
THE PROSPECTUS IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of the Prospectus or as to the action to be taken, you should consult a licensed securities dealer, bank manager, solicitor, professional accountant or other professional adviser.

A copy of each of the Prospectus Documents having attached thereto the documents specified in the paragraph headed "Documents delivered to the Registrar of Companies" in Appendix III to the Prospectus, has been registered with the Registrar of Companies in Hong Kong pursuant to Section 342C of the Companies (Winding Up and Miscellaneous Provisions) Ordinance. The Securities and Futures Commission and the Registrar of Companies in Hong Kong take no responsibility for the contents of any of these documents.

Dealings in Shares may be settled through CCASS established and operated by HKSCC and you should consult your licensed securities dealer, registered institution in securities, bank manager, solicitor, professional accountant or other professional adviser for details of these arrangements and how such arrangements may affect your rights and interests.

Hong Kong Exchanges and Clearing Limited, The Stock Exchange of Hong Kong Limited, Hong Kong Securities Clearing Company Limited and the Registrar of Companies in Hong Kong take no responsibility for the contents of the Prospectus, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of the Prospectus.



Sustainable Forest Holdings Limited

永保林業控股有限公司*

(Incorporated in Bermuda with limited liability)

(Stock code: 723)

**(I) SHARE OPEN OFFER ON THE BASIS OF
ONE (1) OFFER SHARE FOR EVERY TEN (10) SHARES HELD ON
THE RECORD DATE WITH SHARE BONUS ISSUE ON THE BASIS OF
FIVE (5) BONUS SHARES FOR EVERY OFFER SHARE SUBSCRIBED; AND**

**(II) CONVERTIBLE PREFERRED SHARE OPEN OFFER ON THE BASIS OF
ONE (1) OFFER CONVERTIBLE PREFERRED SHARE FOR EVERY
TEN (10) CONVERTIBLE PREFERRED SHARES HELD ON THE
RECORD DATE WITH CONVERTIBLE PREFERRED SHARE BONUS ISSUE
ON THE BASIS OF FIVE (5) BONUS CONVERTIBLE PREFERRED SHARES
FOR EVERY OFFER CONVERTIBLE PREFERRED SHARE SUBSCRIBED**

The Open Offers are conditional upon, *inter alia*, the fulfilment or waiver of the conditions set out in the section headed "Conditions of the Open Offers" of letter from the Board and the Underwriting Agreement not having been terminated pursuant to the section headed "Termination of the Underwriting Agreement" in the Prospectus.

Terms used in this cover bear the same meanings as defined in the Prospectus.

Shareholders should note that the existing Shares have been dealt in on an ex-entitlement basis since Tuesday, 8 April 2014. If the Underwriters terminate the Underwriting Agreement, or if any of the conditions of the Open Offers is not fulfilled, the Open Offers will not proceed. Accordingly, Shareholders should note that dealings in the Shares up to the Latest Time for Termination will take place whilst the conditions to which the Open Offers are subject to remain unfulfilled. A person dealing in the Shares will accordingly bear the risk that the Open Offers may not become unconditional and may not proceed. Shareholders contemplating any dealings in the Shares are recommended to consult their own professional adviser if they are in any doubt.

The Latest Time for Acceptance and payment for the Offer Shares and the Offer CPS is 4:00 p.m. on Monday, 5 May 2014 and the procedures for application are set out in the section headed "Procedures for acceptance and payment" in the Prospectus.

* *for identification purposes only*

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DEFINITIONS

In the Prospectus, unless the context requires otherwise, the following expressions bear the following meanings:

“acting in concert”	has the same meaning ascribed to it in the Takeovers Code
“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 allotted and issued (for no additional payment) upon the allotment and issue of the Offer CPS on the basis of five (5) 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
“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 allotted and issued (for no additional payment) upon the allotment and issue of the Offer Shares on the basis of five (5) 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
“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

DEFINITIONS

“Companies (Winding Up and Miscellaneous Provisions) Ordinance”	the Companies (Winding Up & Miscellaneous Provisions) Ordinance, Chapter 32 of the Laws of 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 Open Offers
“connected person(s)”	has the same meaning ascribed to it in the Listing Rules
“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 preferred 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 Bonus Issue”	in respect of the CPS Open Offer, the issue of the Bonus CPS pursuant to the terms and conditions set out in the Prospectus
“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 ten (10) CPS held on the Record Date to the Qualifying CPS Holders upon the terms and conditions as described in the Prospectus
“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)
“CT Independent Shareholder(s)”	Shareholder(s) other than those who are interested in the Possible Share Issue

DEFINITIONS

“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 relevant 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 relevant 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
“February Open Offers”	collectively, the open offer in respect of the Shares on the basis of one (1) offer share for six (6) Share together with one bonus warrants for every offer shares subscribed, and the open offer in respect of the CPS on the same basis as that of the aforesaid open offer, as proposed in the announcement of the Company dated 21 February 2013
“Grant of Specific Mandate”	the grant of a specific mandate to allot and issue the Share Warrant Conversion Shares
“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

DEFINITIONS

“July Open Offers”	collectively, the open offer in respect of the Shares on the basis of one (1) offer share for twelve (12) Shares together with eleven (11) bonus shares for every offer share subscribed, and the open offer in respect of the CPS on the same basis as that of the aforesaid open offer, as proposed in the announcement of the Company dated 5 July 2013
“Last Trading Day”	Thursday, 27 February 2014, being the last trading day on which the Company and the Underwriters entered into the Underwriting Agreement
“Latest Practicable Date”	Thursday, 10 April 2014, being the latest practicable date prior to the printing of the Prospectus for ascertaining certain information for inclusion in the Prospectus
“Latest Time for Acceptance”	4:00 p.m. on Monday, 5 May 2014 or such later time to be agreed in writing between the Company and the Underwriters, being the latest time for application of the Open Offers
“Latest Time for Termination”	4:00 p.m. on Thursday, 8 May 2014 or such later time to be agreed in writing between the Company and the Underwriters, being the latest time for the Underwriters to terminate the Underwriting Agreement
“Listing Committee”	has the meaning attributed to that term in the Listing Rules
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“March Open Offers”	the open offers for the Shares and CPS as announced by the Company on 18 March 2013
“Ms. Zhou”	Ms. Zhou Jing, the chairman and an executive Director
“Offer CPS”	150,867,613 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
“Offer CPS Conversion Shares”	new Shares to be allotted and issued on the exercise of the subscription rights attaching to the Offer CPS

DEFINITIONS

“Offer Share(s)”	139,179,601 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
“Open Offers”	collectively, the Share Open Offer with the Share Bonus Issue and the CPS Open Offer with the CPS Bonus Issue
“Overseas CPS Holder(s)”	CPS Holder(s) whose name(s) appear(s) on the register of CPS Holders 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 Letter”	a letter from the Company to the Excluded CPS Holders explaining the circumstances in which the Excluded CPS Holders are not permitted to participate in the CPS Open Offer
“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
“Possible Share Issue”	the possible allotment and issuance of new Shares to Ms. Zhou by the Company upon the exercise of the subscription rights under the Share Warrants held by Ms. Zhou, pursuant to the Grant of Specific Mandate
“Prospectus”	this prospectus 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”	Wednesday, 16 April 2014, the date of 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 Holders at the close of business on the Record Date

DEFINITIONS

“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”	Monday, 14 April 2014, being the record date for determining the entitlements of the Shareholders and CPS Holders to participate in the Open Offers
“Sale and Purchase Agreement”	the sale and purchase agreement dated 5 December 2013 and entered into between Elite Sign Investments Limited (an indirect wholly-owned subsidiary of the Company, as the purchaser) and Mr. Ng Pui Wah (as the vendor) in respect of the acquisition of a 95% equity interests of Travel Inn Limited by Elite Sign Investments Limited at the consideration of HK\$1,180,000
“Settlement Date”	Friday, 9 May 2014 or such other date as may be agreed between the Company and the Underwriters in accordance with the relevant regulations or requirements, such date being the third Business Day after the Latest Time for Acceptance
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“SGM”	the special general meeting of the Company convened and held on Friday, 4 April 2014 to consider and approve, among other things, the Open Offers, the Grant of Specific Mandate and the Possible Share Issue
“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 Bonus Issue”	in respect of the Share Open Offers, the issue of the Bonus Shares pursuant to the terms and conditions set out in the Prospectus
“Share Consolidation”	the consolidation of the ordinary share capital of the Company as announced on 5 July 2013

DEFINITIONS

“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 ten (10) Shares held on the Record Date to the Qualifying Shareholders upon the terms and conditions as described in the Prospectus
“Share Options”	the outstanding options to subscribe for 28,192,819 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 initial subscription price of HK\$0.0534 (subsequently adjusted to HK\$0.3204 following the Share Consolidation became effective) 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)
“Share Warrant Conversion Shares”	Shares to be allotted and issued upon the exercise of the subscription rights attaching to all the outstanding Share Warrants taking into account the adjustments to the subscription price following Completion and further applicable adjustments (if any) in accordance with the terms of the Share Warrants from time to time
“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
“Underwriters”	Ocean Honor Limited and Head & Shoulders Securities Limited

DEFINITIONS

“Underwriting Agreement”	the underwriting agreement dated 27 February 2014 entered into between the Company and the Underwriters 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

EXPECTED TIMETABLE

The expected timetable for the Open Offers are set out below:

2014

Despatch of the Prospectus Documents	Wednesday, 16 April
Latest time for acceptance of, and payment for the Offer Shares and the Offer CPS	4:00 p.m. on Monday, 5 May
Open Offers expected to become unconditional	Thursday, 8 May
Announcement of results of acceptance of the Open Offers	Monday, 12 May
Despatch of certificates for Offer Shares, Bonus Shares, Offer CPS and Bonus CPS.	Tuesday, 13 May
Commencement of dealings in Offer Shares and Bonus Shares.	Wednesday, 14 May
Designated broker starts to stand in the market to purchase and sell odd lots of Shares	9:00 a.m. on Wednesday, 14 May
Designated broker ceases to stand in the market to purchase and sell odd lots of Shares	4:30 p.m. on Wednesday, 4 June

Dates or deadlines specified in the Prospectus refer to Hong Kong local times and dates and are indicative only and may be extended or varied by agreement between the Company and the Underwriters. Any changes to the expected timetable above will be published or the Shareholders and the CPS Holders will be notified otherwise as and when appropriate.

EXPECTED TIMETABLE

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

All times in the Prospectus 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 Monday, 5 May 2014:

- (i) 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
- (ii) 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 the Prospectus for events in the timetable are indicative only and may be extended or varied between the Company and the Underwriters. Any changes to the anticipated timetable for the Open Offers will be announced as and when appropriate.

TERMINATION OF THE UNDERWRITING AGREEMENT

The Underwriters 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 Underwriters, 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 Underwriters 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 Underwriters 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 Underwriters 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 the announcement of the Company dated 27 February 2014 or the Prospectus Documents or other announcements or circulars in connection with the Open Offers; or

TERMINATION OF THE UNDERWRITING AGREEMENT

- (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 Underwriters 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 Underwriters be 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 Underwriters 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 Underwriters; 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.

