 75% of the issued ordinary share capital of the Company as enlarged by the allotment and issue of the Offer Shares and Bonus Shares upon Completion.

After taking into account the Irrevocable Non-conversion Undertakings and assuming full conversion of the other Share Options, Share Warrants and CPS into Shares on or before the Record Date, the maximum number of Offer Shares and Bonus Shares in aggregate of 6,955,714,836 Shares represents (i) approximately 300% of the issued ordinary share capital of the Company as enlarged by those Shares allotted and issued as a result of the conversion of the relevant Share Options, Share Warrants and CPS immediately prior to the Completion; and (ii) approximately 75% of the issued ordinary share capital of the Company as further enlarged by the allotment and issue of the Offer Shares and Bonus Shares upon Completion.

The Record Date is 19 November 2014. The last day of dealings in the Shares on a cum-entitlement basis is 12 November 2014. The Shares will be dealt in on an ex-entitlement basis from 13 November 2014. To qualify for the Share Open Offer, Shareholders must be registered as a member of the Company on the Record Date and not be an Excluded Shareholder.

CPS Open Offer with the issue of Bonus CPS

The Board also proposes to raise not more than approximately HK\$4.0 million before expenses by issuing not more than 402,313,634 Offer CPS at the subscription price of HK\$0.01 per Offer CPS on the basis of one (1) Offer CPS for every six (6) existing CPS held on the Record Date with the issue of seventeen (17) Bonus CPS for every Offer CPS subscribed and allotted.

In the event that all the CPS Holders exercise their rights to convert the CPS into Shares prior to the Record Date, no CPS Open Offer will be made by the Company.

After taking into account the Irrevocable Non-conversion Undertaking given by Ms. Zhou and assuming no conversion of the CPS into Shares on or before the Record Date, the number of Offer CPS and bonus CPS in aggregate of 7,241,645,412 CPS represents (i) approximately 300% of the issued CPS as at the date of this announcement; and (ii) approximately 75% of the issued CPS as enlarged by the allotment and issue of the Offer CPS and Bonus CPS upon Completion.

The Record Date is 19 November 2014. To qualify for the CPS Open Offer, CPS holders must be registered as CPS Holders of the Company on the Record Date and not be an Excluded CPS Holder.

UNDERWRITING AGREEMENT

Pursuant to the Underwriting Agreement, the Underwriter has agreed to subscribe or procure the subscription for all untaken Underwritten Shares and Underwritten CPS.

WARNING OF THE RISK OF DEALING IN THE SHARES

Shareholder(s) should note that he/she/it will be entitled to the Bonus Shares on the basis of seventeen (17) Bonus Shares for every Offer Share subscribed if and only if they subscribe for his/her/its pro-rata Offer Shares under the Share Open Offer.

Shareholder(s) who do not subscribe for his/her/its pro-rata Offer Shares will not be entitled to any Bonus Shares.

CPS Holder(s) should note that he/she/it will be entitled to the Bonus CPS on the basis of seventeen (17) Bonus CPS for every Offer CPS subscribed if and only if they subscribe for his/her/its pro-rata Offer CPS under the CPS Open Offer.

CPS Holder(s) who do not subscribe for his/her/its pro-rata Offer CPS will not be entitled to any Bonus CPS.

The Open Offers are conditional, inter alia, upon the fulfillment of the conditions set out in the section headed “Conditions of the Open Offers”. The Open Offers are therefore subject to the Underwriting Agreement having become unconditional and the Underwriter not having terminated the Underwriting Agreement in accordance with the terms thereof as set out in the paragraph headed “Termination of the Underwriting Agreement”.

Accordingly, the Open Offers may or may not proceed. Shareholders and potential investors of the Company should therefore exercise extreme caution when dealing in the Shares, and if they are in any doubt about their position, they should consult their professional advisers.

PROPOSED CHANGE IN THE BOARD LOT SIZE

As at the date of this announcement, the Shares are traded in board lots of 30,000 Shares. Based on the closing price of HK\$0.133 per Share (equivalent to a theoretical ex-entitlement price of HK\$0.0466 per Share) on the Last Trading Day, as at the date of this announcement, the value of each board lot of 30,000 Shares is estimated to be approximately HK\$1,398 upon Completion.

In order to increase the value of each board lot of the Shares so that the value of each board lot of Shares will not be less than HK\$2,000 and to reduce transaction and registration costs incurred by the Shareholders and investors of the Company, the Board proposes to change the board lot size for trading on the Stock Exchange from 30,000 Shares to 60,000 Shares with effect from Friday, 12 December 2014 and conditional upon the Open Offers becoming unconditional.

OPEN OFFERS

Share Open Offer with the issue of Bonus Shares

The Board proposes to raise not less than approximately HK\$118.8 million and not more than approximately HK\$123.7 million before expenses by issuing not less than 371,147,618 Offer Shares and not more than 386,428,602 Offer Shares at the Share Offer Price of HK\$0.32 per Offer Share on the basis of one (1) Offer Share for every six (6) Shares held on the Record Date with the issue of seventeen (17) Bonus Shares for every Offer Share subscribed and allotted.

Issue statistics of Share Open Offer with the issue of Bonus Shares

Basis of the Share Open Offer and the issue of Bonus Shares:	One (1) Offer Share for every six (6) Shares held on the Record Date and payable in full upon application with seventeen (17) Bonus Shares for every Offer Share allotted and issued
Number of Shares in issue as at the date this announcement:	2,226,885,710 Shares
Number of new Shares to be issued upon full conversion of the Share Options after taking into account the Irrevocable Non-conversion Undertakings: <i>(Note 1)</i>	572,843 Shares
Number of new Shares to be issued upon full conversion of the Share Warrants after taking into account the Irrevocable Non-conversion Undertakings: <i>(Note 2)</i>	15,679,255 Shares
Number of new Shares to be issued upon full conversion of the CPS after taking into account the Irrevocable Non-conversion Undertakings: <i>(Note 3)</i>	75,433,806 Shares
Maximum number of Shares in issue after taking into account the Irrevocable Non-conversion Undertakings and assuming full conversion of the other Share Options, Share Warrants and CPS into Shares:	2,318,571,614 Shares
Minimum number of Offer Shares:	371,147,618 Shares
Aggregate nominal value of minimum number of Offer Shares:	HK\$3,711,476.18
Minimum number of Bonus Shares:	6,309,509,506 Shares
Aggregate nominal value of minimum number of Bonus Shares:	HK\$63,095,095.06

Maximum number of Offer Shares:	386,428,602 Shares
Aggregate nominal value of maximum number of Offer Shares:	HK\$3,864,286.02
Maximum number of Bonus Shares:	6,569,286,234 Shares
Aggregate nominal value of maximum number of Bonus Shares:	HK\$65,692,862.34
Subscription price:	HK\$0.32
Enlarged issued ordinary share capital of the Company immediately upon Completion:	Not less than 8,907,542,834 Shares but not more than 9,274,286,450 Shares
Amount raised before expenses:	Not less than approximately HK\$118.8 million and not more than approximately HK\$123.7 million

Notes:

- As at the date of this announcement, the Company has 37,188,167 outstanding Share Options entitling the holders to subscribe for 37,188,167 Shares pursuant to the Share Option Scheme, of which 18,307,662 Share Options and 18,307,662 Share Options are owned by Mr. Mung and Ms. Zhou respectively. Pursuant to the Irrevocable Non-conversion Undertakings, among other things, Mr. Mung and Ms. Zhou have irrevocably undertaken to the Company that they will not exercise the conversion right attached to any of the outstanding Share Options owned by each of them and their respective associates to subscribe for new Shares from the date of the Irrevocable Non-conversion Undertakings and up to the Record Date.*
- At the date of this announcement, the Company has 241,097,736 outstanding Share Warrants entitling the holders to subscribe for 241,097,736 Shares, of which 225,418,481 Share Warrants are owned by Ms. Zhou. Pursuant to the Irrevocable Non-conversion Undertaking, among other things, Ms. Zhou has irrevocably undertaken to the Company that she will not exercise the conversion right attached to any of the outstanding Share Warrants owned by her and her associates to subscribe for new Shares from the date of the Irrevocable Non-conversion Undertaking and up to the Record Date.*
- As at the date of this announcement, the Company also has (i) 215,525,161 CPS Warrants entitling the holders to subscribe for 215,525,161 CPS, which entitles the holders to convert into 6,735,161 Shares at a ratio of one CPS to 0.03125 Share and (ii) 2,413,881,809 outstanding CPS entitling the holders to convert into 75,433,806 Shares at a ratio of one CPS to 0.03125 Share. As at the date of this announcement, Ms. Zhou owns all the 215,525,161 CPS Warrants. Pursuant to the Irrevocable Non-conversion Undertaking, among other things, Ms. Zhou has irrevocably undertaken to the Company that she will not exercise the conversion right attached to any of the outstanding CPS Warrants owned by her and her associates to subscribe for new Shares from the date of the Irrevocable Non-conversion Undertaking and up to the Record Date.*

4. *Save for the Share Options, the Share Warrants, the CPS Warrants and the CPS, the Company has no other outstanding options, warrants, derivatives or convertible securities in issue which confer any rights to subscribe for, convert or exchange into the Shares as at the date of this announcement.*

Assuming no conversion of the Share Options, Share Warrants and CPS into Shares on or before the Record Date, the minimum number of Offer Shares and Bonus Shares in aggregate of 6,680,657,124 Shares represents (i) approximately 300% of the issued ordinary share capital of the Company immediately prior to the Completion; and (ii) approximately 75% of the issued ordinary share capital of the Company as enlarged by the allotment and issue of the Offer Shares and Bonus Shares upon Completion.

