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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 SALE OF THE ENTIRE 100% EQUITY INTEREST IN ORIGINATE TECH GLOBAL INVESTMENTS LIMITED

THE SALE AND PURCHASE AGREEMENT

On 15 July 2016 (after trading hours of the Stock Exchange), the Vendor entered into the Sale and Purchase Agreement with the Purchaser, pursuant to which the Vendor has conditionally agreed to sell, and the Purchaser has conditionally agreed to purchase, the Sale Share, representing 100% of the entire issued share capital of the Target, for the Consideration of HK\$50,000.

As at the date of this announcement, the Target is an indirect wholly-owned subsidiary of the Company. The Vendor is an investment holding company and is the 100% legal and beneficial owner of the Target. The Target is an investment holding company and the Disposed Group is principally engaged in the business of manufacturing and sales of timber products. Upon Completion, the Group will cease to have any equity interest in the Target and other members of the Disposed Group and they will cease to be subsidiaries 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 15 July (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 Share, representing 100% of the entire issued share capital of the Target, for the Consideration of HK\$50,000.

Principal terms of the Disposal Agreement are set forth below:

THE DISPOSAL AGREEMENT

Date: 15 July 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 is 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 Share, representing 100% of the entire issued share capital of the Target.

The Vendor is an investment holding company and is the 100% legal and beneficial owner of the Target. The Target is an investment holding company and the Disposed Group is engaged in the business of manufacturing and sales of timber products. Further details of the Disposed Group are set out in the section headed "Information of the Disposed Group" in this announcement.

Consideration

The Consideration is HK\$50,000 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; and (ii) the current financial position and performance of the Disposed Group.

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) 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 Share;
- (b) 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;
- (c) the representations, warranties and undertakings given by the Vendor pursuant to the Disposal Agreement remain true, accurate and not misleading in all respects;
- (d) all necessary consent and approval from the Stock Exchange (if any) on the transaction contemplated under the Disposal Agreement having obtained; and
- (e) 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 31 July 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 second Business Day after the date of fulfilment of the conditions last in time to be fulfilled.

INFORMATION OF THE DISPOSED GROUP

As at the date of this announcement, the Target is an indirect wholly-owned subsidiary of the Company. The Disposed Group is principally engaged in the business of manufacturing and sales of timber products.

The following table summarises the audited consolidated financial results of the Disposed Group contributed to the Group prepared in accordance with the Hong Kong Financial Reporting Standards for each of the two financial years ended 31 March 2015 and 2016:

	For the year ended 31 March 2015 (audited) HK\$'000	For the year ended 31 March 2016 (audited) HK\$'000
Revenue	3,063	2,134
Loss before taxation	(1,071)	(16,194)
Loss after taxation	(1,071)	(16,194)

Based on the audited account of the Disposed Group as at 31 March 2016 prepared in accordance with the Hong Kong Financial Reporting Standards, the audited net liabilities of the Disposed Group contributed to the Group was approximately HK\$3.9 million.

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; and (v) money lending business pursuant to the Money Lenders Ordinance (Chapter 163 of the Laws of Hong Kong).

The Target is an investment holding company and is the holding company of the Disposed Group. The Disposed Group is principally engaged in the business of manufacturing and sales of timber products.

Taking into accounts of the financial position and performance of the Disposed Group, 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 general working capital of the Group and to explore 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 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.

FINANCIAL EFFECT OF THE DISPOSAL

Taking into accounts of the Consideration to be received by the Vendor, the audited consolidated net liabilities of the Disposed Group as at 31 March 2016, the unaudited consolidated net liabilities of the Disposal Group as at 30 June 2016 and the related transaction cost, it is estimated that a gain for the amount of approximately HK\$3.8 million will be recorded by the Group as a result of the Disposal.

Upon Completion, the Target and other members of the Disposed Group will no longer be subsidiaries of the Company. Accordingly, the assets, liabilities and the financial results of the Disposed Group 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 the second Business Day after the date of fulfilment of the conditions last in time to be fulfilled pursuant to the Sale and Purchase Agreement
“Consideration”	consideration for the Disposal, being HK\$50,000
“Director(s)”	director(s) of the Company

“Disposal Agreement”	the conditional sale and purchase Agreement dated 15 July 2016 and entered into between the Vendor and the Purchaser in relation to the sale and purchase of the Sale Share
“Disposal”	the proposed disposal of the Sale Share representing the 100% of the entire issued share capital of the Target, as contemplated under the Disposal Agreement
“Disposed Group”	the Target and its subsidiaries, namely New On Creation Limited and 中山市永保新綠洲木業有限公司
“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
“Purchaser”	Mr. Yip Wai Man, a citizen of Hong Kong, an Independent Third Party
“Sale Share”	1 share of US\$1.00 each in the share capital of Target, being 100% 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”	Originate Tech Global Investments Limited, a company incorporated in British Virgin Islands with limited liability, being the indirect wholly-owned subsidiary of the Company as at the date of this announcement
“Vendor”	Amplewell Holdings Limited, a company incorporated in British Virgin Islands with limited liability, being the direct wholly owned subsidiary of the Company
“HK\$”	Hong Kong dollar, the lawful currency of Hong Kong
“US\$”	United States dollar, the lawful currency of United States
“%” or “per cent”	percentage or per centum

By order of the Board
Sustainable Forest Holdings Limited
Yeung Sau Chung
Chairman

Hong Kong, 15 July 2016

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