If the Underwriters exercise such right, the Open Offers will not proceed.

WARNING OF THE RISKS OF DEALING IN THE SHARES

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” in the letter from the Board. The Open Offers are therefore subject to the Underwriting Agreement having become unconditional and the Underwriters 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.

LETTER FROM THE BOARD



Sustainable Forest Holdings Limited

永保林業控股有限公司*

(Incorporated in Bermuda with limited liability)

(Stock code: 723)

Executive Directors:

Ms. ZHOU Jing (*Chairman*)
Mr. MUNG Wai Ming

Independent non-executive Directors:

Mr. William Keith JACOBSEN
Mr. WU Wang Li
Mr. NG Wai Hung

Registered office:

Clarendon House
2 Church Street
Hamilton, HM 11
Bermuda

*Principal place of business
in Hong Kong:*

Suites No. 302-305,
3rd Floor, Sino Plaza,
255-257 Gloucester Road,
Causeway Bay,
Hong Kong

16 April 2014

*To the Qualifying Shareholders and the Qualifying CPS Holders,
and for information only, the Excluded CPS Holders*

Dear Sir/Madam,

**(I) SHARE OPEN OFFER ON THE BASIS OF
ONE (1) OFFER SHARE FOR EVERY TEN (10) SHARES HELD ON
THE RECORD DATE WITH SHARE BONUS ISSUE ON THE BASIS OF
FIVE (5) BONUS SHARES FOR EVERY OFFER SHARE SUBSCRIBED; AND**

**(II) CONVERTIBLE PREFERRED SHARE OPEN OFFER ON THE BASIS OF
ONE (1) OFFER CONVERTIBLE PREFERRED SHARE FOR EVERY
TEN (10) CONVERTIBLE PREFERRED SHARES HELD ON THE
RECORD DATE WITH CONVERTIBLE PREFERRED SHARE BONUS ISSUE
ON THE BASIS OF FIVE (5) BONUS CONVERTIBLE PREFERRED SHARES
FOR EVERY OFFER CONVERTIBLE PREFERRED SHARE SUBSCRIBED**

INTRODUCTION

Reference is made to the Company's announcement dated 27 February 2014 in which the Board announced the proposal to raise not less than approximately HK\$44.5 million and not more than approximately HK\$53.0 million before expenses by way of the Share Open Offer and not more than approximately HK\$1.7 million before expenses by way of the CPS Open Offer.

* *for identification purposes only*

LETTER FROM THE BOARD

The Share Open Offer is available to the Qualifying Shareholders on the basis of one (1) Offer Share for every ten (10) existing Shares held on the Record Date with an issue of Bonus Shares on the basis of five (5) Bonus Shares for every Offer Share subscribed. The CPS Open Offer is available to the Qualifying CPS Holders on the same basis as the Share Open Offer with an issue of Bonus CPS on the basis of five (5) Bonus CPS for every Offer CPS subscribed.

As at the Record Date, the Company had 1,391,796,013 issued Shares, 1,508,676,131 issued CPS, 215,525,161 CPS Warrants, 182,788,942 Share Warrants and 28,192,819 Share Options. Accordingly, 139,179,601 Offer Shares and 150,867,613 Offer CPS, together with 695,898,005 Bonus Shares and 754,338,065 Bonus CPS, are expected to be allotted and issued by the Company under the Open Offers.

As at the SGM held on Friday, 4 April 2014, the necessary resolutions approving, among other things, (i) the Open Offers, and (ii) the Grant of Specific Mandate and the Possible Share Issue, were duly passed by the Independent Shareholders/CT Independent Shareholders (as the case may be) by way of poll. As disclosed in the announcement of the Company dated 4 April 2014, no Shareholder was required to abstain from voting in favour of the ordinary resolutions regarding (i) the Open Offers and (ii) the Grant of Specific Mandate and the Possible Share Issue respectively.

The purpose of this Prospectus is to provide you with, among other things, (i) further details about the Open Offers, (ii) financial information of the Group and (iii) other general information of the Group.

OPEN OFFERS

Issue statistics of Share Open Offer

Basis of the Share Open Offer and Share Bonus Issue:	One (1) Offer Share for every ten (10) Shares held on the Record Date and payable in full upon application with five (5) Bonus Shares for every Offer Share allotted and issued
Number of Shares in issue as at the Latest Practicable Date:	1,391,796,013 Shares
Number of Offer Shares:	139,179,601 Shares
Aggregate nominal value of number of Offer Shares:	HK\$1,391,796.01
Number of Bonus Shares:	695,898,005 Shares
Aggregate nominal value of number of Bonus Shares:	HK\$6,958,980.05

LETTER FROM THE BOARD

Subscription price:	HK\$0.32
Enlarged issued ordinary share capital of the Company immediately upon Completion:	2,226,873,619 Shares
Amount raised before expenses:	Approximately HK\$44.5 million

The number of Offer Shares and Bonus Shares in aggregate of 835,077,606 Shares represents (i) approximately 60% of the issued ordinary share capital of the Company immediately prior to Completion; and (ii) approximately 37.5% 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.

Issue statistics of CPS Open Offer

Basis of the CPS Open Offer and CPS Bonus Issue:	One (1) Offer CPS for every ten (10) existing CPS held on the Record Date and payable in full upon application with five (5) Bonus CPS for every Offer CPS allotted and issued
Number of CPS as at the Latest Practicable Date:	1,508,676,131 CPS
Number of Offer CPS:	150,867,613 CPS
Nominal value of number of Offer CPS:	HK\$1,508,676.13
Number of Bonus CPS:	754,338,065 CPS
Nominal value of number of Bonus CPS:	HK\$7,543,380.65
Number of CPS upon Completion:	2,413,881,809 CPS
Number of new Shares to be issued upon full conversion of the Offer CPS and the Bonus CPS:	28,287,676 Shares, of which 4,714,612 Shares are the Offer CPS Conversion Shares and 23,573,064 are the Bonus CPS Conversion Shares

The number of Offer CPS and Bonus CPS in aggregate of 905,205,678 CPS represents (i) approximately 60.0% of the issued CPS as at the Latest Practicable Date; and (ii) approximately 37.5% of the issued CPS as enlarged by the allotment and issue of the Offer CPS and Bonus CPS upon Completion.

LETTER FROM THE BOARD

As at the Latest Practicable Date, the Company has (i) 28,192,819 outstanding Share Options entitling the holders to subscribe for 28,192,819 Shares pursuant to the Share Option Scheme; (ii) 182,788,942 outstanding Share Warrants entitling the holders to subscribe for 182,788,942 Shares; (iii) 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 (iv) 1,508,676,131 outstanding CPS entitling the holders to convert into 47,146,128 Shares at a ratio of one CPS to 0.03125 Share. Save for the outstanding Share Options, the Share Warrants, the CPS Warrants and the CPS as mentioned above, 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 Latest Practicable Date.

Basis of assured entitlement

The basis of the assured allotment for the Share Open Offer shall be one (1) Offer Share for every ten (10) 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 ten (10) 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. Taking into account the conversion ratio of one CPS to 0.03125 Share, the subscription price of the Offer CPS per Share to be converted thereunder is equivalent to the subscription price of the Offer Shares (i.e. HK\$0.32 each).

The subscription price per Offer Share and Offer CPS was determined after arm's length negotiations between the Company and the Underwriters with reference to funding needs of the Company, the current market price of the Shares, par value of the Shares and the CPS, and prevailing market condition. 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

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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 subscription price of HK\$0.32 per Offer Share represents:

- (i) a premium of approximately 213.7% to the closing price of HK\$0.102 per Share as quoted on the Stock Exchange on the Latest Practicable Date;
- (ii) a premium of approximately 113.3% over the closing price of HK\$0.150 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (iii) a premium of approximately 113.3% over the average closing price of approximately HK\$0.150 per Share for the last five (5) trading days as quoted on the Stock Exchange up to and including the Last Trading Day;
- (iv) a premium of approximately 113.3% over the average closing price of approximately HK\$0.150 per Share for the last ten (10) trading days as quoted on the Stock Exchange up to and including the Last Trading Day; and
- (v) a premium of approximately 180.7% over the theoretical ex-entitlement price of approximately HK\$0.114 per Share calculated based on the closing price per Share of HK\$0.150 as quoted on the Stock Exchange on the Last Trading Day.

Taking into account the Bonus Shares, the effective subscription price of HK\$0.0533 each represents:

- (i) a discount of approximately 47.7% to the closing price of HK\$0.102 per Share as quoted on the Stock Exchange on the Latest Practicable Date;
- (ii) a discount of approximately 64.4% to the closing price of HK\$0.150 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (iii) a discount of approximately 64.4% to the average closing price of approximately HK\$0.150 per Share for the last five (5) trading days as quoted on the Stock Exchange up to and including the Last Trading Day;
- (iv) a discount of approximately 64.4% to the average closing price of approximately HK\$0.150 per Share for the last ten (10) trading days as quoted on the Stock Exchange up to and including the Last Trading Day; and
- (v) a discount of approximately 53.2% to the theoretical ex-entitlement price of approximately HK\$0.114 per Share calculated based on the closing price per Share of HK\$0.150 as quoted on the Stock Exchange on the Last Trading Day.

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Fractional entitlements to the Offer Shares and the Offer 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. Holders of fully-paid Offer Shares will be entitled to receive all future dividends and distributions which are declared, made or paid 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 fully paid, will rank *pari passu* in all respects with the CPS then in issue. 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 paid 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 paid 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 the specific mandate which was duly passed by the Independent Shareholders at the SGM.

Application for listing

The Company has applied 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.

Subject to the granting of the listing of, and permission to deal in, the Offer Shares and the Bonus Shares on the Stock Exchange, the Offer Shares and the Bonus Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the

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commencement date of dealings in the Offer Shares and the Bonus Shares on the Stock Exchange or such other date as determined by HKSCC. Settlement of transactions between participants of the Stock Exchange on any trading day is required to take place in CCASS on the second trading day thereafter. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

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.

The Shares are currently traded in board lots of 30,000 Shares. Dealings in the Offer Shares and the Bonus Shares will also be in board lots of 30,000 Shares.

Qualifying Shareholders and Qualifying CPS Holders

The Company has sent the Prospectus Documents to the Qualifying Shareholders and the Qualifying CPS Holders only. For the Excluded Shareholders and Excluded CPS Holders, the Company has sent 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 have been 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.

Certificates of Offer Shares, Offer CPS, Bonus Share and 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 Tuesday, 13 May 2014 to those Shareholders or CPS Holders entitled thereto by ordinary post at their own risks.