After taking into account the Irrevocable Non-conversion Undertakings and assuming full conversion of the other Share Options, Share Warrants and CPS into Shares on or before the Record Date, the maximum number of Offer Shares and Bonus Shares in aggregate of 6,955,714,836 Shares represents (i) approximately 300% of the issued ordinary share capital of the Company as enlarged by those Shares allotted and issued as a result of the conversion of the relevant Share Options, Share Warrants and CPS into Shares immediately prior to the Completion; and (ii) approximately 75% of the issued ordinary share capital of the Company as further enlarged by the allotment and issue of the Offer Shares and Bonus Shares upon Completion.

CPS Open Offer with the issue of Bonus CPS

The Board also proposes to raise not more than approximately HK\$4.0 million before expenses by issuing not more than 402,313,634 Offer CPS at the subscription price of HK\$0.01 per Offer CPS on the basis of one (1) Offer CPS for every six (6) existing CPS held on the Record Date with an issue of seventeen (17) Bonus CPS for every Offer CPS subscribed and allotted.

Issue statistic of CPS Open Offer with the issue of Bonus CPS

Basis of the CPS Open Offer and the issue of Bonus CPS:	One (1) Offer CPS for every six (6) existing CPS held on the Record Date and payable in full upon application with seventeen (17) Bonus CPS for every Offer CPS allotted and issued
Number of CPS as at the date of this announcement:	2,413,881,809 CPS
Maximum number of Offer CPS (Note 1):	Not more than 402,313,634 CPS
Nominal value of maximum number of Offer CPS:	Not more than HK\$4,023,136.34
Maximum number of Bonus CPS:	Not more than 6,839,331,778 CPS
Nominal value of maximum number of Bonus CPS:	Not more than HK\$68,393,317.78

Minimum number of CPS upon Completion (<i>Note 2</i>):	0
Maximum number of CPS upon Completion:	9,655,527,221 CPS
Number of new Shares to be issued upon full conversion of the Offer CPS and the Bonus CPS (<i>Note 3</i>):	Not more than 226,301,419 Shares

Notes:

1. *As at the date of this announcement, the Company has 215,525,161 CPS Warrants entitling the holders to subscribe for 215,525,161 CPS, which entitles the holders to convert into 6,735,161 Shares at a ratio of one CPS to 0.03125 Share. All the 215,525,161 CPS Warrants are owned by Ms. Zhou as at the date of this announcement. Pursuant to the Irrevocable Non-conversion Undertaking, among other things, Ms. Zhou has irrevocably undertaken to the Company that she will not exercise the conversion right attached to any of the outstanding CPS Warrants owned by her and her respective associates to subscribe for new Shares from the date of the Irrevocable Non-conversion Undertaking and up to the Record Date.*
2. *In the event that all the CPS Holders exercised their rights to convert the CPS into Shares prior to the Record Date, no CPS Open Offer will be made by the Company.*
3. *The CPS will be converted into Shares at a ratio of one CPS to 0.03125 Share.*

After taking into account the Irrevocable Non-conversion Undertaking given by Ms. Zhou and assuming no conversion of the CPS into Shares on or before the Record Date, the number of Offer CPS and bonus CPS in aggregate of 7,241,645,412 CPS represents (i) approximately 300% of the issued CPS as at the date of this announcement; and (ii) approximately 75% of the issued CPS as enlarged by the allotment and issue of the Offer CPS and Bonus CPS upon Completion.

Basis of assured allotment

The basis of the assured allotment for the Share Open Offer shall be one (1) Offer Share for every six (6) Shares held by the Qualifying Shareholders on the Record Date.

The basis of the assured allotment for the CPS Open Offer shall be one (1) Offer CPS for every six (6) existing CPS held by the Qualifying CPS Holders on the Record Date.

Application for all or any part of a Qualifying Shareholder's assured allotment should be made by completing the Share Application Form and lodging the same with the remittance for the Offer Shares being applied for.

Application for all or any part of a Qualifying CPS Holder's assured allotment should be made by completing the CPS Application Form and lodging the same with the remittance for the Offer CPS being applied for.

Subscription price of the Offer Shares and the Offer CPS

The subscription price of the Offer Shares of HK\$0.32 each and that of the Offer CPS of HK\$0.01 each is payable in full upon application of the relevant assured allotment of the Offer Shares and the Offer CPS respectively.

The subscription price per Offer Share and Offer CPS was determined after arm's length negotiations between the Company and the Underwriter with reference to, among other things, the necessary funding needs of the Group, the requirement for the Company to make a comparable offer to holders of CPS, the par value of the CPS and conversion ratio of CPS to Shares and the prevailing market price of the Shares.

Since no CPS could be issued below its par value of HK\$0.01 each and given the conversion ratio of 32 CPS into one Share, the lowest permissible subscription price per Offer Share therefore could not be less than HK\$0.32. The Company noted that the Share Offer Price of HK\$0.32 represents a significant premium over the prevailing market price of the Share. In order to encourage the participation of the Qualifying Shareholders in the Share Open Offer, an issue of the Bonus Shares is therefore proposed at the same time to reduce the effective subscription price and accordingly increase the attractiveness of the Share Open Offer.

In February 2014, the Company conducted the February Open Offers for Shares on the basis of one offer share for every ten shares with the issue of bonus shares on the basis of five bonus shares for every offer share subscribed, and a convertible preferred share open offer on a similar basis. The then effective subscription price per offer Share was approximately HK\$0.0533, which represented a discount of (i) approximately 64.4% when compared to the then closing price of the Shares of HK\$0.150 each on the last trading day prior to the publication of the announcement regarding the February Open Offers; and (ii) approximately 53.2% when compared to the then theoretical entitlement price of approximately HK\$0.114 per Share. However, responses to the February Open Offers were not satisfactory as the Company only received acceptance of around 34.3% of the total offer shares whilst no acceptance was received for the offer convertible preferred share.

The Group recorded net losses for the latest three financial years, and the net assets attributable to the owners of the Company decreased by approximately 93.3% to approximately HK\$58.7 million as at 31 March 2014 (representing around HK\$0.0264 per Share) from approximately HK\$875.3 million as at 31 March 2012. The Group's loss-making track record, the deteriorating financial position as well as the previous unsatisfactory responses to the February Open Offers undermined the Group's capability in the negotiation of the Share Offer Price and the selection of the underwriter for the Open Offers as the underwriter demands for a deeper discount for the Offer Shares to compensate its risk to underwrite the Shares when the Company's recent financial performance was in a declining trend.

The Company noted that the effective subscription price per Offer Share of HK\$0.017 (the "**Effective Share Offer Price**") represents a discount of (i) approximately 86.63% when compared to the closing price of the Shares of HK\$0.133 each as at the Last Trading Day; and (ii) approximately 61.85% when compared to the theoretical entitlement price of approximately HK\$0.0466 per Share calculated based on the closing price per Share on the Last Trading Day. The Company, however, considers the aforesaid discounts are commercially acceptable after taking into account, in particular, the recent market sentiment and the recent open offers conducted by other listed companies on the Stock Exchange.

The Company has reviewed all open offers conducted by other companies listed on the Stock Exchange from 1 April 2014 and up to 30 September 2014 (the “**Recent Period**”) and has identified 16 listed companies (the “**Comparables**”) (excluding long-suspended companies) which were loss-making for the latest financial year and had made announcements during the Recent Period for their respective proposed open offers.

The Comparables had effective subscription/offer prices at a discount to their respective closing price per share on the last trading day prior to the release of the relevant announcement within a range from a minimum discount of approximately 8.26% to a maximum discount of approximately 91.83% (the “**LTD Market Range**”). The Effective Share Offer Price of HK\$0.017 each represents a discount of approximately 86.63% to the closing price per Share on the Last Trading Day, which falls within LTD Market Range.

With regard to the discount of the effective subscription/offer prices to the theoretical ex-rights/entitlement price per share of the Comparables, they ranged from a minimum discount of approximately 5.66% to a maximum discount of approximately 69.21% (the “**TEP Market Range**”). The Effective Share Offer Price of HK\$0.017 each represents a discount of approximately 61.85% to the theoretical ex-rights/entitlement price of HK\$0.0466 per Share calculated with reference to the closing price per Share on the Last Trading Day, which also falls within the TEP Market Range.

