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

If you have sold or transferred all your shares in the Company, you should at once hand this circular to the purchaser or the transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or the transferee.

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Sustainable Forest Holdings Limited 永保林業控股有限公司*

(Incorporated in Bermuda with limited liability)

(Stock code: 723)

- (I) PROPOSED SHARE OPEN OFFER ON THE BASIS OF ONE (1) OFFER SHARE FOR EVERY SIX (6) SHARES HELD ON THE RECORD DATE WITH THE ISSUE OF BONUS SHARES ON THE BASIS OF SEVENTEEN (17) BONUS SHARES FOR EVERY OFFER SHARE SUBSCRIBED;**
- (II) PROPOSED CONVERTIBLE PREFERRED SHARE OPEN OFFER ON THE BASIS OF ONE (1) OFFER CONVERTIBLE PREFERRED SHARE FOR EVERY SIX (6) CONVERTIBLE PREFERRED SHARES HELD ON THE RECORD DATE WITH THE ISSUE OF BONUS CONVERTIBLE PREFERRED SHARES ON THE BASIS OF SEVENTEEN (17) BONUS CONVERTIBLE PREFERRED SHARES FOR EVERY OFFER CONVERTIBLE PREFERRED SHARE SUBSCRIBED;**
- (III) PROPOSED CHANGE IN BOARD LOT SIZE;**
- AND**
- (IV) NOTICE OF THE SGM**

Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders

VEDA | CAPITAL
智略資本

A letter from the Board is set out on pages 15 to 48 of this circular.

A letter from the Independent Board Committee containing its recommendation to the Independent Shareholders is set out on pages 49 to 50 of this circular. A letter from Veda Capital Limited, the independent financial adviser to the Independent Board Committee, the Independent Shareholders, containing its advice in respect of the Open Offers is set out on pages 51 to 70 of this circular. A notice convening the SGM to be held at 20/F, Infinitus Plaza, 199 Des Voeux Road Central, Sheung Wan, Hong Kong on Tuesday, 18 November 2014 at 11:00 a.m. is set out on pages SGM-1 to SGM-3 of this circular. A form of proxy for use at the SGM is enclosed. Whether or not you are able to attend the SGM, you are requested to complete the enclosed form of proxy in accordance with the instructions printed thereon and return the same to the Share Registrar, Tricor Tengis Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong as soon as practicable but in any event not later than 48 hours before the time appointed for holding of the SGM or any adjournment thereof (as the case may be). Completion and return of the form of proxy will not preclude you from attending and voting in person at the SGM or any adjournment thereof (as the case may be) should you so wish and in such case, the form of proxy shall be deemed to be revoked. The Shares will be dealt in on an ex-rights basis from Thursday, 20 November 2014. It is expected that the conditions referred to in the section headed "Conditions of the Open Offers" in this circular are to be fulfilled on or before 4:00 p.m. on Tuesday, 16 December 2014. If the conditions referred to in that section are not fulfilled, the Underwriting Agreement shall terminate and the Open Offers will not proceed.

It should be noted that the Underwriting Agreement contains provisions entitling the Underwriter by notice in writing to the Company at any time prior to 4:00 p.m. on the Latest Time for Termination to terminate their obligations under the Underwriting Agreement on the occurrence of certain events including force majeure. These events are set out under the section headed "Termination of the Underwriting Agreement" on pages 12 to 14 of this circular. Upon the delivery of the notice of termination, all obligations of the Underwriter under the Underwriting Agreement shall cease and determine and no party shall have any claim against the other in respect of any matter or thing arising out of or in connection with the Underwriting Agreement provided that the Company shall remain liable to pay to the Underwriter the expenses in connection with the Open Offers. If the Underwriter exercises such right, the Open Offers will not proceed.

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DEFINITIONS

In this circular, 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 issued (for no additional payment) on the basis of seventeen (17) bonus CPS for every one (1) Offer CPS taken up under the CPS Open Offer subject to the terms and conditions as set out in the Prospectus Documents
“Bonus CPS Conversion Share(s)”	new Shares to be allotted and issued on the exercise of the conversion rights attaching to the Bonus CPS
“Bonus Shares”	in respect of the Share Open Offer, the bonus Shares to be issued (for no additional payment) on the basis of seventeen (17) bonus Shares for every one (1) Offer Share taken up under the Share Open Offer subject to the terms and conditions as set out in the Prospectus Documents
“Business Day”	a day (excluding Saturday and other general holidays in Hong Kong and any day on which a tropical cyclone warning no. 8 or above or a “black” rainstorm warning is hoisted or remains hoisted or in effect between 9:00 a.m. and 12:00 noon and is not lowered or discontinued at or before 12:00 noon) on which licensed banks in Hong Kong are generally open for business
“BVI”	British Virgin Islands
“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC

DEFINITIONS

“Change in Board Lot Size”	the proposed change in board lot size of the Shares for trading on the Stock Exchange from 30,000 Shares to 60,000 Shares
“Companies (WUMP) Ordinance”	the Companies (Winding Up and Miscellaneous Provision) Ordinance, Chapter 32 of the Laws of Hong Kong, as amended, supplemented or otherwise modified from time to time
“Company”	Sustainable Forest Holdings Limited, a company incorporated in Bermuda with limited liability, the issued ordinary shares of which are listed on the Main Board of the Stock Exchange (Stock Code: 723)
“Completion”	completion of the Open Offers
“CPS(s)”	convertible preferred shares of HK\$0.01 each in the share capital of the Company, carrying the rights for conversion into Shares at a ratio of one convertible 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 Holder(s)”	holder(s) of the CPS(s)
“CPS Open Offer”	the proposed issue of the Offer CPS at the subscription price of HK\$0.01 on the basis of one (1) Offer CPS for every six (6) CPS held on the Record Date to the Qualifying CPS Holders upon the terms and conditions as described in this circular
“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)

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 legal advisers, consider it necessary or expedient not to offer the Offer CPS (with Bonus CPS) to such Overseas CPS Holders on account either of the legal restrictions under the laws of the relevant place or the requirements of the relevant regulatory body or stock exchange in that place
“Excluded Shareholder(s)”	the Overseas Shareholder(s) in respect of whom the Directors, based on legal opinions provided by the legal advisers, consider it necessary or expedient not to offer the Offer Shares (with Bonus Shares) to such Overseas Shareholder(s) on account either of the legal restrictions under the laws of the relevant place or the requirements of the relevant regulatory body or stock exchange in that place
“Existing Share Certificate(s)”	certificate(s) of Shares in board lot(s) of 30,000 Shares
“February Open Offers”	the open offers for the Shares and CPS as announced by the Company on 27 February 2014
“Group”	the Company and its subsidiaries
“HKSCC”	Hong Kong Securities Clearing Company Limited
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	an independent committee of the Board comprising all independent non-executive Directors formed for the purpose of advising the Independent Shareholders on the Open Offers
“Independent Financial Adviser”	Veda Capital Limited, a corporation licensed under the SFO to conduct type 6 (advising on corporate finance) regulated activity as defined under the SFO, being the independent financial adviser to the Independent Board Committee and the Independent Shareholders