Rights of Overseas Shareholders and Overseas CPS Holders

The Prospectus Documents will not be registered or filed under the applicable securities or equivalent legislation of any jurisdiction other than Hong Kong. Based on the register of members and CPS Holders of the Company as at the Latest Practicable Date, there were five Overseas Shareholders with addresses in the BVI, Taiwan, the PRC and Spain and five Overseas CPS Holders with addresses in the United States of America, the BVI, and the Republic of Panama.

The Company has complied with all necessary requirements specified in Rule 13.36(2)(a) of the Listing Rules (including Notes 1 and 2 thereto) and has made enquiry with its legal advisers regarding the feasibility of extending the Open Offers to the Overseas Shareholders and Overseas CPS Holders under the laws of the relevant jurisdictions and the requirements of the relevant regulatory body or the stock exchange.

Based on the advice of the relevant foreign legal advisers, the Directors are of the view that (i) it is inexpedient to extend the CPS Open Offer to the Overseas CPS Holders in the United States of America, due to the time and costs involved in the registration of the Prospectus and/or

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compliance with the applicable legal or regulatory requirements or special formalities in this jurisdiction if the CPS Open Offer is to be lawfully made to such Excluded CPS Holders; and (ii) it is expedient to extend the Open Offers to the Overseas Shareholders and the Overseas CPS Holders in the BVI, the PRC, Spain, Taiwan and the Republic of Panama as there are no legal restrictions prohibiting the Open Offers in these jurisdictions and no local legal or regulatory compliance is required to be made in these jurisdictions.

Based on the above and given that the registers of members and CPS Holders of the Company has been closed from the Latest Practicable Date to the Record Date and no transfer of Shares and CPS has been registered during the book closure period, accordingly, (i) there will be no Excluded Shareholders and (ii) the Company will not allot the Offer CPS and the Bonus CPS to the Excluded CPS Holders. The Company has sent the Overseas Letter together with the Prospectus, for information only, to the Excluded CPS Holders.

It is the responsibility of any person outside Hong Kong who wishes to receive the Offer Shares, the Bonus Shares, the Offer CPS and the Bonus CPS to comply with the laws of the relevant jurisdiction(s), including the obtaining of any governmental or other necessary consents and compliance with all other formalities. Such Overseas Shareholders or Overseas CPS Holders should consult their professional advisers as to whether they require any governmental or other consents to enable them to take up the Offer Shares, the Bonus Share, the Offer CPS and the Bonus CPS.

No 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 Underwriters 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 Wednesday, 14 May 2014 to 4:30 p.m. on Wednesday, 4 June 2014 (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

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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. Shareholders are recommended to consult their professional advisers if they are in doubt about the above facility.

Taxation

Qualifying Shareholders and/or Qualifying CPS Holders are recommended to consult their professional advisers if they are in any doubt as to the taxation implications of applying for, holding, disposing of or dealing in the Offer Shares and/or the Offer CPS. It is emphasised that none of the Company, the Directors or any other parties involved in the Open Offers accept responsibility of any tax effects or liabilities of holders of the Offer Shares and/or the Offer CPS resulting from the application for, holding, disposal of, or dealing in the Offer Shares and/or the Offer CPS.

PROCEDURES FOR ACCEPTANCE AND PAYMENT

Share Open Offer

A Share Application Form is enclosed with the Prospectus which entitles the Qualifying Shareholder(s) to whom it is addressed to subscribe for the number of the Offer Shares shown therein. If the Qualifying Shareholders wish to apply for all the Offer Shares based on their assured allotment of the Offer Shares as specified in the Share Application Form, they must lodge the Share Application Form in accordance with the instructions printed thereon, together with a remittance for the full amount payable on acceptance (round down to the nearest HK\$0.01), with Tricor Tengis Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, by no later than 4:00 p.m. on Monday, 5 May 2014. All remittances must be made in HK\$ and cheques or cashier orders must be drawn on a bank account in Hong Kong and made payable to "**Sustainable Forest Holdings Limited – Share Open Offer Account**" and crossed "**Account Payee Only**". It should be noted that unless the Share Application Form, together with the appropriate remittance, has been lodged with Tricor Tengis Limited by 4:00 p.m. on Monday, 5 May 2014, all rights and entitlements under the Share Application Form will be deemed to have been declined and will be cancelled. The Share Application Form is for use only by the person(s) named therein and is not transferable.

The Share Application Form contains further information regarding the procedures to be followed if Qualifying Shareholders wish to apply for the whole or part of their assured allotment of the Offer Shares.

All cheques or cashier orders will be presented for payment following receipt and all interest earned on such moneys will be retained for the benefit of the Company. Any Share Application Form in respect of which the cheque or cashier order is dishonoured on first presentation or at the

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option of the Company, on subsequent presentation, is liable to be rejected, and in that event the assured allotment and all rights thereunder will be deemed to have been declined and will be cancelled.

The Company reserves the right to refuse to accept any application for the Offer Shares where it believes that in doing so would violate the applicable securities legislations or other laws or regulations of any jurisdiction.

If the conditions of the Underwriting Agreement are not fulfilled and/or the Underwriting Agreement is terminated in accordance with its terms, the monies received in respect of acceptance of Offer Shares will be returned to the Qualifying Shareholders or, in case of joint applicants, to the first-named person without interest, by means of cheques despatched by ordinary post to the respective addresses specified in the register of members of the Company at their own risk on or before Tuesday, 13 May 2014.

CPS Open Offer

A CPS Application Form is enclosed with the Prospectus which entitles the Qualifying CPS Holder(s) to whom it is addressed to subscribe for the number of the Offer CPS shown therein. If the Qualifying CPS Holder(s) wish(es) to apply for all the Offer CPS based on their assured allotment of the Offer CPS as specified in the CPS Application Form, they must lodge the CPS Application Form in accordance with the instructions printed thereon, together with a remittance for the full amount payable on acceptance (round down to the nearest HK\$0.01), with Tricor Tengis Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, by no later than 4:00 p.m. on Monday, 5 May 2014. All remittances must be made in Hong Kong dollars and cheques or cashier orders must be drawn on a bank account in Hong Kong and made payable to "**Sustainable Forest Holdings Limited – CPS Open Offer Account**" and crossed "**Account Payee Only**". It should be noted that unless the CPS Application Form, together with the appropriate remittance, has been lodged with Tricor Tengis Limited by 4:00 p.m. on Monday, 5 May 2014, all rights and entitlements under the CPS Application Form will be deemed to have been declined and will be cancelled. The CPS Application Form is for use only by the person(s) named therein and is not transferable.

The CPS Application Form contains further information regarding the procedures to be followed if Qualifying CPS Holder(s) wish to apply for the whole or part of their assured allotment of the Offer CPS.

All cheques or cashier orders will be presented for payment following receipt and all interest earned on such moneys will be retained for the benefit of the Company. Any CPS Application Form in respect of which the cheque or cashier order is dishonoured on first presentation or at the option of the Company, on subsequent presentation, is liable to be rejected, and in that event the assured allotment and all rights thereunder will be deemed to have been declined and will be cancelled.

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The Company reserves the right to refuse to accept any application for the Offer CPS where it believes that in doing so would violate the applicable securities legislations or other laws or regulations of any jurisdiction. No application for the Offer CPS will be accepted from any person who is an Excluded CPS Holder.

If the conditions of the Underwriting Agreement are not fulfilled and/or the Underwriting Agreement is terminated in accordance with its terms, the monies received in respect of acceptance of Offer CPS will be returned to the Qualifying CPS Holders or, in case of joint applicants, to the first-named person without interest, by means of cheques despatched by ordinary post to the respective addresses specified in the register of CPS Holders of the Company at their own risk on or before Tuesday, 13 May 2014.

The Application Forms are for use only by the person(s) named therein and is not transferable. No receipt will be issued in respect of any application monies received.

UNDERWRITING AGREEMENT

Date: 27 February 2014

Underwriters: Ocean Honor Limited (“**Ocean Honor**”); and

Head & Shoulders Securities Limited (“**Head & Shoulders**”)

Number of Shares to be underwritten: Not less than 139,173,247 Offer Shares and not more than 165,665,906 Offer Shares (being all Offer Shares (including the Offer Shares to which the Excluded Shareholder(s) would otherwise have been entitled) to be issued pursuant to the Share Open Offer) (the “**Underwritten Shares**”)

In the event of the Share Open Offer not being fully subscribed, up to 70% of the Underwritten Shares (equivalent to not more than 115,966,134 Offer Shares), will be first taken up by Ocean Honor to the fullest extent and the balance of the Underwritten Shares will thereafter be taken up by Head & Shoulders

Based on the number of Shares in issue as at the Record Date, the maximum underwriting commitments with respect to the Share Open Offer are (i) 97,425,720 Offer Shares by Ocean Honor; (ii) 41,753,881 Offer Shares by Head & Shoulders.

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Number of CPS to be underwritten: Not more than 172,420,129 Offer CPS (being all Offer CPS (including the CPS to which the Excluded CPS Holder(s) would otherwise have been entitled) to be issued pursuant to the CPS Open Offer) (the “**Underwritten CPS**”)

In the event of the CPS Open Offer not being fully subscribed, up to 70% of the Underwritten CPS (equivalent to not more than 120,694,090 CPS) will be first taken up by Ocean Honor to the fullest extent and the balance of the Underwritten CPS will thereafter be taken up by Head & Shoulders

Based on the number of CPS in issue as at the Record Date, the maximum underwriting commitments with respect to the CPS Open Offer are (i) 105,607,329 Offer CPS by Ocean Honor; (ii) 45,260,284 Offer CPS by Head & Shoulders.

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 Underwriters. The commission was determined after arm’s length negotiation between the Company and the Underwriters, and the Directors are of the view that it is fair and reasonable

Company’s undertaking: The Company has undertaken to the Underwriters 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

Ocean Honor Limited is incorporated in BVI with principle business in investment holding and is beneficially wholly-owned by Mr. Chan Yuen Ming (“**Mr. Chan**”), who is a professional investor. To the best knowledge of the Company, Mr. Chan is a merchant participating in various investment businesses mainly in Hong Kong and the PRC. Mr. Chan was a lender to the Group who, through a company wholly-owned by him, granted a loan to a subsidiary of the Group in June 2012. The principal amount of such loan was repaid by the Company in May 2013 while the accrued interests relating to such loan (the “**Accrued Interests**”) in the amount of HK\$4,045,761.62 remained outstanding as at the Latest Practicable Date. As advised by Ocean Honor, it is not in its ordinary or usual course of business to enter into this type of underwriting arrangement.

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The Company first initiated contact with Head & Shoulders in February 2014 through the personal network of Mr. Mung Wai Ming, an executive Director, and thereafter then started negotiations in respect of the Open Offers and the terms of the Underwriting Agreement. As confirmed by the Board, save for Ocean Honor and Head & Shoulders, the Company had approached another securities firm in relation to the potential underwriting arrangement for the Open Offers. However, such securities firm expressed no interest in acting as an underwriter of the Open Offers.

As at the Latest Practicable Date, the Underwriters and their respective 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 Underwriters and their 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 Underwriters have 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 Underwriters 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) Head & Shoulders 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 the completion of the Open Offers; and

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- (2) Head & Shoulders 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), save for each Underwriter itself and its associates, 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 of the Open Offers.