The Directors consider that the discount would encourage the Qualifying Shareholders and the Qualifying CPS Holders to participate in the Open Offers, which would enable the Qualifying Shareholders and Qualifying CPS Holders to maintain their respective shareholdings in the Company and participate in the future growth of the Group. The Directors consider the terms of the Open Offers, including the subscription price per Offer Share and Offer CPS, to be fair and reasonable and in the interests of the Company and the Shareholders as a whole.

The Share Offer Price of HK\$0.32 represents:

- (i) a premium of approximately 141% over the closing price of HK\$0.1330 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (ii) a premium of approximately 143% over the average closing price of HK\$0.1318 per Share based on the average of the closing prices for the last five (5) trading days as quoted on the Stock Exchange up to and including the Last Trading Day;
- (iii) a premium of approximately 138% over the average closing price of HK\$0.1343 per Share based on the average of the closing prices for the last ten (10) trading days as quoted on the Stock Exchange up to and including the Last Trading Day; and
- (iv) a premium of approximately 587% over the theoretical ex-entitlement price of approximately HK\$0.0466 per Share calculated based on the closing price per Share of HK\$0.1330 as quoted on the Stock Exchange on the Last Trading Day.

Taking into account the Bonus Shares, the Effective Share Offer Price of HK\$0.017 each represents:

- (i) a discount of approximately 86.63% to the closing price of HK\$0.1330 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (ii) a discount of approximately 86.51% to the average closing price of HK\$0.1318 per Share based on the average of the closing prices for the last five (5) trading days as quoted on the Stock Exchange up to and including the Last Trading Day;
- (iii) a discount of approximately 86.76% to the average closing price of HK\$0.1343 per Share based on the average of the closing prices for the last ten (10) trading days as quoted on the Stock Exchange up to and including the Last Trading Day; and
- (iv) a discount of approximately 61.85% to the theoretical ex-entitlement price of approximately HK\$0.0466 per Share calculated based on the closing price per Share of HK\$0.1330 as quoted on the Stock Exchange on the Last Trading Day.

Fractional entitlements to the Offer Shares, the Offer CPS, the Bonus Shares and the Bonus CPS

Entitlements to the Offer Shares and the Offer CPS will be rounded down to the nearest whole number. Fractional entitlements to the Offer Shares and the Offer CPS will not be issued but will be aggregated and dealt with as Offer Shares or Offer CPS (as the case may be) not taken up in accordance with the Underwriting Agreement.

Status of the Offer Shares, Offer CPS, the Bonus Shares, the Bonus CPS, the Offer CPS Conversion Shares and the Bonus CPS Conversion Shares

Save that the Offer Shares will be entitled to the Bonus Shares, the Offer Shares, when allotted and fully paid, will rank pari passu in all respects with the Shares then in issue on the date of allotment of the Offer Shares in fully-paid form.

Holders of fully-paid Offer Shares will be entitled to receive all future dividends and distributions which are declared, made or payable by reference to record date falling on or after the date of allotment of the Offer Shares.

Save that the Offer CPS will be entitled to the Bonus CPS, the Offer CPS, when allotted and issued, will rank pari passu in all respects with the CPS then in issue on the date of allotment of the Offer CPS. The Bonus CPS, when allotted and fully paid, will rank pari passu in all respects with the CPS then in issue.

Holders of fully-paid Offer CPS and Bonus CPS will be entitled to receive all future dividends and distributions which are declared, made or payable by reference to record date falling on or after the date of allotment of the Offer CPS (or the Bonus CPS, as the case may be).

The Bonus Shares, the Offer CPS Conversion Shares and the Bonus CPS Conversion Shares, when allotted and fully paid, will rank pari passu in all respects with the Shares then in issue. Holders of fully-paid Bonus Shares, the Offer CPS Conversion Shares and the Bonus CPS Conversion Shares will be entitled to receive all future dividends and distributions which are declared, made or payable by reference to record date falling on or after the date of allotment of the Bonus Shares, the Offer CPS Conversion Shares and the Bonus CPS Conversion Shares.

Specific mandate for Bonus Shares, Offer CPS Conversion Shares and Bonus CPS Conversion Shares

The Bonus Shares, Offer CPS Conversion Shares and Bonus CPS Conversion Shares will be issued pursuant to a specific mandate to be sought at the SGM.

Application for listing

The Company will apply to the Listing Committee of the Stock Exchange for the listing of and permission to deal in the Offer Shares, the Bonus Shares, the Offer CPS Conversion Shares and the Bonus CPS Conversion Shares.

No application will be made for the listing of the CPS, the Offer CPS, the Bonus CPS or the CPS to be converted under the CPS Warrants on the Stock Exchange or any other stock exchange.

Qualifying Shareholders and Qualifying CPS Holders

The Company will send the Prospectus Documents to the Qualifying Shareholders and the Qualifying CPS Holders only. For the Excluded Shareholders and Excluded CPS Holders, the Company will send copies of the Prospectus (without any Application Forms) to them for their information only.

To qualify for the Open Offers, a Shareholder or a CPS Holder must be registered as a member of the Company or a CPS Holder respectively at the close of business on the Record Date and must be a Qualifying Shareholder or Qualifying CPS Holder respectively.

In order to be registered as members of the Company or CPS Holders at the close of business on the Record Date, Shareholders or CPS Holders must lodge any transfers of Shares or CPS (together with the relevant certificates) with the Share Registrar or MUFG Fund Services (Bermuda) Limited (the agent appointed by the Company) respectively, for the relevant registration no later than 4:30 p.m. on Friday, 14 November 2014.

Closure of registers of members and CPS Holders

The registers of members and CPS Holders of the Company are expected to be closed from Monday, 17 November 2014 to Wednesday, 19 November 2014, both dates inclusive. No transfers of Shares or CPS will be registered during the book closure period.

Certificates of the Offer Shares, Bonus Shares, Offer CPS and the Bonus CPS

Subject to the conditions of the Open Offers, certificates for the Offer Shares, Bonus Shares, Offer CPS and Bonus CPS are expected to be posted on or before Friday, 12 December 2014 to those Shareholders or CPS Holders entitled thereto by ordinary post at their own risks.

Rights of Excluded Shareholders and Excluded CPS Holders

If there are any Overseas Shareholders or Overseas CPS Holders at the close of business on the Record Date, such Overseas Shareholders or Overseas CPS Holders may or may not be eligible to take part in the Share Open Offer and the CPS Open Offer respectively.

The Directors will comply with Notes to Rule 13.36(2) of the Listing Rules and make enquiries regarding the feasibility of extending the Share Open Offer and the CPS Open Offer to the Overseas Shareholders and the Overseas CPS Holders respectively taking into account the applicable securities legislation of the relevant overseas places or the requirements of the relevant regulatory body or stock exchange for the issue of the Offer Shares and the Bonus Share to the Overseas Shareholders, and the Offer CPS and the Bonus CPS to the Overseas CPS Holders.

If, after making such enquiry, the Directors are of the opinion that it would be necessary or expedient, on account either of the legal restrictions under the laws of the relevant place or any applicable requirements of the relevant regulatory body or stock exchange at that place, not to offer the Offer Shares and the Bonus Shares to such Overseas Shareholders or the Offer CPS and the Bonus CPS to such Overseas CPS Holders, the Share Open Offer and the CPS Open Offer will not be extended to the Excluded Shareholders and the Excluded CPS Holders respectively. The result of the enquiries and the basis of the exclusion will be included in the Prospectus. The Prospectus Documents are not intended to be registered or filed under the applicable securities legislation of any jurisdiction other than Hong Kong.

Application for excess Offer Shares and Offer CPS

There is no arrangement for application for the Offer Shares and Offer CPS by the Qualifying Shareholders and the Qualifying CPS Holders respectively in excess of their entitlements. Considering that each Qualifying Shareholder and Qualifying CPS Holder will be given an equal and fair opportunity to participate in the Company's future development by subscribing for his/her/its proportionate entitlement under the Share Open Offer and the CPS Open Offer respectively, if application for excess Offer Shares and Offer CPS is arranged, the Company will be required to put in additional effort and costs to administer the excess application procedures, which is not cost-effective from the viewpoint of the Company. Any Offer Shares and Offer CPS not taken up by the Qualifying Shareholders and the Qualifying CPS Holders will be taken up by the Underwriter pursuant to the terms and conditions of the Underwriting Agreement.