DEFINITIONS

“Independent Shareholder(s)”	the Shareholder(s), other than the Directors (excluding the independent non-executive Directors), the chief executive of the Company and their respective associates, who are not involved in, nor interested in, the Underwriting Agreement
“Irrevocable Non-conversion Undertaking(s)”	the irrevocable undertaking(s) given by each of Ms. Zhou and Mr. Mung to the Company dated 9 October 2014, under which they have irrevocably undertaken not to exercise any conversion rights attached to any Share Option, Share Warrant, CPS Warrant or any convertibles to subscribe for, convert or exchange into Shares on or before the Record Date
“Irrevocable Subscription Undertaking(s)”	the irrevocable undertaking(s) given by each of KL & Associates and Ocean Honor to the Company on 9 October 2014, under which they have irrevocably undertaken to take up all their respective entitlements by themselves or through companies owned or controlled (within the meaning of the Takeovers Code) directly or indirectly by them (as the case may be) under the Open Offers
“KL& Associates”	Ms. Loh and, Assure Gain International Limited, Winner Global Holdings Limited, Splendid Asset Holdings Limited, Corp Insights Holdings Inc. and Corporate Insights Limited, through which Ms. Loh holds equity interests in the Company
“Last Trading Day”	9 October 2014, being the last trading day on which the Company and the Underwriter entered into the Underwriting Agreement
“Latest Practicable Date”	29 October 2014, being the latest practicable date prior to the printing of this circular for ascertaining certain information for inclusion in this circular
“Latest Time for Acceptance”	4:00 p.m. on Friday, 12 December 2014 or such later time to be agreed in writing between the Company and the Underwriter, being the latest time for application of the Open Offers

DEFINITIONS

“Latest Time for Termination”	4:00 p.m. on Tuesday, 16 December 2014 or such later time to be agreed in writing between the Company and the Underwriter, being the latest time for the Underwriter to terminate the Underwriting Agreement
“Listing Committee”	has the meaning ascribed to it in the Listing Rules
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Mr. Mung”	Mr. Mung Wai Ming, an executive Director
“Ms. Loh”	Ms. Loh Jiah Yee, Katherine, a substantial Shareholder
“Ms. Zhou”	Ms. Zhou Jing, the chairman of the Company and an executive Director
“New Share Certificate(s)”	certificate(s) of Shares in board lot(s) of 60,000 Shares
“Ocean Honor”	Ocean Honor Limited, a company incorporated in the BVI, a substantial Shareholder
“Offer CPS”	not more than 402,313,634 CPS, proposed to be offered to the Qualifying CPS Holders for subscription on the terms and subject to the conditions set out in the Underwriting Agreement and the Prospectus Documents
“Offer CPS Conversion Shares”	new Shares to be allotted and issued on the exercise of the subscription rights attaching to the Offer CPS
“Offer Share(s)”	not less than 371,147,618 new Shares and not more than 386,428,602 new Shares, proposed to be offered to the Qualifying Shareholders for subscription on the terms and subject to the conditions set out in the Underwriting Agreement and the Prospectus Documents
“Open Offers”	collectively, the Share Open Offer with the issue of Bonus Shares and the CPS Open Offer with the issue of Bonus CPS

DEFINITIONS

“Overseas CPS Holder(s)”	CPS Holder(s) whose name(s) appear(s) on the register of CPS members of the Company at the close of business on the Record Date and whose address(es) as shown on such register is(are) in a place(s) outside Hong Kong
“Overseas 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
“Prospectus”	the prospectus to be issued by the Company to the Shareholders and CPS Holders containing details of the Open Offers
“Prospectus Documents”	the Prospectus and the Application Form(s)
“Prospectus Posting Date”	Friday, 28 November 2014, the tentative date of despatch of the Prospectus Documents, or such other date as the Underwriter may agree in writing with the Company for the despatch of the Prospectus Documents
“Qualifying CPS Holder(s)”	CPS Holder(s), other than the Excluded CPS Holders, whose name(s) appear(s) on the register of CPS members of the Company at the close of business on the Record Date
“Qualifying Shareholder(s)”	Shareholder(s), other than the Excluded Shareholders, whose name(s) appear(s) on the register of members of the Company at the close of business on the Record Date
“Record Date”	Wednesday, 26 November 2014, being the record date for determining the entitlements of the Shareholders and CPS Holders to participate in the Open Offers

DEFINITIONS

“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”	Wednesday, 17 December 2014 or such other date as may be agreed between the Company and the Underwriter in accordance with the relevant regulations or requirements, such date being the third Business Day after the Latest Time for Acceptance
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong)
“SGM”	the special general meeting of the Company to be convened and held to consider and approve, among other things, the Open Offers
“Share(s)”	ordinary share(s) of HK\$ 0.01 each in the capital of the Company
“Share Application Form(s)”	the form(s) of application in respect of the Share Open Offer to be issued to the Qualifying Shareholders
“Share Offer Price”	the subscription price of HK\$0.32 per Offer Share
“Share Open Offer”	the proposed issue of the Offer Shares at the subscription price of HK\$0.32 on the basis of one (1) Offer Share for every six (6) Shares held on the Record Date to the Qualifying Shareholders upon the terms and conditions as described in this circular
“Share Options”	the outstanding options to subscribe for 37,188,167 new Shares granted to the Directors, employees and consultants of the Group pursuant to the Share Option Scheme

DEFINITIONS

“Share Option Scheme”	the share option scheme of the Company adopted on 27 November 2009
“Share Registrar”	the branch share registrar of the Company in Hong Kong, being Tricor Tengis Limited, at Level 22, Hopewell Centre, 183 Queen’s Road East, Hong Kong
“Share Warrants”	the share warrant(s) of the Company entitling the holders thereof to subscribe for fully paid Shares at the subscription price of HK\$0.2429 at any time between the date of issue and the date immediately preceding the date falling on the fifth anniversary of the date of issue of such warrants (both days inclusive)
“Shareholder(s)”	holder(s) of the Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Takeovers Code”	the Hong Kong Code on Takeovers and Mergers
“Underwriter”	Head & Shoulders Securities Limited
“Underwriting Agreement”	the underwriting agreement dated 9 October 2014 entered into between the Company and the Underwriter in relation to the underwriting arrangement of the Open Offers
“HK\$”	Hong Kong dollar, the lawful currency of Hong Kong
“%” or “per cent.”	percentage or per centum