As at the Latest Practicable Date, as confirmed by each of Ocean Honor and Head & Shoulders, neither Ocean Honor nor Head & Shoulders has entered into any sub-underwriting arrangement in respect of any Underwritten Shares or Underwritten CPS.

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, the Bonus CPS Conversion Shares and the Share Warrant 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 (Winding Up and Miscellaneous Provisions) 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 herein;
- e) the board of directors of the Company having passed a resolution for the conducting of the Open Offers;

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- f) the Independent Shareholders/CT Independent Shareholders (as the case may be) in general meeting having approved the following:-
- (i) the Open Offers;
 - (ii) the granting of a specific mandate for the allotment and issue of the Bonus Shares, the Offer CPS Conversion Shares and the Bonus CPS Conversion Shares; and
 - (iii) the granting of a specific mandate for the allotment and issue of the Share Warrant Conversion Shares pursuant to the Grant of Specific Mandate and any connected transactions (as defined under the Listing Rules) which may arise as a result of the Grant of Specific Mandate;
- 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; and
- h) each of the Underwriters and their respective parties acting in concert not being obliged to make a mandatory offer pursuant to Rule 26 of the Takeovers Code by reason of each of the Underwriters taking up any of the Underwritten Shares.

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The Underwriters have the sole discretion to waive the conditions (d) and (g) (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 Underwriters. 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 Underwriters by the Latest Time for Termination or such later date or dates as the Underwriters 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 Underwriters in respect of the Open Offers, or the indemnity given to the Underwriters 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.

As at the Latest Practicable Date, conditions (a) and (f) have been fulfilled, and all other conditions precedent have not been fulfilled or, if applicable, waived and remain outstanding.

Termination of the Underwriting Agreement

Pursuant to the Underwriting Agreement, the Underwriters 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 Underwriters, 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 Underwriters 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 Underwriters 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

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- 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 Underwriters 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 the announcement of the Company dated 27 February 2014 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 Underwriters 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 Underwriters be 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 Underwriters 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 Underwriters; 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.

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If the Underwriters exercise such right, the Open Offers will not proceed.

WARNING OF THE RISKS OF DEALING IN THE SHARES

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 Underwriters 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

Set out below is the shareholding structure of the Company (i) as at the Latest Practicable Date; (ii) upon Completion, assuming full acceptance by the Qualifying Shareholders and the Qualifying CPS Holders and there being no change in shareholding from the Latest Practicable Date 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 acceptance by the Qualifying Shareholders or the Qualifying CPS Holders and there being no change in shareholding from the Latest Practicable Date to Completion (the “**Scenario B**”):

	As at the Latest Practicable Date				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. %
Loh Jiah Yee, Katherine (Note 2)	294,650,651	21.17	929,974,147	61.64	471,441,041	21.17	1,487,958,631	61.64	294,650,651	13.23	929,974,147	38.53
Expert Plan Limited (Note 3)	170,893,099	12.28	215,525,161	14.29	273,428,953	12.28	344,840,257	14.29	170,893,099	7.67	215,525,161	8.93
Ocean Honor	-	-	-	-	-	-	-	-	584,554,320	26.25	633,643,974	26.25
Head & Shoulders and subscribers procured by Head & Shoulders (Note 4)	-	-	-	-	-	-	-	-	250,523,286	11.25	271,561,704	11.25
Public Shareholders	926,252,263	66.55	363,176,823	24.07	1,482,003,625	66.55	581,082,921	24.07	926,252,263	41.60	363,176,823	15.04
Total	1,391,796,013	100.00	1,508,676,131	100.00	2,226,873,619	100.00	2,413,881,809	100.00	2,226,873,619	100.00	2,413,881,809	100.00

LETTER FROM THE BOARD

Notes:

1. The above percentages are subject to rounding error.
2. Ms. Loh Joah Yee, Katherine is a former director of the Company who resigned on 15 February 2013.
3. Expert Plan Limited is a company incorporated in the BVI with limited liability and is wholly owned by Mr. Ho Ka Kui, Boniface.
4. This shareholding structure is for illustrative purpose only. Given the terms of the Underwriting Agreement, each of (i) Head & Shoulders 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 9.9% 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 the Prospectus. As provided by Head & Shoulders, in the event of Head & Shoulders being called upon to subscribe for or procure subscription for the Untaken Shares, it will procure the fulfillment of the aforesaid term of the Underwriting Agreement by, among others, identifying places to subscribe for the Untaken Shares. As at the Latest Practicable Date, Head and Shoulders has not identified any potential places for the Open Offers.

REASONS FOR THE OPEN OFFERS 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; and (v) property investment.

The Company will raise approximately HK\$44.5 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 approximately HK\$1.5 million before expenses from the CPS Open Offer. In aggregate, the Company will raise approximately HK\$46.0 million before expenses from the Open Offers.

The net proceeds from Open Offers are estimated to be approximately HK\$42.6 million. The Company intends to apply the net proceeds from Open Offers as follows: (i) approximately HK\$16.5 million will be reserved for repayment of indebtedness, including the promissory notes that had been fall due on 31 July 2013, the Accrued Interests and part of the amount due to Shareholders which bears interest of 5% per annum and is payable within 2014. The outstanding balance of the promissory notes and the Accrued Interests is approximately HK\$7,882,150 (including accrued interests) and HK\$4,045,761.62 respectively as at the Latest Practicable Date. The balance of approximately HK\$4.6 million will be applied for repayment of part of the amount due to Shareholders; (ii) approximately HK\$16.5 million will 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,

LETTER FROM THE BOARD

payments of corporate and operating expenses. As at the Latest Practicable Date, the Company has not identified any new business/investment opportunities and has not entered into any negotiations for acquisition or investment.

Based on the net proceed of approximately HK\$41.2 million from the Share Open Offer, the net price of each Offer Share is not less than approximately HK\$0.2960. Based on the net proceed of approximately HK\$1.4 million from the CPS Offer divided by the number of the Offer CPS, the net price of each Offer CPS is approximately HK\$0.0093.

In determining the respective subscription prices and the offer basis for the Share Open Offer and the CPS Open Offer, the Directors have taken into account, among other things, the necessary funding needs of the Group as mentioned in paragraphs above, the requirement for the Company to make a comparable offer to CPS Holders pursuant to the terms of the CPS, the par value of CPS of HK\$0.01 each and conversion ratio of one CPS to 0.03125 Share 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 one CPS to 0.03125 Share, the lowest possible subscription price per Offer Share could therefore be no less than HK\$0.32. The Directors noted that the subscription price of HK\$0.32 per Offer Share represents a significant premium over the prevailing market price of the Share, and in order to encourage the participation of the Qualifying Shareholders in the Share Open Offer, a bonus issue of the Shares is therefore proposed at the same time to reduce the effective subscription price and accordingly increase the attractiveness of the Share Open Offer. The Open Offers will strengthen the Company's capital base and enhance its financial position. The Open Offers will also provide the Qualifying Shareholders and the Qualifying CPS Holders with an opportunity to maintain their respective pro rata equity interests 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 Directors consider that the Open Offers are in the interests of the Group and the Shareholders as a whole.

FINANCIAL AND TRADING PROSPECT OF THE GROUP

The Group is principally engaged in (i) provision of tree felling services; (ii) sustainable forest management; (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; and (v) property investment.

As disclosed in the Company's interim report for the six months ended 30 September 2013 (the "**2013 Interim Report**"), all of the Group's revenue was derived from sales of timber products to customers in the PRC. Nevertheless, as the slowdown of the PRC's economy and real estate sector continued, the demand for the Group's timber products remained sluggish. Accordingly, the Group's revenue decreased from around HK\$47.5 million for the six months ended 30 September 2012 to approximately HK\$26.5 million for the six months ended 30 September 2013, represented a decrease of approximately 44.2%.

LETTER FROM THE BOARD

It was also stated in the 2013 Interim Report that the business environment continued to be difficult for the Group in Brazil. On 27 March 2012, the board decided to suspend harvesting operations in Acre, Brazil until the operating environment for its Brazilian subsidiary improves. For the six months ended 30 September 2013, Acre's operations remained suspended.

As stated in the 2013 Interim Report, the Company expected that the uncertain market conditions and poor demand for timber products continued to affect the Group's near term outlook. The Group will continue to control its expenses and look for new business opportunities to enhance the income stream and to restore Shareholders' value.

As disclosed in the announcement of the Company dated 11 January 2013 and the prospectus of the Company dated 11 April 2013 in relation to March Open Offers, the Company entered into a non-binding memorandum of understanding with a potential seller on 10 January 2013 relating to the grant of an exclusive right by the potential seller to the Company to proceed with a possible acquisition of a property management company in Guangzhou, the PRC (the "**Possible Acquisition**"). However, no formal agreement had been reached by the parties before the expiry of the memorandum of understanding on 10 July 2013 and accordingly, the memorandum of understanding has lapsed and the Possible Acquisition did not proceed.

On 5 December 2013, the Company announced the acquisition of a 95% equity interest in Travel Inn Limited completion of which took place on 18 February 2014 in accordance with the terms and conditions of the Sale and Purchase Agreement. Upon completion of the acquisition, Travel Inn Limited has become a 95% owned subsidiary of the Company, and the financial results and assets and liabilities of Travel Inn Limited have been consolidated into the financial statements of the Group. Travel Inn Limited is a licensed travel agent under the Travel Agents Ordinance of Hong Kong and is principally engaged in the provision of travel packages, including but not limited to airline ticketing, hotel and accommodation bookings, cruise holidays and other transportation arrangements, to retail customers in Hong Kong. Despite the keen competition in the market, the sale performance of the Group's travel business from the retail customers has remained stable following completion of the Sale and Purchase Agreement on 18 February 2014. The Company is positive about the outlook of travel industry in Hong Kong and will put efforts and resources in maintaining the operation of the Group's travel business.

In addition, the Company acquired the entire equity interest in Good Magic Limited, an investment holding company which holds 3 residential properties (the "**Properties**") in Hong Kong. The Properties are currently leased out to 3 different tenants who are third parties independent to the Company. The tenancy agreements on the Properties are expiring on 14 May 2014, 4 June 2015 and 30 April 2015 respectively, and the aggregate monthly rentals receivable from the lease of the Properties are HK\$53,600.

The acquisitions of Travel Inn Limited and Good Magic Limited enable the Company to diversify into the businesses of licensed travel agent under the Travel Agents Ordinance and property investment and broaden the income base of the Group.

LETTER FROM THE BOARD

The Group will continue to devote its resources in the operation of travel agent business and property investment business. At the same time, the Group will also continue to identify new business opportunities with the view to diversify its business portfolio and improve Shareholders' value. The Company will give priority to consider investment opportunity(ies) that can provide the Group with a stable revenue stream as and when suitable opportunities arise.