Odd lot matching services

To alleviate the difficulties in trading odd lots of the Shares arising from the Share Open Offer, the Company has appointed South China Securities Limited as an agent to provide matching services to the Shareholders who wish to top up or sell their holdings of odd lots of the Shares, on a best effort basis, during the period from 9:00 a.m. on Monday, 15 December 2014 to 4:00 p.m. on Thursday, 8 January 2015 (both days inclusive). Holders of the Shares in odd lots represented by the existing share certificates for the Shares who wish to take advantage of this facility either to dispose of their odd lots of the Shares or to top up their odd lots to a full new board lot may directly or through their broker contact Ms. Michelle Lee of South China Securities Limited at 28/F., Bank of China Tower, No. 1 Garden Road, Central, Hong Kong (telephone: (852) 3196-6237 and facsimile: (852) 3101-9200) during such period. Holders of the Shares in odd lots should note that successful matching of the sale and purchase of odd lots of the Shares is not guaranteed. The Shareholders are recommended to consult their professional advisers if they are in doubt about the above facility.

IRREVOCABLE UNDERTAKINGS

Irrevocable Subscription Undertakings

As at the date of this announcement, Ms. Loh, through her direct/indirect interests in Assure Gain International Limited, Winner Global Holdings Limited, Splendid Asset Holdings Limited, Corp Insights Holdings Inc. and Corporate Insights Limited (together with Ms. Loh, collectively, “**KL & Associates**”) is interested in 294,650,651 Shares and 929,974,147 CPS, representing approximately 13.23% and 38.53% of the total issued share capital and total issued CPS of the Company respectively. Ocean Honor is interested in 548,711,772 Shares and 633,643,974 CPS, representing approximately 24.64% and 26.25% of the total issued share capital and total issued CPS of the Company respectively as at the date of this announcement.

Each of KL & Associates and Ocean Honor has given the Irrevocable Subscription Undertaking to the Company on 9 October 2014 pursuant to which each of them has undertaken to the Company that:

- (i) it will not and will procure its associate(s) not to dispose of, or agree to dispose of, the Shares and CPS held by them from the date of the Irrevocable Subscription Undertaking to the close of business on the Record Date;
- (ii) it will and will procure its associate(s) to subscribe for the Offer Shares and Offer CPS which will be offered to them in respect of the Shares and CPS held by them pursuant to the terms of the Open Offers; and
- (iii) it will and will procure its associate(s) to lodge acceptances in respect of the aforesaid Offer Shares and Offer CPS with the Share Registrar or the Company, with payment in full therefor in cash (whether by cheque, bank cashier's order or such other form as the Company may approve), by no later than the Latest Time for Acceptance or such later date as the Company may agree.

Irrevocable Non-conversion Undertakings

As at the date of this announcement, Mr. Mung is interested in 18,307,662 Share Options, and Ms. Zhou is interested in 215,525,161 CPS Warrants, 225,418,481 Share Warrants and 18,307,662 Share Options.

Mr. Mung has given the Irrevocable Non-conversion Undertaking to the Company on 9 October 2014 that he shall not and shall procure that his associate(s) not to exercise the conversion right attached to any of the outstanding Share Options owned by them to subscribe for new Shares from the date of the Irrevocable Non-conversion Undertaking and up to the Record Date.

Ms. Zhou has given the Irrevocable Non-conversion Undertaking to the Company on 9 October 2014 that (i) she shall not and shall procure that her associate(s) not to dispose of any of the Share Warrants and CPS Warrants owned by them from the date of Irrevocable Non-conversion Undertaking and up to the Record Date; and (ii) she shall not and shall procure that her associate(s) not to exercise the conversion right attached to any of the outstanding Share Options and the Share Warrants owned by them to subscribe for new Shares, or any of the outstanding CPS Warrants to subscribe for CPS from the date of the Irrevocable Non-conversion Undertaking and up to the Record Date.

UNDERWRITING AGREEMENT

Date:	9 October 2014
Underwriter:	Head & Shoulders Securities Limited
Number of Shares to be underwritten:	Not less than 230,587,215 Offer Shares and not more than 237,724,354 Offer Shares (being (i) all Offer Shares including the Offer Shares to which the Excluded Shareholder(s) would otherwise have been entitled; (ii) excluding the Offer Shares which have been undertaken to be subscribed by KL & Associates and Ocean Honor and their respective associates pursuant to the Irrevocable Subscription Undertakings; and (iii) after taking into account the Irrevocable Non-conversion Undertakings) to be issued pursuant to the Share Open Offer (the “Underwritten Shares”)

Number of CPS to be underwritten: Not more than 141,710,614 Offer CPS (being (i) all Offer CPS including the CPS to which the Excluded CPS Holder(s) would otherwise have been entitled; (ii) excluding the Offer CPS which have been undertaken to be subscribed by KL & Associates and Ocean Honor and their respective associates pursuant to the Irrevocable Subscription Undertakings; and (iii) after taking into account the Irrevocable Non-conversion Undertakings) to be issued pursuant to the CPS Open Offer (the “**Underwritten CPS**”)

Commission: 2.5% of the aggregate subscription price in respect of the respective number of Offer Shares and Offer CPS to be underwritten by the Underwriter with reference to the register of members of Shares and CPS at the close of business on the Record Date. The commission was determined after arm’s length negotiation between the Company and the Underwriter, and the Directors are of the view that it is fair and reasonable.

Company’s undertaking: The Company has undertaken to the Underwriter not to drawdown the equity line facilities granted by YA Global Master SPV Ltd. To it pursuant to agreement dated 19 December 2011 as supplemented on 21 December 2011 and 19 January 2012, prior to the Latest Time for Termination; or in the event of any drawdown of the equity facility line on or before the Latest Time for Termination, the Company has undertaken not to repay any drawn amount by the allotment and issue of Shares.

As at the date of this announcement, the Underwriter and its ultimate beneficial owner(s) do not hold any Shares, Share Options, Share Warrants, CPS or CPS Warrants. To the best of the Directors’ knowledge, information and belief, the Underwriter and its respective ultimate beneficial owner(s) are (i) third parties independent of the Company; and (ii) not parties acting in concert with (within the meaning of the Takeovers Code) any substantial shareholders of the Company.

Pursuant to the Underwriting Agreement, the Underwriter has agreed, subject to the termination provisions thereof, to subscribe or procure the subscription for all the Offer Shares and Offer CPS which have not been taken up by the Qualifying Shareholders and Qualifying CPS Holders.

In the event of the Underwriter being called upon pursuant to the Underwriting Agreement to subscribe for or procure subscribers of the Underwritten Shares and/or Underwritten CPS not taken up (the “**Untaken Shares**”),

- (1) the Underwriter shall not subscribe, for its own account, for such number of Untaken Shares which will result in the shareholding of it and parties acting in concert (within the meaning of the Takeovers Code) with it in the Company on completion of the Open Offers more than 9.9% of the voting rights of the Company upon Completion; and
- (2) the Underwriter shall use all reasonable endeavours to ensure that each of the subscribers or purchasers of the Untaken Shares procured by it (i) shall be third party independent of, not acting in concert (within the meaning of the Takeovers Code) with and not connected with the Company, any of the Directors, chief executive of the Company or substantial shareholders of the Company or their respective associates (as defined in the Listing Rules); and (ii) shall not, together with any party acting in concert (within the meaning of the Takeovers Code) with it, hold more than 9.9% of the voting rights of the Company upon Completion.

The Directors consider that the terms of the Underwriting Agreement are fair and reasonable.

Conditions of the Open Offers

The Open Offers are subject to the fulfillment (or waiver, if applicable) of the following conditions:

- a) the Listing Committee of the Stock Exchange granting or agreeing to grant (subject to allotment) and not having withdrawn or revoked the listing of, and the permission to deal in, all the Offer Shares, the Bonus Shares, the Offer CPS Conversion Shares and the Bonus CPS Conversion Shares;
- b) the delivery of the Prospectus Documents to the Stock Exchange and the filing and registration of all documents relating to the Open Offers, which are required to be filed or registered with the Registrar of Companies in Hong Kong in accordance with the Companies (WUMP) Ordinance;
- c) the posting of the Prospectus Documents to Qualifying Shareholders and Qualifying CPS Holders and the posting of the Prospectus and a letter in the agreed form to the Excluded Shareholders and Excluded CPS Holders (as the case may be), if any, for information purposes only explaining the circumstances in which they are not permitted to participate in the Share Open Offer or CPS Open Offer (as the case may be) on or before the Prospectus Posting Date;
- d) compliance with and performance of all the undertakings and obligations of the Company under the terms of the Underwriting Agreement and the Underwriting Agreement not having been terminated pursuant to the terms therein;
- e) the Board having passed a resolution for the conducting of the Open Offers;

- f) the Independent Shareholders in general meeting having approved (i) the Open Offers and (ii) the granting of specific mandate for the allotment and issue of the Bonus Shares, the Offer CPS Conversion Shares and the Bonus CPS Conversion Shares;
- g) the Shares remaining listed on the Stock Exchange at all time prior to the Settlement Date and the listing of the Shares not having been withdrawn or trading of the Shares not having been suspended for a consecutive period of more than five (5) trading days (except for the purpose of clearing the announcements and circulars in relation to the Open Offers) and that no indication being received from the Stock Exchange that the listing of the Shares will be withdrawn including but not limited to as a result of the Open Offers or for any other reason;
- h) the Underwriter and its parties acting in concert not being obliged to make a mandatory offer pursuant to Rule 26 of the Takeovers Code by reason of the Underwriter taking up any of the Underwritten Shares (together with the Bonus Shares that they are entitled to take up under the Share Open Offer in respect of the Underwritten Shares); and
- i) the receipt by the Underwriter from the Company of (i) duly executed Irrevocable Subscription Undertakings and Irrevocable Non-conversion Undertakings; and (ii) a certified copy of the board resolutions of each of Ocean Honor and the companies owned or controlled (within the meaning of the Takeovers Code) by Ms. Loh directly or indirectly, approving with the required quorum, the execution and performance of the Irrevocable Subscription Undertakings.