EXPECTED TIMETABLE

The expected timetable for the proposed Open Offers and Change in Board Lot Size are set out below:

2014

Despatch of circular with notice and proxy forms in relation to the SGM	Monday, 3 November
Latest time for return of proxy form of the SGM	11:00 a.m. on Sunday, 16 November
Expected date and time of the SGM	11:00 a.m. on Tuesday, 18 November
Announcement of poll results of the SGM	Tuesday, 18 November
Last day of dealing in Shares on a cum-rights basis	Wednesday, 19 November
First day of dealing in Shares on an ex-rights basis	Thursday, 20 November
Latest time for lodging transfer of Shares and CPS in order to qualify for the Open Offers	4:30 p.m. on Friday, 21 November
Registers of members and CPS Holders of the Company close (both days inclusive)	Monday, 24 November to Wednesday, 26 November
Record Date	Wednesday, 26 November
Registers of members and CPS Holders of the Company re-open	Thursday, 27 November
Despatch of the Prospectus Documents	Friday, 28 November
Latest time for acceptance of, and payment for the Offer Shares and the Offer CPS	4:00 p.m. on Friday, 12 December

EXPECTED TIMETABLE

Open Offers expected to become unconditional	4:00 p.m. on Tuesday, 16 December
Announcement of results of acceptance of the Open Offers	Thursday, 18 December
Last day of trading of Shares in board lot of 30,000 Shares	Thursday, 18 December
Despatch of certificates for Offer Shares, Bonus Shares, Offer CPS and Bonus CPS	Friday, 19 December
Effective day of change in board lot size	Friday, 19 December
First day for free exchange of existing share certificates in board lot of 30,000 Shares each for new share certificates in board lot of 60,000 Shares each	Friday, 19 December
Commencement of dealings in Offer Shares and Bonus Shares	9:00 a.m. on Monday, 22 December
Designated broker starts to stand in the market to purchase and sell odd lots of Shares	9:00 a.m. on Monday, 22 December
	<i>2015</i>
Designated broker ceases to stand in the market to purchase and sell odd lots of Shares	4:00 p.m. on Thursday, 15 January
Last day for free exchange of existing share certificates in board lot of 30,000 Shares each for new share certificates in board lot of 60,000 Shares each	Friday, 23 January

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 this circular refer to Hong Kong time. If there is a “black” rainstorm warning or a tropical cyclone warning signal number 8 or above in force in Hong Kong on Friday, 12 December 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 this circular for events in the timetable are indicative only and may be extended or varied between the Company and the Underwriter. Any changes to the anticipated timetable for the Open Offers will be announced as and when appropriate.

TERMINATION OF THE UNDERWRITING AGREEMENT

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

- (1) in the absolute opinion of the Underwriter, the success of the Open Offers would be materially and adversely affected by:
 - a) the introduction of any new regulation or any change in existing law or regulation (or the judicial interpretation thereof) or other occurrence of any nature whatsoever which may in the absolute opinion of the Underwriter materially and adversely affect the business or the financial or trading position or prospects of the Group as a whole or is materially adverse in the context of the Open Offers; or
 - b) the occurrence of any local, national or international event or change (whether or not forming part of a series of events or changes occurring or continuing before, and/or after the date of the Underwriting Agreement), of a political, military, financial, economic or other nature, or in the nature of any local, national or international outbreak or escalation of hostilities or armed conflict, or affecting local securities markets which may, in the absolute opinion of the Underwriter materially and adversely affect the business or the financial or trading position or prospects of the Group as a whole; or
 - c) any material adverse change in the business or in the financial or trading position or prospects of the Group as a whole; or
 - d) any act of God, war, riot, public disorder, civil commotion, fire, flood, explosion, epidemic, terrorism, strike or lock-out which would, in the absolute opinion of the Underwriter materially and adversely affect the business or the financial or trading position or prospects of the Group as a whole; or
 - e) there occurs or comes into effect the imposition of any moratorium, suspension or material restriction on trading of the Shares on the Stock Exchange due to exceptional financial circumstances or otherwise; or
 - f) any suspension in the trading of the Company's securities on the Stock Exchange for a period of more than ten consecutive business days (as defined in the Listing Rules), excluding any suspension in connection with the clearance of the announcement of the Company dated 9 October 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 Underwriter are likely to materially or adversely affect the success of the Open Offers or otherwise makes it inexpedient or inadvisable to proceed with the Open Offers; or
- (3) the Prospectus when published contains information (either as to business prospects or the condition of the Group or as to its compliance with any laws or the Listing Rules or any applicable regulations) which has not prior to the date thereof been publicly announced or published by the Company and which may in the absolute opinion of the Underwriter are material to the Group as a whole upon completion of the Open Offers and is likely to affect materially and adversely the success of the Open Offers.

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

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

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

WARNING OF THE RISKS OF DEALING IN THE SHARES

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

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

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

TERMINATION OF THE UNDERWRITING AGREEMENT

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

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

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

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

3 November 2014

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

Dear Sir/Madam,

- (I) PROPOSED SHARE OPEN OFFER ON THE BASIS OF
ONE (1) OFFER SHARE FOR EVERY SIX (6) SHARES
HELD ON THE RECORD DATE WITH
THE ISSUE OF BONUS SHARES ON THE BASIS OF
SEVENTEEN (17) BONUS SHARES FOR EVERY OFFER SHARE SUBSCRIBED;**
- (II) PROPOSED CONVERTIBLE PREFERRED SHARE OPEN
OFFER ON THE BASIS OF ONE (1) OFFER CONVERTIBLE
PREFERRED SHARE FOR EVERY SIX (6) CONVERTIBLE
PREFERRED SHARES HELD ON THE RECORD DATE WITH
THE ISSUE OF BONUS CONVERTIBLE PREFERRED SHARES
ON THE BASIS OF SEVENTEEN (17) BONUS CONVERTIBLE
PREFERRED SHARES FOR EVERY OFFER CONVERTIBLE
PREFERRED SHARE SUBSCRIBED;**
- (III) PROPOSED CHANGE IN BOARD LOT SIZE;**
- AND**
- (IV) NOTICE OF THE SGM**

* *for identification purposes only*

LETTER FROM THE BOARD

INTRODUCTION

Reference is made to the Company's announcement dated 9 October 2014 pursuant to which the Board announced the proposal to raise not less than approximately HK\$118.8 million and not more than approximately HK\$123.7 million before expenses by way of the Share Open Offer and not more than approximately HK\$4.0 million before expenses by way of the CPS Open Offer.

