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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 THE SALE OF 95% EQUITY INTEREST IN TRAVEL INN LIMITED**

#### **THE DISPOSAL AGREEMENT**

On 23 March 2016 (after trading hours of the Stock Exchange), the Vendor entered into the Disposal Agreement with the Purchaser, pursuant to which the Vendor has conditionally agreed to sell, and the Purchaser has conditionally agreed to purchase, the Sale Shares, representing 95% of the entire issued share capital of the Target, for the Consideration of HK\$1,800,000.

As at the date of this announcement, the Target is an indirect non wholly-owned subsidiary of the Company. The Vendor is the 95% legal and beneficial owner of the Target. The Target is principally engaged in the business of licensed travel agent. Upon Completion, the Group will cease to have any equity interest in the Target and the Target will cease to be subsidiary of the Company.

\* *For identification purpose only*

## **LISTING RULES IMPLICATION**

As one or more of the applicable percentage ratios (as defined under the Listing Rules) in respect of the Disposal as contemplated under the Disposal Agreement are more than 5% but are less than 25%, the Disposal constitutes a discloseable transaction on the part of the Company under Chapter 14 of the Listing Rules and is subject to the reporting and announcement requirements as set out in Chapter 14 of the Listing Rules.

## **INTRODUCTION**

On 23 March 2016 (after trading hours of the Stock Exchange), the Vendor entered into the Disposal Agreement with the Purchaser, pursuant to which the Vendor has conditionally agreed to sell, and the Purchaser has conditionally agreed to purchase the Sale Shares, representing 95% of the entire issued share capital of the Target, for the Consideration of HK\$1,800,000.

Principal terms of the Disposal Agreement are set forth below:

## **THE DISPOSAL AGREEMENT**

Date: 23 March 2016

Parties:

- (1) Vendor: the Vendor; and
- (2) Purchaser: the Purchaser

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, the Purchaser and its associates are Independent Third Parties.

### **Assets to be disposed of**

Pursuant to the Disposal Agreement, the Vendor has conditionally agreed to sell, and the Purchaser has conditionally agreed to purchase the Sale Shares, representing 95% of the entire issued share capital of the Target.

The Vendor is the 95% legal and beneficial owner of the Target. The Target is engaged in the business of licensed travel agent under the Ordinance. Further details of the Target are set out in the section headed “Information of the Target” in this announcement.

### **Consideration**

The Consideration is HK\$1,800,000 and shall be paid by the Purchaser to the Vendor in cash at Completion.

The consideration for the Disposal was arrived at after arm’s length negotiations between the parties to the Disposal Agreement after taking into consideration of various factors, including (i) the reasons for the Disposal as mentioned in the section headed “Reasons for the Disposal and use of proceeds” in this announcement; (ii) the net asset value of the Target; and (iii) the recent financial performance of the Target.

The Directors consider the terms and conditions of the Disposal Agreement are fair and reasonable and on normal commercial terms and are in the interests of the Company and the Shareholders as a whole.

### **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 Target 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 the Target 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 the Target 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 Disposal 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 Disposal 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 Disposal Agreement having obtained; and
- (g) all necessary approval from the Shareholders (if any) on the transaction contemplated under the Disposal Agreement having been obtained.

If the above conditions are not fulfilled or in respect of the conditions on or before 30 September 2016 (or such later date as the parties of the Disposal Agreement may agree in writing), the Purchaser may terminate the Disposal 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 Disposal Agreement).

### **Completion**

Subject to all the conditions of the Disposal Agreement being fulfilled, Completion shall take place at 11:00 a.m. on or before the fifth Business Day after the date of fulfilment of the conditions last in time to be fulfilled.

### **REASONS FOR THE DISPOSAL AND USE OF PROCEEDS**

The Group is principally engaged in (i) sustainable forest management; (ii) investment and leasing in natural forests; (iii) manufacturing and sales of timber products including but not limited to wooden door, furniture and wooden floor panels; (iv) leasing of properties; (v) the business of licensed travel agent under the Ordinance; and (vi) money lending business pursuant to the Money Lenders Ordinance (Chapter 163 of the Laws of Hong Kong).

The Target is principally engaged in the business of licensed travel agent under the Ordinance.