The Underwriter have the sole discretion to waive the conditions (d), (g) and (i) (so far as it relates to the Company) above in whole or in part by written notice to the Company. Save for the aforesaid, none of the conditions above can be waived by either the Company or the Underwriter. If the conditions of the Open Offers are not satisfied and/or waived (as the case may be) in whole or in part by the Underwriter by the Latest Time for Termination or such later date or dates as the Underwriter may agree with the Company in writing, the Underwriting Agreement shall terminate and (except in respect of reasonable out-of-pocket expenses, if any, of the Underwriter in respect of the Open Offers, or the indemnity given to the Underwriter and any rights or obligations which may accrue under the Underwriting Agreement prior to such termination) no party will have any claim against the other party for costs, damages, compensation or otherwise save for any antecedent breach. If the Underwriting Agreement is terminated in accordance with its terms, the Open Offers will not proceed.

Termination of the Underwriting Agreement

The Underwriter shall terminate the Underwriting Agreement by notice in writing to the Company served prior to the Latest Time for Termination if, prior to the Latest Time for Termination:

- (1) in the absolute opinion of the Underwriter, the success of the Open Offers would be materially and adversely affected by:
 - a) the introduction of any new regulation or any change in existing law or regulation (or the judicial interpretation thereof) or other occurrence

- of any nature whatsoever which may in the absolute opinion of the Underwriter materially and adversely affect the business or the financial or trading position or prospects of the Group as a whole or is materially adverse in the context of the Open Offers; or
- b) the occurrence of any local, national or international event or change (whether or not forming part of a series of events or changes occurring or continuing before, and/or after the date of the Underwriting Agreement), of a political, military, financial, economic or other nature, or in the nature of any local, national or international outbreak or escalation of hostilities or armed conflict, or affecting local securities markets which may, in the absolute opinion of the Underwriter materially and adversely affect the business or the financial or trading position or prospects of the Group as a whole; or
 - c) any material adverse change in the business or in the financial or trading position or prospects of the Group as a whole; or
 - d) any act of God, war, riot, public disorder, civil commotion, fire, flood, explosion, epidemic, terrorism, strike or lock-out which would, in the absolute opinion of the Underwriter materially and adversely affect the business or the financial or trading position or prospects of the Group as a whole; or
 - e) there occurs or comes into effect the imposition of any moratorium, suspension or material restriction on trading of the Shares on the Stock Exchange due to exceptional financial circumstances or otherwise; or
 - f) any suspension in the trading of the Company's securities on the Stock Exchange for a period of more than ten consecutive business days (as defined in the Listing Rules), excluding any suspension in connection with the clearance of this announcement or the Prospectus Documents or other announcements or circulars in connection with the Open Offers; or
- (2) any material adverse change in market conditions (including, without limitation, a change in fiscal or monetary policy or foreign exchange or currency markets, suspension or restriction of trading in securities, and a change in currency conditions for the purpose of this clause includes a change in the system under which the value of the Hong Kong currency is pegged with that of the currency of the United States of America) occurs which in the absolute opinion of the Underwriter are likely to materially or adversely affect the success of the Open Offers or otherwise makes it inexpedient or inadvisable to proceed with the Open Offers; or
- (3) the Prospectus when published contains information (either as to business prospects or the condition of the Group or as to its compliance with any laws or the Listing Rules or any applicable regulations) which has not prior to the date thereof been publicly announced or published by the Company and which may in the absolute opinion of the Underwriter are material to the Group as a whole upon completion of the Open Offers and is likely to affect materially and adversely the success of the Open Offers.

The Underwriter shall be entitled by a notice in writing to rescind the Underwriting Agreement if, prior to the Latest Time for Termination:

- (i) any material breach of any of the warranties or undertakings contained in the relevant clause in the Underwriting Agreement comes to the knowledge of the Underwriter; or
- (ii) any event occurring or matter arising on or after the date of the Underwriting Agreement and prior to the Latest Time for Termination which if it had occurred or arisen before the date of the Underwriting Agreement would have rendered any of the warranties contained in the relevant clause in the Underwriting Agreement untrue or incorrect in any material respect.

Any such notice shall be served by the Underwriter prior to the Latest Time for Termination.

If the Underwriter exercises such right, the Open Offers will not proceed.

WARNING OF THE RISKS OF DEALING IN THE SHARES

Shareholder(s) should note that he/she/it will be entitled to the Bonus Shares on the basis of seventeen (17) Bonus Shares for every Offer Share subscribed if and only if they subscribe for his/her/its pro-rata Offer Shares under the Share Open Offer.

Shareholder(s) who do not subscribe for his/her/its pro-rata Offer Shares will not be entitled to any Bonus Shares.

CPS Holder(s) should note that he/she/it will be entitled to the Bonus CPS on the basis of seventeen (17) Bonus CPS for every Offer CPS subscribed if and only if they subscribe for his/her/its pro-rata Offer CPS under the CPS Open Offer.

CPS Holder(s) who do not subscribe for his/her/its pro-rata Offer CPS will not be entitled to any Bonus CPS.

The Open Offers are conditional, inter alia, upon the fulfillment (or waiver, if applicable) of the conditions set out in the section headed “Conditions of the Open Offers” above. The Open Offers are therefore subject to the Underwriting Agreement having become unconditional and the Underwriter not having terminated the Underwriting Agreement in accordance with the terms thereof as set out in the paragraph headed “Termination of the Underwriting Agreement” above.

Accordingly, the Open Offers may or may not proceed. Shareholders and potential investors of the Company should therefore exercise extreme caution when dealing in the Shares, and if they are in any doubt about their position, they should consult their professional advisers.

SHAREHOLDING STRUCTURES

(i) Upon Completion and assuming no exercise of conversion rights under the Share Options, the Share Warrants and the CPS on or before Record Date

Set out below is the shareholding structure of the Company (i) as at the date of this announcement; (ii) upon Completion, assuming no conversion of the Share Options, Share Warrants and CPS into Shares on or before Record Date, full acceptance by the Qualifying Shareholders and the Qualifying CPS Holders and there being no change in shareholding from the date of this announcement to Completion except for the full acceptance by the Qualifying Shareholders and the Qualifying CPS Holders (the “**Scenario A**”); and (iii) upon Completion, assuming no conversion of the Share Options, Share Warrants and CPS into Shares on or before Record Date, no acceptance by the Qualifying Shareholders or the Qualifying CPS Holders (except for the acceptance by KL & Associates and Ocean Honor pursuant to the Irrevocable Subscription Undertakings) and there being no other changes in shareholding from the date of this announcement to Completion (the “**Scenario B**”):

	As at the date of this announcement				Scenario A				Scenario B			
	No. of Shares held	Approx. %	No. of CPS held	Approx. %	No. of Shares held	Approx. %	No. of CPS held	Approx. %	No. of Shares held	Approx. %	No. of CPS held	Approx. %
KL & Associates	294,650,651	13.23	929,974,147	38.53	1,178,602,589	13.23	3,719,896,585	38.53	1,178,602,589	13.23	3,719,896,585	38.53
Ocean Honor (Note 2)	548,711,772	24.64	633,643,974	26.25	2,194,847,088	24.64	2,534,575,896	26.25	2,194,847,088	24.64	2,534,575,896	26.25
The Underwriter and subscribers procured by the Underwriter (Note 3)	-	-	-	-	-	-	-	-	4,150,569,870	46.60	2,550,791,052	26.42
Public Shareholders	<u>1,383,523,287</u>	<u>62.13</u>	<u>850,263,688</u>	<u>35.22</u>	<u>5,534,093,157</u>	<u>62.13</u>	<u>3,401,054,740</u>	<u>35.22</u>	<u>1,383,523,287</u>	<u>15.53</u>	<u>850,263,688</u>	<u>8.80</u>
Total	<u>2,226,885,710</u>	<u>100.00</u>	<u>2,413,881,809</u>	<u>100.00</u>	<u>8,907,542,834</u>	<u>100.00</u>	<u>9,655,527,221</u>	<u>100.00</u>	<u>8,907,542,834</u>	<u>100.00</u>	<u>9,655,527,221</u>	<u>100.00</u>

(ii) **Upon Completion and assuming full conversion of the Share Options, the Share Warrants and the CPS on or before Record Date**