The Share Open Offer is available to the Qualifying Shareholders on the basis of one (1) Offer Share for every six (6) existing Shares held on the Record Date with an issue of Bonus Shares on the basis of seventeen (17) 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 seventeen (17) Bonus CPS for every Offer CPS subscribed.

As at the Latest Practicable Date, the Company had 2,226,885,710 issued Shares, 2,413,881,809 issued CPS, 215,525,161 CPS Warrants, 241,097,736 Share Warrants and 37,188,167 Share Options. Accordingly, not less than 371,147,618 Offer Shares and not more than 386,428,602 Offer Shares and not more than 402,313,634 Offer CPS, together with not less than 6,309,509,506 Bonus Shares and not more than 6,569,286,234 Bonus Shares and not more than 6,839,331,778 Bonus CPS, are expected to be allotted and issued by the Company under the Open Offers.

The Independent Board Committee, comprising all the independent non-executive Directors, has been established by the Company to advise the Independent Shareholders as to whether the terms of the Open Offers are fair and reasonable and on how to vote on the relevant resolution(s) at the SGM, taking into account the recommendations of the independent financial adviser. Veda Capital Limited has been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders.

The purpose of this circular is to provide you with, among other things, (i) further details about the Open Offers; (ii) a letter of recommendation from the Independent Board Committee to the Independent Shareholders in respect of the Open Offers; (iii) a letter of advice from the Independent Financial Adviser; (iv) the financial information of the Group; and (v) a notice convening the SGM.

LETTER FROM THE BOARD

PROPOSED OPEN OFFERS

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

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

LETTER FROM THE BOARD

Minimum number of Bonus Shares:	6,309,509,506 Shares
Aggregate nominal value of minimum number of Bonus Shares:	HK\$63,095,095.06
Maximum number of Offer Shares:	386,428,602 Shares
Aggregate nominal value of maximum number of Offer Shares:	HK\$3,864,286.02
Maximum number of Bonus Shares:	6,569,286,234 Shares
Aggregate nominal value of maximum number of Bonus Shares:	HK\$65,692,862.34
Subscription price:	HK\$0.32
Enlarged issued ordinary share capital of the Company immediately upon Completion:	Not less than 8,907,542,834 Shares but not more than 9,274,286,450 Shares
Amount raised before expenses:	Not less than approximately HK\$118.8 million and not more than approximately HK\$123.7 million

Notes:

1. As at the Latest Practicable Date, the Company has 37,188,167 outstanding Share Options entitling the holders to subscribe for 37,188,167 Shares pursuant to the Share Option Scheme, of which 18,307,662 Share Options and 18,307,662 Share Options are owned by Mr. Mung and Ms. Zhou respectively. Pursuant to the Irrevocable Non-conversion Undertakings, among other things, Mr. Mung and Ms. Zhou have irrevocably undertaken to the Company that they will not exercise the conversion right attached to any of the outstanding Share Options owned by each of them and their respective associates to subscribe for new Shares from the date of the Irrevocable Non-conversion Undertakings and up to the Record Date.
2. At the Latest Practicable Date, the Company has 241,097,736 outstanding Share Warrants entitling the holders to subscribe for 241,097,736 Shares, of which 225,418,481 Share Warrants are owned by Ms. Zhou. Pursuant to the Irrevocable Non-conversion Undertaking, among other things, Ms. Zhou has irrevocably undertaken to the Company that she will not exercise the conversion right attached to any of the outstanding Share Warrants owned by her and her associates to subscribe for new Shares from the date of the Irrevocable Non-conversion Undertaking and up to the Record Date.

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3. As at the Latest Practicable Date, the Company also has (i) 215,525,161 CPS Warrants entitling the holders to subscribe for 215,525,161 CPS, which entitles the holders to convert into 6,735,161 Shares at a ratio of one CPS to 0.03125 Share and (ii) 2,413,881,809 outstanding CPS entitling the holders to convert into 75,433,806 Shares at a ratio of one CPS to 0.03125 Share. As at the Latest Practicable Date, Ms. Zhou owns all the 215,525,161 CPS Warrants. Pursuant to the Irrevocable Non-conversion Undertaking, among other things, Ms. Zhou has irrevocably undertaken to the Company that she will not exercise the conversion right attached to any of the outstanding CPS Warrants owned by her and her associates to subscribe for new Shares from the date of the Irrevocable Non-conversion Undertaking and up to the Record Date.
4. Save for the Share Options, the Share Warrants, the CPS Warrants and the CPS, the Company has no other outstanding options, warrants, derivatives or convertible securities in issue which confer any rights to subscribe for, convert or exchange into the Shares as at the Latest Practicable Date.

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

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

CPS Open Offer with the issue of Bonus CPS

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

LETTER FROM THE BOARD

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

Basis of the CPS Open Offer and the issue of Bonus CPS:	One (1) Offer CPS for every six (6) existing CPS held on the Record Date and payable in full upon application with seventeen (17) Bonus CPS for every Offer CPS allotted and issued
Number of CPS as at the Latest Practicable Date:	2,413,881,809 CPS
Maximum number of Offer CPS (<i>Note 1</i>):	Not more than 402,313,634 CPS
Nominal value of maximum number of Offer CPS:	Not more than HK\$4,023,136.34
Maximum number of Bonus CPS:	Not more than 6,839,331,778 CPS
Nominal value of maximum number of Bonus CPS:	Not more than HK\$68,393,317.78
Minimum number of CPS upon Completion (<i>Note 2</i>):	0
Maximum number of CPS upon Completion:	9,655,527,221 CPS
Number of new Shares to be issued upon full conversion of the Offer CPS and the Bonus CPS (<i>Note 3</i>):	Not more than 226,301,419 Shares

Notes:

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

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

Basis of assured entitlement

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

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

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

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

Subscription price of the Offer Shares and the Offer CPS

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

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

Since no CPS could be issued below its par value of HK\$0.01 each and given the conversion ratio of 32 CPS into one Share, the lowest permissible subscription price per Offer Share therefore could not be less than HK\$0.32. The Company noted that the Share Offer Price of HK\$0.32 represents a significant premium over the prevailing market price of the Share. In order to

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encourage the participation of the Qualifying Shareholders in the Share Open Offer, an issue of the Bonus Shares is therefore proposed at the same time to reduce the effective subscription price and accordingly increase the attractiveness of the Share Open Offer.