PREVIOUS FUND RAISING EXERCISES OF THE COMPANY

Reference is made to the announcement of the Company dated 21 February 2013 in relation to the February Open Offers which were subsequently terminated on 18 March 2013. As a result of the termination, the Company has not raised any funds from the February Open Offers.

In addition, with reference to the announcements of the Company dated 18 March 2013 and 6 May 2013, respectively, the Company has completed the March Open Offers and raised gross proceeds of approximately HK\$65.3 million.

As stated in the Prospectus of the Company dated 11 April 2013, the Company intended to apply the net proceeds of approximately HK\$60.8 million from the March Open Offers as to (i) 20% (approximately HK\$12.2 million) for the general working capital of the Group such as daily operations of the Group; (ii) 60% (approximately HK\$36.4 million) for partial repayment of the indebtedness of the Group; and (iii) 20% (approximately HK\$12.2 million) for investments in new business should any suitable opportunities arise. As at the Latest Practicable Date, approximately HK\$44.0 million has been utilised for repayment of the indebtedness of the Group (the deviation from the intended amount of HK\$36.4 million was due to the full repayment on 8 May 2013 of a loan that bore interest of 18% per annum. Due to the low interest rate environment in 2013, the Board considers that it is in the interest of the Company to apply available funding to fully settle such high interest-bearing loan), approximately HK\$1.2 million has been utilised for the acquisition of a 95% equity interest in Travel Inn Limited (details of such acquisition are set out in the Company's announcement dated 5 December 2013), approximately HK\$0.4 million has been utilised for the acquisition of the entire equity interest in Good Magic Limited which holds 3 residential properties in Hong Kong in January 2014, approximately HK\$5.9 million has been utilised for general working capital of the Group and the rest of the net proceeds of approximately HK\$9.3 million are intended to be utilised as the general working capital of the Group such as daily operations of the Group.

Furthermore, reference is also made to the announcement of the Company dated 5 July 2013 in relation to the July Open Offers which was subsequently terminated on 23 August 2013. As a result of the termination, the Company has not raised any funds from the July Open Offers.

Save for the aforesaid, the Company did not conduct other fund raising activity in the past 12 months immediately preceding the Latest Practicable Date.

LETTER FROM THE BOARD

ADJUSTMENTS TO THE CONVERTIBLE SECURITIES

As at the Latest Practicable Date, the Company had 28,192,819 outstanding Share Options and 182,788,942 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.

SUBSTANTIAL SHAREHOLDERS AND THEIR ENTITLEMENTS

As at the Latest Practicable Date, the Board had not received any information from any substantial Shareholders regarding their intention to accept or forfeit their entitlements under the Open Offers.

FURTHER INFORMATION

Your attention is drawn to the financial and general information set out in the appendices to the Prospectus.

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

1. FINANCIAL INFORMATION INCORPORATED BY REFERENCE

Financial information of the Group for the three years ended 31 March 2011, 2012 and 2013 and the six months ended 30 September 2013 are disclosed in the annual report of the Company for the year ended 31 March 2011 (pages 66 to 190) (<http://www.hkexnews.hk/listedco/listconews/SEHK/2011/0715/LTN20110715246.pdf>), the annual report of the Company for the year ended 31 March 2012 (pages 43 to 187) (<http://www.hkexnews.hk/listedco/listconews/SEHK/2012/1221/LTN20121221806.pdf>), the annual report of the Company for the year ended 31 March 2013 (pages 39 to 179) (<http://www.hkexnews.hk/listedco/listconews/SEHK/2013/0719/LTN20130719189.pdf>) as well as the 2013 interim report (pages 8 to 53) (<http://www.hkexnews.hk/listedco/listconews/SEHK/2013/1210/LTN20131210160.pdf>), respectively, of the Company, which are also published on the Company's designated website (<http://www.susfor.com>).

2. INDEBTEDNESS STATEMENT**(a) Borrowing**

At the close of business on 28 February 2014, being the latest practicable date for the purpose of this indebtedness statement prior to the printing of the Prospectus, the Group had total borrowing of approximately HK\$49,386,000, comprising accrued interest of HK\$4,046,000 for a loan facility from an independent third party, promissory notes of HK\$6,771,000 from a substantial shareholder, secured bank loans of HK\$13,274,000, a loan from a director of subsidiary of HK\$1,313,000, a loan from an independent third party of HK\$11,104,000 and interest bearing loans from shareholders of HK\$12,878,000.

(b) Security and guarantees

As at the close of business on 28 February 2014, the Group's accrued interest of HK\$4,046,000 was secured by the entire issued share capital of a wholly-owned subsidiary. The secured bank loans were secured by the investment properties and certain property, plant and equipment of the Group.

(c) Commitment

As the close of business on 28 February 2014, the Group had total future minimum lease payments under non-cancelable operating leases in respect of rented premises amounting to approximately HK\$547,000.

(d) Contingent liabilities

On 18 July 2011, a subsidiary of the Group entered into an agreement (the “**Agreement**”) with R2R Indústria e Comércio de Produtos Florestais Ltda. (“**R2R**”). Under the Agreement, the subsidiary will harvest logs on forest area supposedly owned by R2R under a sustainable forest management plan and pay R2R a total of R\$9,602,000 (equivalent to approximately HK\$41.0 million) by installments. R2R was responsible to obtain the necessary harvesting permit (“**AUTEF**”) within 30 days of the Agreement. R2R was late in presenting the AUTEF to the subsidiary and failed to produce documentations that support its ownership of the subject forest area. In addition, the subsidiary’s harvesting team discovered various environmental crimes in the subject forest area during its preparatory inspection. A total sum of R\$840,000 (equivalent to approximately HK\$3,869,000) was paid by the subsidiary under the Agreement while the remaining balance was withheld due to the above breach and irregularities. In the meantime, R2R sent various notices demanding for performance under the Agreement. On 17 January 2012, the subsidiary served a termination notice to R2R and demanded for the return of the deposits paid. On 23 February 2012, R2R sent the subsidiary an amicable settlement offer where reducing the outstanding balance to R\$1,621,000 (equivalent to approximately HK\$6,910,000) as final settlement for the immediate termination of the Agreement.

(e) Litigations

In the land search of the freehold lands of a subsidiary, it revealed that F Um Terraplanagem (“**Terraplanagem**”) submitted a claim to a court against the subsidiary to pay for alleged outstanding service fee of approximately R\$1,300,000 (equivalent to approximately HK\$4,511,000) and filed a precautionary injunction to prevent the subsidiary of selling its freehold lands without properly paying possible claim to itself. At the moment, the subsidiary did not receive any writ from the court in due course. According to some preliminary information, the court hearing has not yet been scheduled. The subsidiary will investigate the issue and defend itself vigorously in the legal proceeding.

In the land search of the freehold lands of the subsidiary, it also revealed that a labour claim against the subsidiary for approximately R\$1,100,000 (equivalent to approximately HK\$3,817,000) and a precautionary injunction to prevent the subsidiary of selling its freehold lands without properly paying possible claim was filed by Leandro Dos Martires Guerra (“**Leandro**”), a former director of the Company. At the moment, the subsidiary did not receive any writ from the court in due course. According to some preliminary information, the court made an order to the subsidy for paying Leandro the claim of R\$1,100,000 (equivalent to approximately HK\$3,817,000). The subsidiary will investigate the issue and is consulting legal counsels for legal appeal.

On 19 July 2010, a subsidiary of the Company entered into a logistical agreement and a long-term supply agreement with Viewscm Corporation Ltd. (“**Viewscm**”). According to the logistical agreement, Viewscm was appointed as the sole logistics service provider to the subsidiary for export of logs and timbers from hydroelectric power plant area in the state of Rondonia, Brazil to China. However, after Viewscm formulated the logistic plan under the logistical agreement, the proposed transportation cost from Viewscm did not meet the target cost of the subsidiary. Thus, the subsidiary did not use any logistics service by Viewscm. Also, according to the long-term supply agreement, the subsidiary would sell logs to Viewscm in Brazil and the origin of the logs should be from the hydroelectric power plant area. The Group was engaged by a main contractor to provide tree felling service in the hydroelectric power plant area. The relationship with the main contractor deteriorated since occurrence of the harassments from an alleged agent of the main contractor and operating staff and officers of our Group were rejected access to the hydroelectric power plant area. As such, the subsidiary could not sell any logs to Viewscm.

Viewscm asserted claims against the subsidiary by reason of the alleged breaches of the logistical agreement and long-term supply agreement by the subsidiary. The alleged breaches of the logistical agreement and long-term supply agreement were dealt with under arbitration proceedings which hearings were held at South China International Economic and Trade Arbitration Commission and Shenzhen Arbitration Commission respectively. On 20 March 2013, South China International Economic and Trade Arbitration Commission issued an award of approximately RMB784,000 (equivalent to approximately HK\$991,000) in favour of Viewscm for the alleged breach of logistical agreement by the subsidiary and on 12 April 2013, Shenzhen Arbitration Commission issued an award of approximately RMB703,000 (equivalent to approximately HK\$888,000) in favour of Viewscm for the alleged breach of long-term supply agreement by the subsidiary.

On 19 September 2013, the subsidiary received two court orders for the enforcement of arbitration awards issued by South China International Economic and Trade Arbitration Commission and Shenzhen Arbitration Commission totaling approximately RMB1,487,000 (equivalent to approximately HK\$1,879,000) and related legal expenses in favour of Viewscm.

(f) Disclaimers

Save as aforesaid and apart from intra-group liabilities and normal trade payables in the ordinary course of business, as at the close of business on 28 February 2014, the Group did not have any debt securities issued and outstanding or agreed to be issued, bank overdrafts, loans or other similar indebtedness, liabilities under acceptances (other than normal trade bills) or acceptance credits, mortgages, charges, finance leases or hire purchase commitments, guarantees or other material contingent liabilities.

The Directors confirmed that no material changes in the indebtedness and contingent liabilities of the Group since 28 February 2014 up to and including the Latest Practicable Date.

3. WORKING CAPITAL

The Directors are of the opinion that after taking into account the present internal financial resources of the Group, the currently available banking facilities and the estimated net proceeds from the Open Offers, the Group has sufficient working capital for its present requirements for at least the next 12 months from the date of the Prospectus.

4. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors were not aware of any material adverse change in the financial or trading position of the Group since 31 March 2013, being the date to which the latest audited consolidated financial statements of the Group were made up.

(A) UNAUDITED PRO FORMA STATEMENT OF ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS OF THE GROUP

The following is the unaudited pro forma statement of adjusted consolidated net tangible assets (the “Unaudited Pro Forma Financial Information”) of the Group prepared in accordance with Rule 4.29 of the Listing Rules for the purpose of illustrating the effect of the Open Offers on the unaudited consolidated net tangible assets of the Group as if the Open Offers had been completed on 30 September 2013.

The Unaudited Pro Forma Financial Information of the Group has been prepared for illustrative purpose only, based on the judgements, estimates and assumptions of the Directors, and because of its nature, it may not give a true picture of the financial position of the Group upon Completion.