Set out below is the shareholding structure of the Company (i) taking into account the Irrevocable Non-conversion Undertakings and assuming full conversion of the other Share Options, Share Warrants and CPS on or before the Record Date and; (ii) upon Completion, taking into account the Irrevocable Non-conversion Undertakings and assuming full conversion of the other Share Options, Share Warrants and CPS, full acceptance by the Qualifying Shareholders and the Qualifying CPS Holders and there being no other changes in shareholding from the Record Date to Completion except for the full acceptance by the Qualifying Shareholders and the Qualifying CPS Holders (the “**Scenario C**”); and (iii) upon Completion, taking into account the Irrevocable Non-conversion Undertakings and assuming full conversion of the other Share Options, Share Warrants and CPS, no acceptance by the Qualifying Shareholders or the Qualifying CPS Holders (except for the acceptance by KL & Associates and Ocean Honor pursuant to the Irrevocable Subscription Undertakings), and there being no change in shareholding from the Record Date to Completion (the “**Scenario D**”):

	Taking into account the Irrevocable Non-conversion Undertakings and assuming full conversion of Share Options, CPS and Share Warrants on or before the Record Date				Scenario C				Scenario D			
	No. of Shares held	Approx. %	No. of CPS held	Approx. %	No. of Shares held	Approx. %	No. of CPS held	Approx. %	No. of Shares held	Approx. %	No. of CPS held	Approx. %
KL & Associates	323,712,343	13.96	-	-	1,294,849,369	13.96	-	-	1,294,849,369	13.96	-	-
Ocean Honor (Note 2)	568,513,146	24.52	-	-	2,274,052,584	24.52	-	-	2,274,052,584	24.52	-	-
The Underwriter and subscribers procured by the Underwriter (Note 3)	-	-	-	-	-	-	-	-	4,279,038,372	46.14	-	-
Public Shareholders	1,426,346,125	61.52	-	-	5,705,384,497	61.52	-	-	1,426,346,125	15.38	-	-
Total	2,318,571,614	100.00	-	-	9,274,286,450	100.00	-	-	9,274,286,450	100.00	-	-

Notes:

- The above percentages are subject to rounding error.*
- Ocean Honor is a company incorporated in the BVI with limited liability and is wholly owned by Mr. Chan Yuen Ming.*
- Under the terms of the Underwriting Agreement, each of (i) the Underwriter and (ii) each of the subscribers or purchasers of the Untaken Shares procured by it shall not, together with any party acting in concert (within the meaning of the Takeovers Code) with it, hold more than 9.99% of the voting rights of the Company upon completion of the Open Offers. Details of the aforesaid are set out in the section “Underwriting Agreement” in this announcement.*

REASONS FOR THE OPEN OFFERS AND THE ISSUE OF BONUS SHARES AND BONUS CPS AND USE OF PROCEEDS

The Group is principally engaged in (i) provision of tree felling and clearing services; (ii) sustainable management of and investment in natural forests, timber and wood processing, trading and sales of forestry and timber products; (iii) manufacturing and sale of timber products including but not limited to wooden door, furniture and wooden flooring; (iv) the business of licensed travel agent under the Travel Agents Ordinance of the Laws of Hong Kong; (v) property investment; and (vi) money lending business pursuant to the Money Lenders Ordinance of the Laws of Hong Kong.

In order to diversify the business portfolio and broaden the income base of the Group, the Company, through its wholly-owned subsidiary, has commenced its money lending business pursuant to the Money Lenders Ordinance of the Laws of Hong Kong since late August 2014. In 30 September 2014, the Group has provided loans with the term of three months to two separate borrowers who are third parties independent of the Company and its connected persons. The principal amount of the aforesaid loans are HK\$5.5 million and HK\$10.0 million respectively, with respective interest rate of 12% and 11% per annum. The Company expects that the interest income to be generated from its money lending business will strengthen the Group's income base and therefore, the Company intends to continue to expand in this particular sector. In order to further expand the money lending business by increasing the amount of loans to customers to generate more interest income, the Company will need to look for additional financial resources to finance the expansion.

The Company will raise not less than approximately HK\$118.8 million and not more than approximately HK\$123.7 million before expenses from the Share Open Offer. Pursuant to the terms of the CPS, if the Company makes any offer by way of rights of Shares to all Shareholders, the Company shall offer CPS to the CPS Holders at the same time and on the same terms as the Shares are offered. Accordingly, the Company has also extended the CPS Open Offer to the CPS Holders. The Company will raise not more than approximately HK\$4.0 million before expenses from the CPS Open Offer assuming that no CPS Holder converted its CPS into Shares after the date of the announcement and prior to the Record Date. As the maximum number of Offer Shares to be issued has already taken into account, among others, the effect that all CPS Holders converted their CPS into Shares, in aggregate, the Company will raise not less than approximately HK\$122.8 million and not more than approximately HK\$123.7 before expenses from the Open Offers.

The net proceeds from Open Offers are estimated to be not less than approximately HK\$117.9 million and not more than approximately HK\$118.7 million. The Company intends to apply the net proceeds from Open Offers as to: (i) approximately HK\$80 million for the expansion of money lending business in Hong Kong; (ii) approximately HK\$20 million for investment(s) in and/or working capital for new business, including but not limited to, catering business in Hong Kong, as and when suitable opportunities arise; (iii) the balance for general working capital of the Group, including but not limited to, payments of corporate and operating expenses. Based on the net proceed of not less than approximately HK\$114.0 million and not more than approximately HK\$118.7 from the Share Open Offer, the net price of each Offer Share is not less than approximately HK\$0.30716 and not more than approximately HK\$0.30717. Based on the maximum net proceed of approximately HK\$3.9 million from the CPS Offer divided by the maximum number of the Offer CPS, the net price of each Offer CPS is not more than approximately HK\$0.0097.

The Company noted the possible dilution effect as a result of the Open Offers. Nonetheless, the Board considers that the possible dilution effect should be balanced against the following factors including that:

- The Independent Shareholders are offered a chance to express their views on the terms of the Open Offers and the Underwriting Agreement through voting on the relevant resolutions at the SGM;
- Qualifying Shareholders are offered to subscribe for their pro-rata Offer Shares for the purpose of maintaining their respective existing shareholding interests in the Company at a steep discount as compared to the prevailing market price of the Shares;
- The discount represented by the Share Offer Price would encourage the Qualifying Shareholders to participate in the Share Open Offer and accordingly maintain their shareholdings in the Company. This is a common practice in open offer conducted on the Stock Exchange. As discussed in the paragraph headed “Subscription price of the Offer Shares and the Offer CPS” above, the discounts represented by the Share Offer Price fall within the range of those of the Comparables; and
- the dilution impact should not be considered in isolation and should be assessed against the potential benefits of the Open Offers, including but not limited to, the strengthening of the Company’s capital base and enhancement on its financial position following completion of the Open Offers which will allow it to, inter alia, grow and develop its existing and new businesses.

The Open Offers will strengthen the Company’s capital base and enhance its financial position. The Board believes that the Open Offers will provide the Qualifying Shareholders with an opportunity to maintain their respective pro rata shareholdings in the Company and to participate in the future growth and development of the Company. In addition, the issue of Bonus Shares and Bonus CPS will be an additional incentive for the Shareholders and the CPS Holders to take part in the Open Offers. In this regard, the Board considers that the Open Offers are in the interests of the Group and the Shareholders as a whole.

PROPOSED TIMETABLE FOR THE OPEN OFFERS

Despatch of circular with notice and proxy forms in relation to the SGM	:	Monday, 27 October 2014
Latest time for return of proxy form of the SGM	:	11:00 a.m. on Sunday, 9 November 2014
Expected date and time of the SGM	:	11:00 a.m. on Tuesday, 11 November 2014
Announcement of poll results of the SGM	:	Tuesday, 11 November 2014

Last day of dealing in Shares on a cum-rights basis	:	Wednesday, 12 November 2014
First day of dealing in Shares on an ex-rights basis	:	Thursday, 13 November 2014
Latest time for lodging transfer of Shares and CPS in order to qualify for the Open Offers	:	4:30 p.m. on Friday, 14 November 2014
Registers of members and CPS Holders of the Company close (both days inclusive)	:	Monday, 17 November 2014 to Wednesday, 19 November 2014
Record Date	:	Wednesday, 19 November 2014
Registers of members and CPS Holders of the Company re-open	:	Thursday, 20 November 2014
Despatch of the Prospectus Documents	:	Friday, 21 November 2014
Latest time for acceptance of, and payment for the Offer Shares and the Offer CPS	:	4:00 p.m. on Friday, 5 December 2014
Open Offers expected to become unconditional	:	4:00 p.m. on Tuesday, 9 December 2014
Announcement of results of acceptance of the Open Offers	:	Thursday, 11 December 2014
Last day of trading of Shares in board lot of 30,000 Shares	:	Thursday, 11 December 2014
Despatch of certificates for Offer Shares, Bonus Shares, Offer CPS and Bonus CPS	:	Friday, 12 December 2014
Effective day of change in board lot size	:	Friday, 12 December 2014
First day for free exchange of existing share certificates in board lot of 30,000 Shares each for new share certificates in board lot of 60,000 Shares each	:	Friday, 12 December 2014