In February 2014, the Company conducted the February Open Offers for Shares on the basis of one offer share for every ten shares with the issue of bonus shares on the basis of five bonus shares for every offer share subscribed, and a convertible preferred share open offer on a similar basis. The then effective subscription price per offer Share was approximately HK\$0.05334, which represented a discount of (i) approximately 64.4% when compared to the then closing price of the Shares of HK\$0.150 each on the last trading day prior to the publication of the announcement regarding the February Open Offers; and (ii) approximately 53.2% when compared to the then theoretical ex-entitlement price of approximately HK\$0.114 per Share. However, responses to the February Open Offers were not satisfactory as the Company only received acceptance of around 34.3% of the total offered shares whilst no acceptance was received for the offered convertible preferred shares.

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

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

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

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

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

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

The Share Offer Price of HK\$0.32 represents:

- (i) a premium of approximately 194% over the closing price of HK\$0.1090 per Share as quoted on the Stock Exchange on the latest Practicable Date;
- (ii) a premium of approximately 141% over the closing price of HK\$0.1330 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (iii) a premium of approximately 143% over the average closing price of HK\$0.1318 per Share based on the average of the closing prices for the last five (5) trading days as quoted on the Stock Exchange up to and including the Last Trading Day;

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

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

- (i) a discount of approximately 83.69% to the closing price of HK\$0.1090 per Share as quoted on the Stock Exchange on the Latest Practicable Date;
- (ii) a discount of approximately 86.63% to the closing price of HK\$0.1330 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (iii) a discount of approximately 86.51% to the average closing price of HK\$0.1318 per Share based on the average of the closing prices for the last five (5) trading days as quoted on the Stock Exchange up to and including the Last Trading Day;
- (iv) a discount of approximately 86.76% to the average closing price of HK\$0.1343 per Share based on the average of the closing prices for the last ten (10) trading days as quoted on the Stock Exchange up to and including the Last Trading Day; and
- (v) a discount of approximately 61.85% to the theoretical ex-entitlement price of approximately HK\$0.0466 per Share calculated based on the closing price per Share of HK\$0.1330 as quoted on the Stock Exchange on the Last Trading Day.

Fractional entitlements to the Offer Shares 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.

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

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

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

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

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

The Bonus Shares, the Offer CPS Conversion Shares and the Bonus CPS Conversion Shares, when allotted and fully paid, will rank pari passu in all respects with the Shares then in issue. Holders of fully-paid Bonus Shares, the Offer CPS Conversion Shares and the Bonus CPS Conversion Shares will be entitled to receive all future dividends and distributions which are declared, made or 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 a specific mandate to be sought at the SGM.

Application for listing

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

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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 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 is currently traded in board lot of 30,000 Shares. Dealing in the Offer Shares and the Bonus Shares will be in board lot of 60,000 Shares. Please refer to the section headed “Change in Board Lot Size” below for further details.

Qualifying Shareholders and Qualifying CPS Holders

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

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

In order to be registered as members of the Company or CPS Holders at the close of business on the Record Date, Shareholders or CPS Holders must lodge any transfers of Shares or CPS (together with the relevant certificates) with the Share Registrar (in the case of transfers of Shares) or MUFG Fund Services (Bermuda) Limited (the agent appointed by the Company) (in the case of transfers of CPS) respectively, for the relevant registration no later than 4: 30 p.m. on Friday, 21 November 2014.

Closure of registers of members and CPS Holders

The registers of members and CPS Holders of the Company will be closed from Monday, 24 November 2014 to Wednesday, 26 November 2014, both dates inclusive. No transfer of Shares and CPS will be registered during the book closure period.

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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 Friday, 19 December 2014 to those Shareholders or CPS Holders entitled thereto by ordinary post at their own risks.

Rights of Overseas Shareholders and Overseas CPS Holders

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

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 four CPS Holders with addresses in the BVI, the Republic of Panama and the United States of America.

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 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, the Republic of Panama, Spain and Taiwan 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.

Accordingly, if there is no change in the composition of the Overseas Shareholders and the Overseas CPS Holders at the Record Date, (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 will send the Overseas Letter together with the Prospectus, for information only, to the Excluded CPS Holders.

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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.

Application for excess Offer Shares and Offer CPS

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

Odd lot matching services

To alleviate the difficulties in trading odd lots of the Shares arising from the Share Open Offer, the Company has appointed South China Securities Limited as an agent to provide matching services to the Shareholders who wish to top up or sell their holdings of odd lots of the Shares, on a best effort basis, during the period from 9:00 a.m. on Monday, 22 December 2014 to 4:00 p.m. on Thursday, 15 January 2015 (both days inclusive). Holders of the Shares in odd lots represented by the existing share certificates for the Shares who wish to take advantage of this facility either to dispose of their odd lots of the Shares or to top up their odd lots to a full new board lot may directly or through their broker contact Ms. Michelle Lee of South China Securities Limited at 28/F., Bank of China Tower, No. 1 Garden Road, Central, Hong Kong (telephone: (852) 3196-6237 and facsimile: (852) 3101-9200) during such period. Holders of the Shares in odd lots should note that successful matching of the sale and purchase of odd lots of the Shares is not guaranteed. Shareholders are recommended to consult their professional advisers if they are in doubt about the above facility.

LETTER FROM THE BOARD

IRREVOCABLE UNDERTAKINGS

Irrevocable Subscription Undertakings

As at the date of the Underwriting Agreement and the Latest Practicable Date, KL & Associates is interested in 294,650,651 Shares and 929,974,147 CPS, representing approximately 13.23% and 38.53% of the total issued share capital and total issued CPS of the Company respectively. Ocean Honor is interested in 548,711,772 Shares and 633,643,974 CPS, representing approximately 24.64% and 26.25% of the total issued share capital and total issued CPS of the Company respectively as at the Latest Practicable Date.

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

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

Irrevocable Non-conversion Undertakings

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

LETTER FROM THE BOARD

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

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

UNDERWRITING AGREEMENT

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

LETTER FROM THE BOARD

- Number of CPS to be underwritten: Not more than 141,710,614 Offer CPS (being (i) all Offer CPS including the CPS to which the Excluded CPS Holder(s) would otherwise have been entitled; (ii) excluding the Offer CPS which have been undertaken to be subscribed by KL & Associates and Ocean Honor and their respective associates pursuant to the Irrevocable Subscription Undertakings; and (iii) after taking into account the Irrevocable Non-conversion Undertakings) to be issued pursuant to the CPS Open Offer (the “**Underwritten CPS**”)
- Commission: 2.5% of the aggregate subscription price in respect of the respective number of Offer Shares and Offer CPS to be underwritten by the Underwriter with reference to the register of members of Shares and CPS at the close of business on the Record Date. The commission was determined after arm’s length negotiation between the Company and the Underwriter, and the Directors are of the view that it is fair and reasonable
- Company’s undertaking: The Company has undertaken to the Underwriter not to drawdown the equity line facility granted by YA Global Master SPV Ltd. to it pursuant to an agreement dated 19 December 2011 (as supplemented on 21 December 2011 and 19 January 2013), 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

LETTER FROM THE BOARD

As advised by the Underwriter, underwriting is its ordinary course of business. As at the Latest Practicable Date, the Underwriter and its ultimate beneficial owner(s) do not hold any Shares, Share Options, Share Warrants, CPS or CPS Warrants. To the best of the Directors' knowledge, information and belief, the Underwriter and its respective ultimate beneficial owner(s) are (i) third parties independent of the Company; and (ii) not parties acting in concert with (within the meaning of the Takeovers Code) any substantial shareholders of the Company.