The Group acquired the Target and the Target became a subsidiary of the Company in 2014. However, due to the relatively poor operating environment, despite some substantial growth in revenue, the Target recorded a net loss of HK\$97,000 for the year ended 31 March 2015. Given the weak economic outlook in the Greater China Region, the Directors do not envisage that the Target will be able to turn around and contribute meaningfully to the Group in the future. Taking into accounts of the financial position of the Target, the Directors consider that the Disposal would allow the Group to divest part of its investment portfolio so as to apply the proceeds for the purpose of exploring other business opportunities. The Company also considers the Disposal to be a good opportunity for the Company to realise part of its investment.

Taking into consideration of the aforesaid, the Directors consider that the terms and conditions of the Disposal Agreement are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

After deducting the expenses relating to the Disposal, it is expected that there will be a gain for the amount of approximately HK\$0.1 million from the Disposal. It is intended that the net proceeds from the Disposal will be applied towards the general working capital of the Group.

The Directors are of the view that the Disposal will not have any material adverse impact on the business operations and financial position of the Group.

## **INFORMATION OF THE TARGET**

As at the date of this announcement, the Target is an indirect non wholly-owned subsidiary of the Company. The Target is principally engaged in the business of licensed travel agent under the Ordinance.

The following table summarises the audited financial results of the Target contributed to the Group prepared in accordance with the Hong Kong Financial Reporting Standards for each of the two financial years ended 31 March 2014 and 2015:

	For the year ended 31 March 2014 (audited) <i>HK\$'000</i>	For the year ended 31 March 2015 (audited) <i>HK\$'000</i>
Revenue	175	1,226
Profit before taxation	85	9
Profit/(loss) after taxation	85	(97)*

\* *The net loss after taxation was mainly caused by the deferred tax charged for the excess of the depreciation allowances claimed over the related depreciation charges.*

Based on the unaudited management accounts of the Target as at 30 September 2015 prepared in accordance with the Hong Kong Financial Reporting Standards, the unaudited net assets of the Target was approximately HK\$1.4 million.

## **FINANCIAL EFFECT OF THE DISPOSAL**

Taking into the Consideration to be received by the Vendor, the unaudited consolidated net asset value of the Disposal Group as at 29 February 2016 and the related transaction cost, it is estimated that a gain for the amount of approximately HK\$0.1 million will be recorded by the Group as a result of the Disposal.

Upon Completion, the Target will no longer be a subsidiary of the Company. Accordingly, the assets, liabilities and the financial results of the Target will no longer be consolidated into the financial statements of the Group.

## **LISTING RULES IMPLICATION**

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

## DEFINITIONS

“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 Disposal Agreement
“Completion Date”	11:00 a.m. on or before the fifth Business Day after the date of fulfilment of the Conditions last in time to be fulfilled pursuant to the Disposal Agreement
“Consideration”	consideration for the Disposal, being HK\$1,800,000
“Director(s)”	director(s) of the Company
“Disposal”	the proposed disposal of the Sale Shares representing the 95% of the entire issued share capital of the Target, as contemplated under the Disposal Agreement
“Disposal Agreement”	the conditional sale and purchase Agreement dated 23 March 2016 and entered into between the Vendor and the Purchaser in relation to the sale and purchase of the Sale Shares
“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”	Sharp Universe Limited, a company incorporated in British Virgin Islands with limited liability, an Independent Third Party.
“Registrar”	Registrar of Travel Agents appointed under section 5 of the Ordinance
“Sale Shares”	475,000 shares of HK\$1 each in the share capital of Target, 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
“Target”	Travel Inn Limited (旅遊棧有限公司), a company incorporated in Hong Kong with limited liability, being the indirect non wholly-owned subsidiary of the Company as at the date of this announcement
“Vendor”	Elite Sign Investments Limited (賢誌投資有限公司), a company incorporated in Hong Kong with limited liability, being the indirect wholly owned subsidiary of the Company



“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**  
**Yeung Sau Chung**  
*Chairman*

Hong Kong, 23 March 2016

*As at the date of this announcement, the Board comprises Mr. Yeung Sau Chung, Mr. Mung Wai Ming and Mr. Liu Shu Chuen as executive Directors; and Mr. William Keith Jacobsen, Mr. Wu Wang Li and Mr. Ng Wai Hung as independent non-executive Directors.*