Commencement of dealings in Offer Shares and Bonus Shares	:	Monday, 15 December 2014
Designated broker starts to stand in the market to purchase and sell odd lots of Shares	:	9:00 a.m. on Monday, 15 December 2014
Designated broker ceases to stand in the market to purchase and sell odd lots of Shares	:	4:00 p.m. on Thursday, 8 January 2015
Last day for free exchange of existing share certificates in board lot of 30,000 Shares each for new share certificates in board lot of 60,000 Shares each	:	Friday, 16 January 2015

EFFECT OF BAD WEATHER ON THE LATEST TIME FOR ACCEPTANCE OF AND PAYMENT FOR THE OFFER SHARES AND OFFER CPS

All times in this announcement refer to Hong Kong time. If there is a “black” rainstorm warning or a tropical cyclone warning signal number 8 or above in force in Hong Kong on Friday, 5 December 2014:

- at any time before 12:00 noon and no longer in force after 12:00 noon, the Latest Time for Acceptance will be postponed to 5:00 p.m. on the same Business Day; or
- at any time between 12:00 noon and 4:00 p.m., the Latest Time for Acceptance will be rescheduled to 4:00 p.m. on the next Business Day which does not have either of those warnings in force in Hong Kong at any time between 9:00 a.m. and 4:00 p.m.

Under such circumstances, the dates mentioned in the expected timetable above (including, without limitation, the Latest Time for Termination) may be affected.

Dates or deadlines stated in this announcement for events in the timetable are indicative only and may be extended or varied between the Company and the Underwriter. Any changes to the anticipated timetable for the Open Offers will be announced as appropriate.

PREVIOUS FUND RAISING EXERCISES OF THE COMPANY

Reference is made to the announcements of the Company dated 27 February 2014 and 12 May 2014, respectively, the Company has completed the February Open Offers and raised gross proceeds of approximately HK\$46.0 million.

As stated in the prospectus of the Company dated 16 April 2014, the net proceeds from February Open Offers were estimated to be approximately HK\$42.6 million. The Company intended to apply the net proceeds from Open Offers as follows: (i) approximately HK\$16.5 million would be reserved for repayment of indebtedness in the amount of approximately HK\$11.9 million, including the promissory notes that had been fall due on 31 July 2013, the accrued interests related to a loan and part of the amount due to Shareholders which bears interest of 5% per annum and is payable within 2014. The balance of approximately HK\$4.6 million would be applied for repayment of part of the amount due to Shareholders; (ii) approximately HK\$16.5 million would be reserved for future investments opportunities, including but not limited to property investment, as and when suitable opportunities arise; and (iii) the balance for general working capital of the Group, including but not limited to, payments of corporate and operating expenses. As at the date of this announcement, (i) approximately HK\$16.5 million has been utilised for repayment of the indebtedness of the Group, (ii) approximately HK\$15.5 million has been utilised for investment in the new money lending business, (iii) approximately HK\$3.2 million has been utilised for the general working capital of the Group, and (iv) the rest of the net proceeds of approximately HK\$7.4 million are intended to be utilised as the general working capital of the Group such as daily operations of the Group.

Save for the aforesaid, the Company did not conduct other fund raising activity in the past 12 months immediately preceding the date of this announcement.

ADJUSTMENTS TO THE CONVERTIBLE SECURITIES

As at the date of this announcement, the Company had 37,188,167 outstanding Share Options and 241,097,736 outstanding Share Warrants.

As a result of the Open Offers, there may be certain adjustments to the exercise prices and numbers of the outstanding Share Options and the Share Warrants pursuant to the relevant terms of the Share Option Scheme and the Share Warrants. Pursuant to the terms of the Share Warrants and the Share Options, the final results of adjustments (if any) to the subscription prices of the Share Warrants and the Share Options are subject to confirmation by the auditors for the time being or an investment or merchant bank of repute (to be appointed by the Company) or an independent financial adviser (in respect of Share Options only) and will become effective following Completion. Further details of final results of the adjustments (if any) to the subscription prices of the Share Warrants and the Share Options will be disclosed by the Company in further announcement(s) as and when appropriate.

PROPOSED CHANGE IN BOARD LOT SIZE

As at the date of this announcement, the Shares are traded in board lots of 30,000 Shares. Based on the closing price of HK\$0.133 per Share (equivalent to a theoretical ex-entitlement price of HK\$0.0466 per Share) on the Last Trading Day, as at the date of this announcement, the value of each board lot of 30,000 Shares is estimated to be approximately HK\$1,398 upon Completion.

In order to increase the value of each board lot of the Shares so that the value of each board lot of Shares will not be less than HK\$2,000 and to reduce transaction and registration costs incurred by the Shareholders and investors of the Company, the Board proposes to change the board lot size for trading on the Stock Exchange from 30,000 Shares to 60,000 Shares with effect from Friday, 12 December 2014 and conditional upon the Open Offers becoming unconditional.

The Change in Board Lot Size is expected to reduce the overall transaction and registration costs for dealings in the Shares, but will not result in any change in the relative rights of the Shareholders. The Board is of the opinion that the Change in Board Lot Size is in the interests of the Company and the Shareholders as a whole.

EXCHANGE OF NEW SHARE CERTIFICATES

Shareholders may submit their Existing Share Certificate to the Share Registrar, Tricor Tengis Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong in exchange for New Share Certificate free of charge during business hours from Friday, 12 December 2014 to Friday, 16 January 2015, both days inclusive. Thereafter, Existing Share Certificates will be accepted for exchange only on payment of a fee of HK\$2.50 (or such higher amount as may from time to time be specified by the Stock Exchange) for each New Share Certificate in board lot of 60,000 Shares each issued or each Existing Share Certificate submitted, whichever number of share certificate involved is higher. It is expected that the New Share Certificates will be available for collection from the Share Registrar by the Shareholders within 10 business days after delivery of the Existing Share Certificates to the Share Registrar for exchange purpose.

With effect from Friday, 12 December 2014, any New Share Certificates will be issued in board lot of 60,000 Shares each (except for odd lots or where the Share Registrar is otherwise instructed). All Existing Share Certificates will continue to be good evidence of legal title to such Shares and continue to be valid for trading, delivery and settlement purposes. Save and except for the change in the number of Shares for each board lot, New Share Certificate will have the same format and color as the Existing Share Certificate.

GENERAL

As the Open Offers will increase the issued share capital of the Company by more than 50%, pursuant to the Listing Rules, any controlling Shareholders and their associates or, where there are no controlling Shareholders, the Directors (excluding the independent non-executive Directors), the chief executive of the Company and their respective associates will abstain from voting in favour of the resolutions relating to the Open Offers. As at the date of this announcement, there is no controlling shareholder. Accordingly, the Directors (excluding the independent non-executive Directors), the chief executive of the Company and their respective associates will abstain from voting in favour of the resolution(s) relating to the Open Offers at the SGM.

To the best of the Directors' knowledge, there had been no voting trust or other agreement or arrangement or understanding entered into by or binding upon any such Shareholders, and no obligation or entitlement of any such Shareholders whereby any one of them has or may temporarily or permanently passed control over the exercise of the voting right in respect of their respective interest in the Company to a third parties either especially or on a case-by-case basis.

The Company will establish an independent board committee to advise the Independent Shareholders as to whether the terms of the Open Offers are fair and reasonable and whether the Open Offers are in the interests of the Company and the Shareholders as a whole, taking into account the recommendations of the independent financial adviser. In this connection, the Company has appointed an independent financial adviser to advise the independent board committee and the Independent Shareholders as to whether the terms of the Open Offers are fair and reasonable.

A circular containing, among other things, (i) further details of the Open Offers; (ii) the letter from the independent board committee; (iii) the letter from the independent financial adviser; and (iv) a notice convening the SGM will be despatched by the Company to the Shareholders (and, for information only, the CPS Holders) on or before Monday, 27 October 2014.

In the event that the market price of the Shares approaches the extremities of HK\$0.01 upon Completion, the Board may consider to effect a share consolidation and the Company will comply with the necessary requirements of the Listing Rules as and if applicable.