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

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

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

The Underwriter confirmed with the Company that, as at the Latest Practicable Date, it had procured 8 individual investors (the "**Investors**") to subscribe for up to in aggregate a maximum of 187,000,000 Offer Shares (representing approximately 78.66% of the maximum number of Underwritten Shares) and, together with 3,179,000,000 Bonus Shares attached therewith, representing approximately 36.29% of the enlarged issued share capital of the Company immediately upon Completion (taking into account the Irrevocable Non-conversion Undertakings and assuming full conversion of the other Share Options, Share Warrants and CPS on or before the Record Date). Moreover, the Underwriter shall use all reasonable endeavours to ensure that

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each of the Investors 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.

According to the Underwriter, the Investors are (a) not parties acting in concert with it in relation to the Company; (b) third parties independent of each other and their respective associates; and (c) third parties independent of and not connected with the Directors, chief executive or substantial shareholders of the Company, the Underwriter or their subsidiaries or any of their respective associates.

The Company will take all appropriate steps to ensure that sufficient public float be maintained upon the completion of the Open Offers in compliance with Rule 8.08(1)(a) of the Listing Rules.

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

Conditions of the Open Offers

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

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

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

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

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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, condition (e) had been fulfilled and/or waived.

Termination of the Underwriting Agreement

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

- (1) in the absolute opinion of the Underwriter, the success of the Open Offers would be materially and adversely affected by:
 - a) the introduction of any new regulation or any change in existing law or regulation (or the judicial interpretation thereof) or other occurrence of any nature whatsoever which may in the absolute opinion of the Underwriter materially and adversely affect the business or the financial or trading position or prospects of the Group as a whole or is materially adverse in the context of the Open Offers; or
 - b) the occurrence of any local, national or international event or change (whether or not forming part of a series of events or changes occurring or continuing before, and/or after the date of the Underwriting Agreement), of a political, military, financial, economic or other nature, or in the nature of any local, national or international outbreak or escalation of hostilities or armed conflict, or affecting local securities markets which may, in the absolute opinion of the Underwriter materially and adversely affect the business or the financial or trading position or prospects of the Group as a whole; or
 - c) any material adverse change in the business or in the financial or trading position or prospects of the Group as a whole; or
 - d) any act of God, war, riot, public disorder, civil commotion, fire, flood, explosion, epidemic, terrorism, strike or lock-out which would, in the absolute opinion of the Underwriter materially and adversely affect the business or the financial or trading position or prospects of the Group as a whole; or

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- 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 9 October 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 Underwriter are likely to materially or adversely affect the success of the Open Offers or otherwise makes it inexpedient or inadvisable to proceed with the Open Offers; or
- (3) the Prospectus when published contains information (either as to business prospects or the condition of the Group or as to its compliance with any laws or the Listing Rules or any applicable regulations) which has not prior to the date thereof been publicly announced or published by the Company and which may in the absolute opinion of the Underwriter are material to the Group as a whole upon Completion and is likely to affect materially and adversely the success of the Open Offers.

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

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

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

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WARNING OF THE RISKS OF DEALING IN THE SHARES

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

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

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

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

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

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

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SHAREHOLDING STRUCTURES

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

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

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

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

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

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

Notes:

- The above percentages are subject to rounding error.
- Ocean Honor is a company incorporated in the BVI with limited liability and is wholly owned by Mr. Chan Yuen Ming.
- Under the terms of the Underwriting Agreement, each of (i) the Underwriter and (ii) each of the subscribers or purchasers of the Untaken Shares procured by it shall not, together with any party acting in concert (within the meaning of the Takeovers Code) with it, hold more than 9.9% 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 this circular.

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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 of the Laws of Hong Kong; (v) property investment; and (vi) money lending business pursuant to the Money Lenders Ordinance of the Laws of Hong Kong.

In order to diversify the business portfolio and broaden the income base of the Group, the Company, through its wholly-owned subsidiary, has commenced its money lending business pursuant to the Money Lenders Ordinance of the Laws of Hong Kong since late August 2014. The Group's money lending business is principally the provision of mortgage loans to individual/corporate borrowers who are mainly referred by property agents in Hong Kong. The Group assess as the credibility of the borrowers through, among others, (i) obtaining credit rating report of the individuals from recognized credit reference agencies in Hong Kong; (ii) requesting the borrowers to submit supporting information about their financial position, including the salary proof of the individuals/the audited financial statements of the companies, the tax assessment notice issued by the Inland Revenue Department of Hong Kong or overseas tax authorities and an exhaustive list of the existing outstanding debts payables by the borrowers; and (iii) evaluating the market value of the underlying property to be mortgaged to the Group. In September 2014, the Group has provided loans with the term of three months to two separate borrowers who are third parties independent of the Company and its connected persons. The principal amount of the aforesaid loans are HK\$5.5 million and HK\$10.0 million respectively, with respective interest rate of 12% and 11% per annum. In October 2014, the aforesaid loan with principal amount of HK\$10.0 million has been fully settled by the borrower while a new loan with principal amount of HK\$9.8 million at interest rate of 10.5% per annum has been lent to a borrower who is third party independent of the Company and its connected persons for a term of one year. The Company expects that the interest income to be generated from its money lending business will strengthen the Group's income base and therefore, the Company intends to continue to expand in this particular sector. In order to further expand the money lending business by increasing the amount of loans to customers to generate more interest income, the Company will need to look for additional financial resources to finance the expansion.

The Company will raise not less than approximately HK\$118.8 million and not more than approximately HK\$123.7 million before expenses from the Share Open Offer. Pursuant to the terms of the CPS, if the Company makes any offer by way of rights of Shares to all Shareholders, the Company shall offer CPS to the CPS Holders at the same time and on the same terms as the Shares

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are offered. Accordingly, the Company has also extended the CPS Open Offer to the CPS Holders. The Company will raise not more than approximately HK\$4.0 million before expenses from the CPS Open Offer assuming that no CPS Holder converted its CPS into Shares after the date of the announcement and prior to the Record Date. As the maximum number of Offer Shares to be issued has already taken into account, among others, the effect that all CPS Holders converted their CPS into Shares, in aggregate, the Company will raise not less than approximately HK\$122.8 million and not more than approximately HK\$123.7 before expenses from the Open Offers.