The Unaudited Pro Forma Financial Information of the Group is prepared based on the unaudited consolidated net tangible assets attributable to equity holders of the Company as at 30 September 2013, as extracted from the published interim report of the Company as of 30 September 2013 and the adjustments described below.

Unaudited consolidated net tangible assets attributable to equity holders of the Company as at 30 September 2013	Estimated net proceeds from the Open Offers	Unaudited pro forma adjusted consolidated net tangible assets attributable to equity holder of the Company upon Completion	Unaudited consolidated net tangible assets attributable to equity holders of the Company per Share as at 30 September 2013	Unaudited consolidated net tangible assets attributable to equity holders of the Company per Share upon Completion
<i>HK\$'000</i> <i>(Note 1)</i>	<i>HK\$'000</i> <i>(Note 2)</i>	<i>HK\$'000</i>	<i>HK cents</i> <i>(Note 3)</i>	<i>HK cents</i> <i>(Note 4)</i>
Based on 139,179,601 Offer Shares and 150,867,613 Offer CPS to be issued				
174,234	42,595	216,829	12.52	9.74

Notes:

1. This represented the unaudited consolidated net assets attributable to equity holders of the Company of HK\$476,352,000 less goodwill of HK\$302,118,000 which are extracted from the unaudited consolidated statement of finance position of the Group as at 30 September 2013.
2. The estimated net proceeds from the Open Offers of approximately HK\$42.6 million are based on 139,179,601 Offer Shares and 150,867,613 Offer CPS to be issued at the subscription prices of HK\$0.32 and HK\$0.01 per Offer Share and Offer CPS respectively and after deducting the estimated issuing expenses of approximately HK\$3.5 million.
3. The unaudited consolidated net tangible assets attributable to equity holders of the Company per Share of approximately HK12.52 cents is calculated based on 1,391,694,973 Shares in issue as at 30 September 2013.
4. The unaudited pro forma adjusted consolidated net tangible assets attributable to equity holders of the Company per Share upon Completion of approximately HK9.74 cents is arrived at after the adjustment referred to in note 2 above and on the basis of 2,226,873,619 Shares expected to be in issue upon Completion, comprising 1,391,796,013 Shares in issue as at the Record Date and 139,179,601 Offer Shares and 695,898,005 Bonus Shares (as mentioned in the paragraph headed "Issue Statistics of Share Open Offer" in the "Letter from the Board") to be issued pursuant to the Open Offers.
5. No adjustment has been made to reflect any trading results or other transactions of the Group entered into subsequent to 30 September 2013.

**(B) REPORT ON THE UNAUDITED PRO FORMA STATEMENT OF ADJUSTED
CONSOLIDATED NET TANGIBLE ASSETS OF THE GROUP**

The following is the text of a report received from Crowe Horwath, certified public accountants, in respect of the unaudited pro forma financial information of the Group for the purpose of inclusion in the Prospectus.



國富浩華(香港)會計師事務所有限公司
Member Crowe Horwath International

9/F, Leighton Centre,
77 Leighton Road,
Causeway Bay, Hong Kong

The Board of Directors
Sustainable Forest Holdings Limited

16 April 2014

Dear Sirs

We report on the unaudited pro forma adjusted consolidated net tangible assets (the “Unaudited Pro Forma Financial Information”) of Sustainable Forest Holdings Limited (the “Company”) and its subsidiaries (collectively referred to as the “Group”), set out in Appendix II to the prospectus dated 16 April 2014 (the “Prospectus”) in connection with (I) the proposed share open offer on the basis of one offer share for every ten shares held on the record date with share bonus issue on the basis of five bonus shares for every offer share subscribed and (II) the proposed convertible preferred share (“CPS”) open offer on the basis of one offer CPS for every ten CPS held on the record date with CPS bonus issue on the basis of five bonus CPS for every offer CPS subscribed (the “Open Offer”). The Unaudited Pro Forma financial information of the Group has been prepared by the directors of the Company, for illustrative purposes only, to provide information about how the Open Offer might have affected the unaudited consolidated net tangible assets of the Group as if the Open Offer had been taken place at 30 September 2013. The basis of preparation of the Unaudited Pro Forma Financial Information is set out in Appendix II to the Prospectus.

**RESPECTIVE RESPONSIBILITIES OF DIRECTORS OF THE COMPANY AND
REPORTING ACCOUNTANTS**

It is the responsibility solely of the directors of the Company to prepare the Unaudited Pro Forma Financial Information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”) and with reference to Accounting Guideline 7 “Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars” issued by the Hong Kong Institute of Certified Public Accountants.

It is our responsibility to form an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the Unaudited Pro Forma Financial Information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the Unaudited Pro Forma Financial Information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

BASIS OF OPINION

We conducted our engagement in accordance with Hong Kong Standard on Investment Circular Reporting Engagement 300 “Accountants’ Reports on Pro Forma Financial Information in Investment Circulars” issued by the Hong Kong Institute of Certified Public Accountants. Our work consisted primarily of comparing the unadjusted financial information with source documents, considering the evidence supporting the adjustments and discussing the Unaudited Pro Forma Financial Information with the directors of the Company. This engagement did not involve independent examination of any of the underlying financial information.

We planned and performed our work so as to obtain the information and explanations we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the Unaudited Pro Forma Financial Information has been properly compiled by the directors of the Company on the basis stated, that such basis is consistent with the accounting policies of the Group and that the adjustments are appropriate for the purposes of the Unaudited Pro Forma Financial Information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

The Unaudited Pro Forma Financial Information is for illustrative purposes only, based on the judgements and assumptions of the directors of the Company, and, because of its hypothetical nature, does not provide any assurance or indication that any event will take place in the future and may not be indicative of the unaudited financial position of the Group as at 30 September 2013 or any future dates.

OPINION

In our opinion:

- (a) the Unaudited Pro Forma Financial Information has been properly compiled by the directors of the Company on the basis stated;
- (b) such basis is consistent with the accounting policies of the Group; and
- (c) the adjustments are appropriate for the purposes of the Unaudited Pro Forma Financial Information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

Crowe Horwath (HK) CPA Limited

Certified Public Accountants

Hong Kong

Alvin Yeung Sik Hung

Practising Certificate Number P05206

1. RESPONSIBILITY STATEMENT

The Prospectus, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the issuer. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in the Prospectus is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or the Prospectus misleading.

2. SHARE CAPITAL

The authorised and issued share capital of the Company as at the Latest Practicable Date and upon Completion were as follows:

<i>Authorised:</i>		<i>HK\$</i>
<u>30,000,000,000</u>	Shares	<u>300,000,000</u>
<u>27,534,000,000</u>	CPS	<u>275,340,000</u>
<i>Issued and fully paid Shares:</i>		
1,391,796,013	Shares as at the Latest Practicable Date	13,917,960.13
<u>835,077,606</u>	Offer Shares and Bonus Shares to be issued upon Completion	<u>8,350,776.06</u>
<u>2,226,873,619</u>	Total issued Shares upon Completion	<u>22,268,736.19</u>
<i>Issued and fully paid CPS:</i>		
1,508,676,131	CPS as at the Latest Practicable Date	15,086,761.31
<u>905,205,678</u>	Offer CPS and Bonus CPS to be issued upon Completion	<u>9,052,056.78</u>
<u>2,413,881,809</u>	Total issued CPS upon Completion	<u>24,138,818.09</u>

The certificates of the Offer Shares, Bonus Shares, Offer CPS and Bonus CPS, if issued, will be the definitive document of title.

As at the Latest Practicable Date, the Company had 28,192,819 outstanding Options entitling holders thereof to subscribe for 28,192,819 Shares; 187,788,942 outstanding Share Warrants entitling holder thereof to subscribe for 187,788,942 Shares; 215,525,161 CPS Warrants entitling holder thereof to subscribe for 215,525,161 CPS and 1,508,676,131 CPS in issue. Save as disclosed above, the Company did not have any other outstanding derivatives, options, warrants and conversion rights or similar rights or securities in issue which are convertible or exchangeable into Shares or Offer Shares.

The Shares in issue are listed on the Stock Exchange. No part of the share capital or any other securities of the Company is listed or dealt in on any stock exchange and no application is being made or is currently proposed or sought for the Shares or any other securities of the Company to be listed or dealt in on any other stock exchange.

As at the Latest Practicable Date, no capital of any member of the Group was under option, or agreed conditionally or unconditionally to be put under option.

There is no arrangement under which future dividends are waived or agree to be waived.

3. DISCLOSURE OF INTEREST

(a) Directors' interests in Shares, CPS, Share Options, Share Warrants and CPS Warrants

Save as disclosed below, none of the Directors or chief executive of the Company had, as at the Latest Practicable Date, any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which would have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), or which were recorded in the register required to be kept by the Company under Section 352 of the SFO, or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies of the Listing Rules.

Name of Director	Capacity and nature of interest	Number and nature of interests
Ms. Zhou (<i>Note 1</i>)	beneficial owner	13,879,311 Share Options 170,893,099 Share Warrants 215,525,161 CPS Warrants
Mr. Mung Wai Ming (<i>Note 2</i>)	beneficial owner	13,879,311 Share Options

Notes:

- Ms. Zhou is the chairman and an executive Director of the Company. As at the Latest Practicable Date, Ms. Zhou is interested in 13,879,311 Share Options, 170,893,099 Share Warrants and 215,525,161 CPS Warrants (convertible into 215,525,161 CPS), which are convertible into 13,879,311 Shares, 170,893,099 Shares and 6,735,161 Shares respectively.
- Mr. Mung Wai Ming is an executive Director. As at the Latest Practicable Date, Mr. Mung Wai Ming is interested in 13,879,311 Share Options, which are convertible into 13,879,311 Shares.