DEFINITION

“Application Form(s)”	the Share Application Form(s) and the CPS Application Form(s)
“associate(s)”	has the same meaning ascribed to it in the Listing Rules
“Board”	the board of Directors
“Bonus CPS”	in respect of the CPS Open Offer, the bonus CPS to be issued (for no additional payment) on the basis of seventeen (17) bonus CPS for every one (1) Offer CPS taken up under the CPS Open Offer subject to the terms and conditions as set out in the Prospectus Documents
“Bonus CPS Conversion Share(s)”	new Shares to be allotted and issued on the exercise of the conversion rights attaching to the Bonus CPS
“Bonus Shares”	in respect of the Share Open Offer, the bonus Shares to be issued (for no additional payment) on the basis of seventeen (17) bonus Shares for every one (1) Offer Share taken up under the Share Open Offer subject to the terms and conditions as set out in the Prospectus Documents

“Business Day”	a day (excluding Saturday and other general holidays in Hong Kong and any day on which a tropical cyclone warning no. 8 or above or a “black” rainstorm warning is hoisted or remains hoisted or in effect between 9:00 a.m. and 12:00 noon and is not lowered or discontinued at or before 12:00 noon) on which licensed banks in Hong Kong are generally open for business
“BVI”	British Virgin Islands
“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC
“Change in Board Lot Size”	the proposed change in board lot size of the Shares for trading on the Stock Exchange from 30,000 Shares to 60,000 Shares
“Companies (WUMP) Ordinance”	the Companies (Winging Up and Miscellaneous Provision) Ordinance, Chapter 32 of the Laws of Hong Kong, as amended, supplemented or otherwise modified from time to time
“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 Open Offers
“CPS(s)”	convertible preferred shares of HK\$0.01 each in the share capital of the Company, carrying the rights for conversion into Shares at a ratio of one convertible preference share to 0.03125 Share
“CPS Application Form(s)”	the form(s) of application in respect of the CPS Open Offer to be issued to the Qualifying CPS Holders
“CPS Holder(s)”	holder(s) of the CPS(s)

“CPS Open Offer”	the proposed issue of the Offer CPS at the subscription price of HK\$0.01 on the basis of one (1) Offer CPS for every six (6) CPS held on the Record Date to the Qualifying CPS Holders upon the terms and conditions as described in this announcement
“CPS Warrant(s)”	the CPS warrant(s) of the Company entitling the holders thereof to subscribe for fully paid CPS at the subscription price of HK\$0.0100125 at any time between the date of issue and the date immediately preceding the date falling on the fifth anniversary of the date of issue of such warrants (both days inclusive)
“Director(s)”	director(s) of the Company
“Excluded CPS Holder(s)”	the Overseas CPS Holders in respect of whom the Directors, based on legal opinions provided by the legal advisers, consider it necessary or expedient not to offer the Offer CPS (with Bonus CPS) to such Overseas CPS Holders on account either of the legal restrictions under the laws of the relevant place or the requirements of the relevant regulatory body or stock exchange in that place
“Excluded Shareholder(s)”	the Overseas Shareholder(s) in respect of whom the Directors, based on legal opinions provided by the legal advisers, consider it necessary or expedient not to offer the Offer Shares (with Bonus Shares) to such Overseas Shareholder(s) on account either of the legal restrictions under the laws of the relevant place or the requirements of the relevant regulatory body or stock exchange in that place
“Existing Share Certificate(s)”	certificate(s) of Shares in board lot(s) of 30,000 Shares
“February Open Offers”	the open offers for the Shares and CPS as announced by the Company on 27 February 2014
“Group”	the Company and its subsidiaries
“HKSCC”	Hong Kong Securities Clearing Company Limited

“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Shareholder(s)”	the Shareholder(s), other than the Directors (excluding the independent non-executive Directors), the chief executive of the Company and their respective associates, who are not involved in, nor interested in, the Underwriting Agreement
“Irrevocable Non-conversion Undertaking(s)”	the irrevocable undertaking(s) given by each of Ms. Zhou and Mr. Mung to the Company dated 9 October 2014, under which they have irrevocably undertaken not to exercise any conversion rights attached to any Share Option, Share Warrants, CPS Warrant or any convertibles to subscribe for, convert or exchange into Shares on or before the Record Date
“Irrevocable Subscription Undertaking(s)”	the irrevocable undertaking(s) given by each of KL & Associates and Ocean Honor to the Company on 9 October 2014, under which they have irrevocably undertaken to take up all their respective entitlements by themselves or through companies owned or controlled (within the meaning of the Takeovers Code) directly or indirectly by them (as the case may be) under the Open Offers
“Last Trading Day”	9 October 2014, being the last trading day on which the Company and the Underwriter entered into the Underwriting Agreement
“Latest Time for Acceptance”	4:00 p.m. on Friday, 5 December 2014 or such later time to be agreed in writing between the Company and the Underwriter, being the latest time for application of the Open Offers
“Latest Time for Termination”	4:00 p.m. on Tuesday, 9 December 2014 or such later time to be agreed in writing between the Company and the Underwriter, being the latest time for the Underwriter to terminate the Underwriting Agreement
“Listing Committee”	has the meaning ascribed to it in the Listing Rules

“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Mr. Mung”	Mr. Mung Wai Ming, an executive Director
“Ms. Loh”	Ms. Loh Jiah Yee, Katherine, a substantial Shareholder
“Ms. Zhou”	Ms. Zhou Jing, the chairman of the Company and an executive Director
“New Share Certificate(s)”	certificate(s) of Shares in board lot(s) of 60,000 Shares
"Ocean Honor"	Ocean Honor Limited, a company incorporated in the BVI
“Offer CPS”	not more than 402,313,634 CPS, proposed to be offered to the Qualifying CPS Holders for subscription on the terms and subject to the conditions set out in the Underwriting Agreement and the Prospectus Documents
“Offer CPS Conversion Shares”	new Shares to be allotted and issued on the exercise of the subscription rights attaching to the Offer CPS
“Offer Share(s)”	not less than 371,147,618 new Shares and not more than 386,428,602 new Shares, proposed to be offered to the Qualifying Shareholders for subscription on the terms and subject to the conditions set out in the Underwriting Agreement and the Prospectus Documents
“Open Offers”	collectively, the Share Open Offer with the issue of Bonus Shares and the CPS Open Offer with the issue of Bonus CPS
“Overseas CPS Holder(s)”	CPS Holder(s) whose name(s) appear(s) on the register of CPS members of the Company at the close of business on the Record Date and whose address(es) as shown on such register is(are) in a place(s) outside Hong Kong
“Overseas Shareholder(s)”	Shareholder(s) whose name(s) appear(s) on the register of members of the Company at the close of business on the Record Date and whose address(es) as shown on such register is(are) in a place(s) outside Hong Kong

“PRC”	The People’s Republic of China
“Prospectus”	the prospectus to be issued by the Company to the Shareholders and CPS Holders containing details of the Open Offers
“Prospectus Documents”	the Prospectus and the Application Form(s)
“Prospectus Posting Date”	Friday, 21 November 2014, the tentative date of despatch of the Prospectus Documents, or such other date as the Underwriter may agree in writing with the Company for the despatch of the Prospectus Documents
“Qualifying CPS Holder(s)”	CPS Holder(s), other than the Excluded CPS Holders, whose name(s) appear(s) on the register of CPS members of the Company at the close of business on the Record Date
“Qualifying Shareholder(s)”	Shareholder(s), other than the Excluded Shareholders, whose name(s) appear(s) on the register of members of the Company at the close of business on the Record Date
“Record Date”	Wednesday, 19 November 2014, being the record date for determining the entitlements of the Shareholders and CPS Holders to participate in the Open Offers
“Settlement Date”	Wednesday, 10 December 2014 or such other date as may be agreed between the Company and the Underwriter in accordance with the relevant regulations or requirements, such date being the third Business Day after the Latest Time for Acceptance
“SGM”	the special general meeting of the Company to be convened and held to consider and approve, among other things, the Open Offers
“Share(s)”	ordinary share(s) of HK\$ 0.01 each in the capital of the Company
“Share Application Form(s)”	the form(s) of application in respect of the Share Open Offer to be issued to the Qualifying Shareholders

“Share Offer Price”	the subscription price of HK\$0.32 per Offer Share
“Share Open Offer”	the proposed issue of the Offer Shares at the subscription price of HK\$0.32 on the basis of one (1) Offer Share for every six (6) Shares held on the Record Date to the Qualifying Shareholders upon the terms and conditions as described in this announcement
“Share Options”	the outstanding options to subscribe for 37,188,167 new Shares granted to the Directors, employees and consultants of the Group pursuant to the Share Option Scheme
“Share Option Scheme”	the share option scheme of the Company adopted on 27 November 2009
“Share Registrar”	the branch share registrar of the Company in Hong Kong, being Tricor Tengis Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong
“Share Warrants”	the share warrant(s) of the Company entitling the holders thereof to subscribe for fully paid Shares at the subscription price of HK\$0.2429 at any time between the date of issue and the date immediately preceding the date falling on the fifth anniversary of the date of issue of such warrants (both days inclusive)
“Shareholder(s)”	holder(s) of the Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Takeovers Code”	the Hong Kong Code on Takeovers and Mergers
“Underwriter”	Head & Shoulders Securities Limited
“Underwriting Agreement”	the underwriting agreement dated 9 October 2014 entered into between the Company and the Underwriter in relation to the underwriting arrangement of the Open Offers
“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, 9 October 2014

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.

**For identification purposes only*