The net proceeds from Open Offers are estimated to be not less than approximately HK\$117.9 million and not more than approximately HK\$118.8 million. The Company intends to apply the net proceeds from Open Offers as to: (i) approximately HK\$80 million for the expansion of money lending business in Hong Kong; (ii) approximately HK\$20 million for investment(s) in and/or working capital for new business, including but not limited to, catering business in Hong Kong, as and when suitable opportunities arise; (iii) the balance for general working capital of the Group, including but not limited to, payments of corporate and operating expenses. Based on the net proceed of not less than approximately HK\$114.0 million and not more than approximately HK\$118.7 from the Share Open Offer, the net price of each Offer Share is not less than approximately HK\$0.30716 and not more than approximately HK\$0.30717. Based on the maximum net proceed of approximately HK\$3.9 million from the CPS Offer divided by the maximum number of the Offer CPS, the net price of each Offer CPS is not more than approximately HK\$0.0097.

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

- the Independent Shareholders are offered a chance to express their views on the terms of the Open Offers and the Underwriting Agreement through voting on the relevant resolutions at the SGM;
- Qualifying Shareholders are offered to subscribe for their pro-rata Offer Shares for the purpose of maintaining their respective existing shareholding interests in the Company at a steep discount as compared to the prevailing market price of the Shares;
- the discount represented by the Share Offer Price would encourage the Qualifying Shareholders to participate in the Share Open Offer and accordingly maintain their shareholdings in the Company. This is a common practice in open offer conducted on the Stock Exchange. As discussed in the paragraph headed “Subscription price of the Offer Shares and the Offer CPS” above, the discounts represented by the Share Offer Price fall within the range of those of the Comparables; and

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- the dilution impact should not be considered in isolation and should be assessed against the potential benefits of the Open Offers, including but not limited to, the strengthening of the Company's capital base and enhancement on its financial position following completion of the Open Offers which will allow it to, inter alia, grow and develop its existing and new businesses.

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

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 (Chapter 218 of the Laws of Hong Kong); (v) property investment; and (vi) money lending business pursuant to the Money Lenders Ordinance (Chapter 163 of the Laws of Hong Kong).

As disclosed in the Company's annual report for the year ended 31 March 2013 ("AR 2013"), the Group's business has been facing successive challenges due to the prolonged instability of the global economic condition. The demand for the Group's timber products remains sluggish. The revenue of the Group in continuing operations was decreased by approximately 33.79% to approximately HK\$76.6 million for year ended 31 March 2013.

It was stated in AR 2013 that the business environment continued to be difficult for the Group in Brazil. In March 2012, the Board decided to suspend the tree felling and sustainable forest management operations in Brazil and as at the Latest Practicable Date, the Group's tree felling and sustainable forest management operations in Brazil remained suspended.

As mentioned in AR 2013, demand for the Group's timber products remains sluggish as the slowdown of the economy and real estate sector has continued. In such circumstances, the Company expects that the Group's operations in Zhongshan, being the manufacturing and sales of timber products, would likely to continue to be disappointing.

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As disclosed in the Company's annual report for the year ended 31 March 2014, the Group's revenue further decreased by approximately 16.6% from HK\$76.6 million for the financial year ended 31 March 2013 to HK\$63.9 million for the year ended 31 March 2014. The demand for the Group's timber products remains sluggish.

For the financial year ended 31 March 2014, Acre's operations remained suspended. On 5 June 2014, the Board changed the operation model in Acre from own harvesting to leasing out the forest in Brazil so as to enhance the income stream of the Group. The Group is actively negotiating terms and conditions with potential lessees relating to the Group's forest in Brazil. However, as at the Latest Practicable Date, the change in operation model has not been crystallized and no lease relating to the Group's forest in Brazil has been entered into by the Group.

The Directors believe that the uncertain market conditions and poor demand for timber products would continue to affect the Group's near term outlook for its existing businesses. The Group has carried out aggressive cost cutting measures and will continue to tightly manage all expenses in the period ahead.

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 will be 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. The acquisition of Travel Inn Limited and Good Magic Limited enables 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.

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

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and 30 April 2015 respectively, and the aggregate monthly rentals receivable from the lease of the Properties are HK\$53,600.

In order to diversify the business portfolio and broaden the income base of the Group, the Company, through its wholly-owned subsidiary, has commenced its money lending business pursuant to the Money Lenders Ordinance of the Laws of Hong Kong since late August 2014. In September 2014, the Group has provided loans with the term of three months to two separate borrowers who are third parties independent of the Company and its connected persons. The principal amount of the aforesaid loans are HK\$5.5 million and HK\$10.0 million respectively, with respective interest rate of 12% and 11% per annum. In October 2014, the aforesaid loan with principal amount of HK\$10.0 million has been fully settled by the borrower while a new loan with principal amount of HK\$9.8 million at interest rate of 10.5% per annum has been lent to a borrower who is third party independent of the Company and its connected persons for a term of one year. The Company expects that the interest income to be generated from its money lending business will strengthen the Group's income base and therefore, the Company intends to continue to expand in this particular sector.

The Group will continue to devote its resources in the operation of travel agent business, property investment business and money leading 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 announcements of the Company dated 27 February 2014 and 12 May 2014, respectively, the Company has completed the February Open Offers and raised gross proceeds of approximately HK\$46.0 million.

As stated in the prospectus of the Company dated 16 April 2014, the net proceeds from February Open Offers were estimated to be approximately HK\$42.6 million. The Company intended to apply the net proceeds from Open Offers as follows: (i) approximately HK\$16.5 million would be reserved for repayment of indebtedness in the amount of approximately HK\$11.9 million, including the promissory notes that had been fall due on 31 July 2013, the accrued interests related to a loan and part of the amount due to Shareholders which bears interest of 5% per annum and is payable within 2014. The balance of approximately HK\$4.6 million would be applied for repayment of part of the amount due to Shareholders; (ii) approximately HK\$16.5

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million would be reserved for future investments opportunities, including but not limited to property investment, as and when suitable opportunities arise; and (iii) the balance for general working capital of the Group, including but not limited to, payments of corporate and operating expenses. As at the date of this circular, (i) approximately HK\$16.5 million has been utilised for repayment of the indebtedness of the Group, (ii) approximately HK\$15.5 million has been utilised for investment in the new money lending business, (iii) approximately HK\$3.2 million has been utilised for the general working capital of the Group, and (iv) the rest of the net proceeds of approximately HK\$7.4 million have been placed in bank deposits and are intended to be utilised as the general working capital of the Group such as daily operations of the Group.