(b) Substantial Shareholders

So far as is known to any Director or chief executive of the Company, as at the Latest Practicable Date, Shareholders (other than Directors or chief executives of the Company), who had interest or short positions in the Shares and underlying Shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, who were, directly or indirectly, interested in ten per cent or more of the nominal value of any class of Share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group and the amount of each of such person's interest in such securities, together with particulars of any options in respect of such capital were as follows:

Long positions of substantial shareholders in the Shares

Name of Shareholder	Capacity and nature of interest	Number and class of Shares and underlying Shares	Aggregate percentage of interest as at the Latest Practicable Date
Loh Jiah Yee, Katherine ("Ms. Loh") (Note 1)	Beneficial owner/Interest of controlled corporation	323,712,343	23.26
Mr. Lau Jack ("Mr. Lau") (Note 2)	Interest of spouse	323,712,343	23.26
Assure Gain International Limited ("Assure Gain") (Note 1)	Beneficial owner/Interest of controlled corporation	314,067,736	22.57
Expert Plan Limited (note 3)	Beneficial owner	177,628,260	12.76
Ho Ka Kui, Boniface ("Mr. Ho") (note 4)	Interest in controlled corporation	177,628,260	12.76
Ocean Honor Limited ("Ocean Honor") (note 5)	Beneficial owner	695,796,804	49.99
Chan Yuen Ming ("Mr. Chan") (note 6)	Interest in controlled corporation	695,796,804	49.99
Head & Shoulders Securities Limited ("Head & Shoulders") (note 7)	Beneficial owner	298,198,632	21.43

Name of Shareholder	Capacity and nature of interest	Number and class of Shares and underlying Shares	Aggregate percentage of interest as at the Latest Practicable Date
Cheung Fung Kuen, Maggie ("Ms. Cheung") (note 8)	Interest in controlled corporation	298,198,632	21.43
Choi Chiu Fai, Stanley ("Mr. Choi") (note 9)	Interest in controlled corporation	298,198,632	21.43

Notes:

- Ms. Loh was beneficially interested in 100% of the issued share capital of Assure Gain, which held 100% of the issued share capital of Winner Global Holdings Limited ("Winner Global") and Splendid Asset Holdings Limited ("Splendid Asset") respectively. Ms. Loh was also beneficially interested in 50% of the issued share capital of Corp Insights Holdings Inc. ("Corp Insights") held through Corporate Insights Limited. Assure Gain was the registered holder of 186,127,058 Shares and 621,346,723 CPS of the Company convertible into 19,417,085 underlying Shares; Winner Global was the registered holder of 53,340,183 Shares; Splendid Asset was the registered holder of 55,183,410 Shares; and Corp Insights was the registered holder of 308,627,424 CPS convertible into 9,644,607 underlying Shares. Under Part XV of the SFO, Ms. Loh was therefore deemed to have interests in 294,650,651 Shares and 29,061,692 underlying Shares upon conversion of the CPS in which Assure Gain, Winner Global, Splendid Asset and Corp Insights were interested.
- Mr. Lau, being the spouse of Ms. Loh, was deemed to have an interest in the same parcel of the Shares and underlying Shares in which Ms. Loh was interested under Part XV of the SFO.
- Expert Plan Limited was interested in 170,893,099 Shares and 6,735,161 underlying Shares upon conversion of 215,525,161 CPS.
- Mr. Ho was beneficially interested in 100% of the issued share capital of Expert Plan Limited. Under Part XV of the SFO, Mr. Ho was therefore deemed to have interests in 170,893,099 Shares and 6,735,161 underlying Shares upon conversion of 215,525,161 CPS in which Expert Plan Limited was interested.
- Pursuant to the Underwriting Agreement, Ocean Honor was interested in 695,796,804 Shares.
- Mr. Chan was beneficially interested in 100% of the issued share capital of Ocean Honor. Under Part XV of the SFO, Mr. Chan was therefore deemed to have interests in 695,796,804 Shares.
- Pursuant to the Underwriting Agreement, Head & Shoulders was interested in 298,198,632 Shares.

8. Ms. Cheung was beneficially interested in 50% of the issued share capital of Grand Rich Limited, which holds 100% interest in the issued share capital of Master Gold Limited. Head & Shoulders is directly and wholly owned by Master Gold Limited. Under Part XV of the SFO, Ms. Cheung was therefore deemed to have interests in 298,198,632 Shares in which Head & Shoulders was interested.
9. Mr. Choi was beneficially interested in 50% of the issued share capital of Grand Rich Limited, which holds 100% interest in the issued share capital of Master Gold Limited. Head & Shoulders is directly and wholly owned by Master Gold Limited. Under Part XV of the SFO, Mr. Choi was therefore deemed to have interests in 298,198,632 Shares in which Head & Shoulders was interested.

Save as disclosed above, as at the Latest Practicable Date, the Company had not been notified by any persons (other than Directors or Chief Executive of the Company) who had interests or short positions in the Shares or underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO.

(c) Directors' Interests in contracts and assets

As at the Latest Practicable Date, none of the Directors had materially interested in contract or arrangement subsisting which is significant in relation to the business of the Group.

As at the Latest Practicable Date, none of the Directors had any direct or indirect interest in any assets acquired or disposed of by or leased to any member of the Group or was proposed to be acquired or disposed of by or leased to any member of the Group since 31 March 2013, being the date to which the latest published audited financial statements of the Company were made up.

(d) Directors' competing interests

As at the Latest Practicable Date, none of the Directors or proposed Directors or their respective associates had any interest in any business which competes or may compete, either directly or indirectly, with the business of the Group or has or may have any other conflicts of interest with the Group pursuant to the Listing Rules.

4. LITIGATION

Saved as disclosed in the sub-paragraph headed "(e) Litigation" under the paragraph headed "2. Indebtedness Statement" set out in Appendix I of the Prospectus, neither the Company or any of its subsidiaries was engaged in any material litigation, arbitration or claims and, so far as the Directors were aware, no material litigation or claims were pending or threatened by or against any member of the Group as at the Latest Practicable Date.

5. SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had entered into any service contracts with any member of the Group which cannot be terminated by the Company within one year without payment of compensation.

6. EXPERT AND CONSENT

The following is the qualification of the expert who has given opinion and advice, which are contained in the Prospectus:

Name	Qualifications
Crowe Horwath (HK) CPA Limited	Certified Public Accountants

Crowe Horwath (HK) CPA Limited has given and has not withdrawn its written consent to the issue of the Prospectus with the inclusion of its report and references to its name in the form and context in which it appears. As at the Latest Practicable Date, Crowe Horwath (HK) CPA Limited:

- (i) did not have any shareholding in any member of the Group and did not have any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group; and
- (ii) did not have any direct or indirect interest in any assets which have been, since 31 March 2013 (being the date to which the latest published audited consolidated financial statements of the Group were made up), acquired or disposed of by or leased to any member of the Group, or are proposed to be acquired or disposed of by or leased to any member of the Group.

7. MATERIAL CONTRACTS

The following contracts (not being contracts in the ordinary course of business) have been entered into by the members of the Group within the two years immediately preceding the Latest Practicable Date:

- (i) the Underwriting Agreement;
- (ii) the sale and purchase agreement dated 29 January 2014 and entered into between Applause Global Limited (a wholly-owned subsidiary of the Company, as the purchaser) and Mr. You Xiaofei (as the vendor) in relation to the acquisition by Applause Global Limited the entire equity interest of Good Magic Limited at the consideration of HK\$370,000;
- (iii) the Sale and Purchase Agreement;

- (iv) the deed of termination dated 23 August 2013 and entered into between the Company and the 2013 July Underwriters in relation to the termination of the 2013 July Underwriting Agreement by mutual agreement;
- (v) the underwriting agreement dated 5 July 2013 and entered into among the Company Ocean Honor Limited and China Galaxy International Securities (Hong Kong) Co., Limited pursuant to which Ocean Honor Limited and China Galaxy International Securities (Hong Kong) Co., Limited (the “**2013 July Underwriters**”) agreed to underwrite not less than 114,826,106 offer shares of the Company and not more than 135,741,703 offer shares of the Company and not more than 143,683,441 offer CPS of the Company (the “**2013 July Underwriting Agreement**”);
- (vi) the underwriting agreement dated 18 March 2013 and entered into between the Company and Expert Plan Limited pursuant to which Expert Plan Limited agreed to underwrite not less than 1,180,938,718 offer shares of the Company and not more than 1,227,737,503 offer Shares of the Company and not more than 215,525,161 offer CPS of the Company; and
- (vii) (a) a disposal agreement dated 6 October 2011 and entered into between a subsidiary of the Group and Source Bright Limited in relation to the disposal of the entire issued share capital of Ally Rise Limited at a consideration of HK\$208,000,000. The consideration shall be paid as to HK\$10,400,000 upon completion and the balance of HK\$197,600,000 shall be payable to the subsidiary of the Group within 9 months upon completion; (b) a supplemental agreement dated 30 December 2011 and entered into between the subsidiary of the Group and Source Bright Limited. Pursuant to the supplemental agreement, the long stop date regarding the completion of the Disposal was extended from 31 December 2011 to 31 March 2012; (c) a second supplemental agreement dated 30 March 2012 and entered into between the subsidiary of the Group and Source Bright Limited prior to the completion of the disposal. Pursuant to the second supplemental agreement, the entire amount of the consideration shall be paid in one lump sum payment within 9 months upon completion in cash or by way of other mode of settlement as may be agreed between the parties; (d) the completion of the disposal took place on 30 March 2012. Upon Completion, as a security for payment of the consideration and other obligations on the part of Source Bright Limited under the disposal agreement, Source Bright Limited executed a share charge in relation to the charge of the entire issued share capital of Ally Rise Limited in favor of the subsidiary of the Group; (e) a third supplemental agreement dated 17 April 2012 and entered into between the subsidiary of the Group and Source Bright Limited. Pursuant to the third supplemental agreement, the consideration shall be paid in one lump sum payment within 9 months upon completion in cash; and (f) a fourth supplemental agreement dated 18 December 2012 and entered into between the subsidiary of the Group and Source Bright Limited. Pursuant to the fourth supplemental agreement, the consideration shall be paid in one lump sum payment within 12 months upon completion in cash. In addition, Source Bright Limited shall pay interest equivalent to 9.25% p.a. calculated based on the consideration from the date of the fourth supplemental agreement until the consideration is settled in full.

8. PARTIES INVOLVED IN THE OPEN OFFERS AND CORPORATE INFORMATION

Head office and principal place of Business in Hong Kong	Suites No. 302-305 3rd Floor, Sino Plaza 255-257 Gloucester Road Causeway Bay Hong Kong
Registered office	Clarendon House 2 Church Street Hamilton HM11 Bermuda
Underwriters	Ocean Honor Limited Head & Shoulders Securities Limited
Auditors	Crowe Horwath (HK) CPA Limited 9/F, Leighton Centre 77 Leighton Road Causeway Bay Hong Kong
Legal advisers	<i>As to Hong Kong law:</i> Robertsons 57/F The Center 99 Queen's Road Central Hong Kong <i>As to Bermuda and BVI laws:</i> Conyers Dill & Pearman 2901 One Exchange Square 8 Connaught Place Central Hong Kong

Principal bankers	Bank of Communications Co., Ltd. Hong Kong Branch 20 Pedder Street Central Hong Kong
	The Hongkong and Shanghai Banking Corporation Limited 1 Queen's Road Central Central Hong Kong
	Shanghai Commercial Bank Ltd. No. 666 Nathan Road Mongkok Kowloon Hong Kong
Hong Kong branch share registrar and transfer office	Tricor Tengis Limited Level 22 Hopewell Centre 183 Queen's Road East Hong Kong
Authorised representatives	Ms. Zhou Jing Suites No. 302-305 3rd Floor, Sino Plaza 255-257 Gloucester Road Causeway Bay Hong Kong
	Mr. Cheng Chun Shing Suites No. 302-305 3rd Floor, Sino Plaza 255-257 Gloucester Road Causeway Bay Hong Kong

9. DIRECTORS AND SENIOR MANAGEMENT**Executive Directors*****Ms. ZHOU Jing***

Ms. ZHOU Jing, aged 38, joined the Group in January 2013 as an Executive Director and a member of the executive committee (“Executive Committee”) of the Board of the Company and subsequently she was appointed as the Chairman of the Board of the Company and acted as the chairman of the Executive Committee. Ms. Zhou graduated from a university in the PRC with a bachelor’s degree majoring in accounting and was awarded with Certified Public Accountant qualification in the PRC in 2002. She worked in an imports and exports company responsible for foreign trade accounting and has also joined an accountant firm as a shareholder and carries out her duties in auditing and asset valuation. Ms. Zhou has more than 10 years’ experience in international trade accounting and corporate financial management. Ms. Zhou is also an independent non-executive director of Perception Digital Holdings Limited (stock code: 1822). Ms. Zhou was an executive director of Yun Sky Chemical (International) Holdings Limited (currently known as King Stone Energy Group Limited) (stock code: 663), and resigned in February 2010. Save as disclosed above, Ms. Zhou did not hold any other directorships in any other publicly listed companies in the last three years and does not have any relationship with any other Directors, senior management or substantial or controlling shareholders of the Company. Ms. Zhou is not a director or employee of a company which has an interest in the Shares and underlying Shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO.

Mr. MUNG Wai Ming

Mr. MUNG Wai Ming, aged 49, joined the Group in January 2013 as an Executive Director and a member of the Executive Committee. Mr. Mung has more than 20 years' experience in property and car park management. He has accumulated extensive concept in the operation management from his operation in different industries. Mr. Mung worked in various industries including property trading, financing, wedding witnesses, club management, car park operation and foot massage etc. Mr. Mung is the chairman of Eli Car Park Ltd. and director of Pure Massage Group Ltd and is also an executive director of Perception Digital Holdings Limited (stock code: 1822). He devotes himself in charity and was elected as the member of the sixth standing committee of the Overseas Congress of Yue Xiu District of Guangzhou, member of the forth standing committee of the Overseas Congress of Qingxin District of Qingyuan, member of Friends of Qing Yuan Association (H.K.) Ltd. and founding chairman of International Industry and Commerce Experts Association Ltd. Save as disclosed above, Mr. Mung did not hold any other directorships in any other publicly listed companies in the last three years and does not have any relationship with any other Directors, senior management or substantial or controlling shareholders of the Company. Mr. Mung is not a director or employee of a company which has an interest in the Shares and underlying Shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO.

Independent Non-Executive Directors***Mr. William Keith JACOBSEN***

Mr. William Keith JACOBSEN, aged 46, joined the Group in January 2013 as an Independent Non-Executive Director. He is also the chairman and a member of each of the audit committee ("Audit Committee"), the remuneration committee ("Remuneration Committee") and the nomination committee ("Nomination Committee") of the Board of the Company. Mr. Jacobsen is the managing director of a licensed corporation to advise on corporate finance matters. He has more than 20 years of experience in corporate finance and business development. Mr. Jacobsen is an executive director of Auto Italia Holdings Limited (formerly known as Wo Kee Hong (Holdings) Limited, stock code: 720) and is also an independent non-executive director of HyComm Wireless Limited (stock code: 499), abc Multiactive Limited (stock code: 8131), China Financial Leasing Group Limited (stock code: 2312) and Perception Digital Holdings Limited (stock code: 1822). He was also an independent non-executive director of King Stone Energy Group Limited (stock code: 663) for the period from 26 September 2008 to 30 September 2011. Save as disclosed above, Mr. Jacobsen did not hold any other directorships in any other publicly listed companies in the last three years and does not have any relationship with any other Directors, senior management or substantial or controlling shareholders of the Company. Mr. Jacobsen is not a director or employee of a company which has an interest in the Shares and underlying Shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO.

Mr. WU Wang Li

Mr. WU Wang Li, aged 38, joined the Group in January 2013 as an Independent Non-Executive Director. He is also a member of each of the Audit Committee, the Remuneration Committee and the Nomination Committee. He obtained his bachelor of commerce degree from Deakin University, and has over 14 years of experience in auditing and accounting profession and consulting services. Mr. Wu is a director of Skywise Consultants Limited and is admitted to the status of Certified Practising Accountant of CPA Australia. Currently, Mr. Wu is the director of Skywise Consultants Limited and an independent non-executive director of HyComm Wireless Ltd (stock code: 499) since December 2007. He was appointed as an independent non-executive director on several listed companies in main board and growth enterprise market in Hong Kong. He has appropriate accounting and related financial management expertise as required under Rule 3.10(2) of the Listing Rules by virtue of his experience in accounting and financial consulting services. Mr. Wu was the independent non-executive director of Hao Wen Holdings Limited (formerly known as Everpride Biopharmaceutical Company Limited) (stock code: 8019), King Stone Energy Group Limited (formerly known as Yun Sky Chemical (International) Holdings Limited) (stock code: 663) and Talent Property Group Limited (formerly known as Tomorrow International Holdings Limited) (stock code: 760) and resigned in July 2009, January 2010 and January 2011 respectively. Save as disclosed above, Mr. Wu did not hold any other directorships in any other publicly listed companies in the last three years and does not have any relationship with any other Directors, senior management or substantial or controlling shareholders of the Company. Mr. Wu is not a director or employee of a company which has an interest in the Shares and underlying Shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO.

Mr. NG Wai Hung

Mr. NG Wai Hung, aged 49, joined the Group in February 2013 as an Independent Non-Executive Director. He is also a member of each of the Audit Committee, the Remuneration Committee and the Nomination Committee. He is a practising solicitor and a partner in Iu, Lai & Li, a Hong Kong firm of solicitors. Mr. Ng practises in the areas of securities law, corporate law and commercial law in Hong Kong. Mr. Ng is also an independent non-executive director of six companies listed on Stock Exchange, namely Fortune Sun (China) Holdings Limited (stock code: 352), Gome Electrical Appliances Holding Limited (stock code: 493), HyComm Wireless Limited (stock code: 499), Trigiant Group Limited (stock code: 1300), Perception Digital Holdings Limited (stock code: 1822) and Tech Pro Technology Development Limited (stock code: 3823). Mr. Ng was also an independent non-executive director of Yun Sky Chemical (International) Holdings Limited (currently known as King Stone Energy Group Limited, stock code: 663), KTP Holdings Limited (currently known as Ares Asia Limited, stock code: 645) and Tomorrow International Holdings Limited (currently known as Talent Property Group Limited, stock code: 760) and resigned in February 2010, February 2011 and January 2012, respectively. Save as disclosed above, Mr. Ng did not hold any other directorships in any other publicly listed companies in the last three years and does not have any relationship with any other Directors, senior management or substantial or controlling shareholders of the Company. Mr. Ng is not a director or employee of a company which has an interest in the Shares and underlying Shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO.

Senior Management***Mr. Jairo Alfonso RAMOS SUAREZ***
(Vice President of Field Operations)

Mr. Jairo Alfonso RAMOS SUAREZ, aged 41, is the vice president of field operations of the Group. He joined the Group in November 2009. Mr. Ramos Suarez is a trained mechanical engineer, has more than 16 years of experience in production, maintenance programming, quality control, mechanical design, marketing and procurement in tropical timber products and other materials. Mr. Ramos Suarez was in charge of trading of forest products for a private Columbian company in Shanghai, China from 2006 to 2008. Mr. Ramos Suarez is responsible for the field operations in Acre. Save as disclosed above, Mr. Ramos Suarez did not hold any other directorships in any other publicly listed companies in the last three years and does not have any relationship with any other Directors, senior management or substantial or controlling shareholders of the Company. Mr. Ramos Suarez is not a director or employee of a company which has an interest in the Shares and underlying Shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO.

The addresses of the Directors and the senior management are as follows:

Name	Address
<i>Executive Directors</i>	
Ms. Zhou Jing	Suites No. 302-305, 3rd Floor, Sino Plaza, 255-257 Gloucester Road, Causeway Bay, Hong Kong
Mr. Mung Wai Ming	Suites No. 302-305, 3rd Floor, Sino Plaza, 255-257 Gloucester Road, Causeway Bay, Hong Kong
<i>Independent non-executive Directors</i>	
Mr. Wu Wang Li	Room 1906, Block C, Viking Villas, 70 Tin Hau Temple Road, Hong Kong
Mr. William Keith Jacobsen	Flat 35C, Tower 6, Larvotto, 8 Ap Lei Chau Praya Road, Hong Kong
Mr. Ng Wai Hung	Flat B, 32/F, King Yu Court, No. 43-45 Tin Hau Temple Road, Hong Kong
<i>Senior management</i>	
Mr. Jairo Alfonso Ramos Suarez	Tv. Issac d'Avila 84 Ana Vieira, Sena Madureila AC-Brazil CEP-69940-00

10. EXPENSES

The expenses in connection with the Open Offers, including financial advisory fees, underwriting commission, printing, registration, translation, legal and accountancy charges are estimated to be approximately HK\$3.4 million, which are payable by the Company.

11. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection at the principal place of business of the Company at Suites No 302-305, 3rd Floor, Sino Plaza, 255-257 Gloucester Road, Causeway Bay, Hong Kong during normal business hours on any weekday other than public holidays, up to and including Friday, 30 April 2014:

- (a) the Memorandum and the bye-laws of the Company;
- (b) the material contract(s) referred to in the paragraph headed “Material Contracts” in this Appendix;
- (c) the annual reports of the Company for the two years ended 31 March 2012 and 2013;
- (d) the interim report of the Company for the six months ended 30 September 2013;
- (e) the report on the unaudited pro forma statement of adjusted consolidated net tangible assets of the Group from Crowe Horwath (HK) CPA Limited, the text of which is set out in Appendix II to the Prospectus;
- (f) the consent letter from Crowe Horwath (HK) CPA Limited referred to in the paragraph headed “Expert and Consent” in this Appendix;
- (g) the circular of the Company dated 20 March 2014; and
- (h) the Prospectus and the Application Forms.

12. DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES

A copy of each of the Prospectus Documents and the consent letter referred to in the paragraph headed “6. Expert and Consent” in this appendix have been registered with the Registrar of Companies in Hong Kong pursuant to section 342C of the Companies (Winding Up and Miscellaneous Provisions) Ordinance.

13. MISCELLANEOUS

- (i) The registered office of the Company is situated at Clarendon House, 2 Church Street, Hamilton, HM 11, Bermuda and the head office and principal place of business of the Company is situated at Suites No. 302-305, 3rd Floor, Sino Plaza, 255-257 Gloucester Road, Causeway Bay, Hong Kong.
- (ii) The Share Registrar is Tricor Tengis Limited, having its office situated at Level 22, Hopewell Centre, 183 Queen’s Road East, Hong Kong.
- (iii) Mr. Cheng Chun Shing, the company secretary of the Company, is a member of the Hong Kong Institute of Certified Public Accountants.
- (iv) The English text of the Prospectus Documents shall prevail over their respective Chinese texts in the case of inconsistency.