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

ADJUSTMENTS TO THE CONVERTIBLE SECURITIES

As at the Latest Practicable Date, the Company had 37,188,167 outstanding Share Options and 241,097,736 outstanding Share Warrants.

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

PROPOSED CHANGE IN BOARD LOT SIZE

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

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In order to increase the value of each board lot of the Shares so that the value of each board lot of Shares will not be less than HK\$2,000 and to reduce transaction and registration costs incurred by the Shareholders and investors of the Company, the Board proposes to change the board lot size for trading on the Stock Exchange from 30,000 Shares to 60,000 Shares with effect from Friday, 19 December 2014 and conditional upon the Open Offers becoming unconditional.

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

EXCHANGE OF NEW SHARE CERTIFICATES

Shareholders may submit their Existing Share Certificate to the Share Registrar, Tricor Tengis Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong in exchange for New Share Certificate free of charge during business hours from Friday, 19 December 2014 to Friday, 23 January 2015, both days inclusive. Thereafter, Existing Share Certificates will be accepted for exchange only on payment of a fee of HK\$2.50 (or such higher amount as may from time to time be specified by the Stock Exchange) for each New Share Certificate in board lot of 60,000 Shares each issued or each Existing Share Certificate submitted, whichever number of share certificate involved is higher. It is expected that the New Share Certificates will be available for collection from the Share Registrar by the Shareholders within 10 Business Days after delivery of the Existing Share Certificates to the Share Registrar for exchange purpose.

With effect from Friday, 19 December 2014, any New Share Certificates will be issued in board lot of 60,000 Shares each (except for odd lots or where the Share Registrar is otherwise instructed). All Existing Share Certificates will continue to be good evidence of legal title to such Shares and continue to be valid for trading, delivery and settlement purposes. Save and except for the change in the number of Shares for each board lot, New Share Certificate will have the same format and color as the Existing Share Certificate.

GENERAL

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

LETTER FROM THE BOARD

there is no controlling Shareholder. Accordingly, the Directors (excluding the independent non-executive Directors), the chief executive of the Company and their respective associates will abstain from voting in favour of the resolution(s) relating to the Open Offers at the SGM. As at the Latest Practicable Date, save for Ms. Zhou's interests in 18,307,662 Share Options, 225,418,481 Share Warrants and 215,525,161 CPS Warrants (convertible into 215,525,161 CPS), which are convertible into 18,307,662 Shares, 225,418,481 Shares and 6,735,161 Shares respectively, and Mr. Mung's interests in 18,307,662 Share Options which are convertible into 18,307,662 Shares, each of Ms. Zhou, Mr. Mung and their respective associates do not hold any Shares. Accordingly, none of the Directors (excluding the independent non-executive Directors), the chief executive of the Company and their respective associates holds any Shares. Therefore, no Shareholder is required to abstain from voting on the resolution to be proposed at the SGM in relation to the Open Offers as at the Latest Practicable Date.

Subject to the approval of the Open Offers by the Independent Shareholders at the SGM, the Prospectus Documents setting out details of the Open Offers will be despatched to the Qualifying Shareholders and the Qualifying CPS Holders on the Posting Date and the Prospectus will be despatched to the Excluded Shareholders and the Excluded CPS Holders for information only.

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

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

NOTICE OF THE SGM

Set out on pages SGM-1 to SGM-3 of this circular is a notice of the SGM to be held at 20/F, Infinitus Plaza, 199 Des Voeux Road Central, Sheung Wan, Hong Kong on Tuesday, 18 November 2014 at 11:00 a.m. at which resolutions will be proposed to approve, among other things, the Open Offers. Whether or not you are able to attend the SGM, you are requested to complete the enclosed form of proxy in accordance with the instructions printed thereon and return to the Share Registrar as soon as practicable and in any event not later than 48 hours before the time appointed for the holding of the SGM or any adjournment thereof (as the case may be). Completion and return of the form of proxy will not preclude you from attending and voting in person at the SGM or any

LETTER FROM THE BOARD

adjournment thereof (as the case may be) should you so wish and in such case, the form of proxy shall be deemed to be revoked.

RECOMMENDATION

The Independent Board Committee has been established by the Company to advise the Independent Shareholders as to whether the terms of the Open Offers are fair and reasonable and on how to vote on the relevant resolution(s) at the SGM, taking into account the recommendations of the independent financial adviser. Veda Capital Limited has been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in these regards.

Your attention is drawn to the letter from the Independent Board Committee set out on pages 49 to 50 of this circular which contains its recommendation to the Independent Shareholders in relation to the Open Offers, and the letter from the Independent Financial Adviser set out on pages 51 to 70 of this circular which contains its advice to the Independent Board Committee and the Independent Shareholders. The Independent Board Committee, having taken into account the advice of the Independent Financial Adviser, considers that the terms of the Open Offers are fair and reasonable, and are in the interests of the Company and the Shareholders as a whole. Accordingly, the Independent Board Committee recommends the Independent Shareholders to vote in favour of the resolution relating to the Open Offers at the SGM.

The Directors consider that the terms of the Open Offers are fair and reasonable and in the interests of the Company and the Shareholders as a whole. Accordingly, the Directors recommend the Shareholders to vote in favour of the relevant resolutions to be proposed at the SGM.

FURTHER INFORMATION

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

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

LETTER FROM THE INDEPENDENT BOARD COMMITTEE



Sustainable Forest Holdings Limited

永保林業控股有限公司*

(Incorporated in Bermuda with limited liability)

(Stock code: 723)

3 November 2014

To the Independent Shareholders

Dear Sirs or Madams,

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

We refer to the circular of the Company dated 3 November 2014 (the “Circular”) of which this letter forms part. Unless the context requires otherwise, capitalised terms used herein shall have the same meanings as defined in the Circular.

We have been appointed by the Board to advise the Independent Shareholders in respect of the proposed Open Offers. The Independent Financial Adviser has been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in this regard.

* *for identification purposes only*

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

Having considered the principal reasons and factors considered by, and the advice of, the Independent Financial Adviser, as set out in its letter of advice to us as set out on pages 51 to 70 of the Circular, we are of the opinion that the proposed Open Offers are in the interests of the Company and the Shareholders as a whole and the terms of which are fair and reasonable so far as the Company, the Independent Shareholders are concerned. Accordingly, we recommend the Independent Shareholders to vote in favour of the ordinary resolution relating to the Open Offers at the SGM.

Yours faithfully,

Independent Board Committee

Sustainable Forest Holdings Limited

William Keith Jacobsen

Independent

Non-executive Director

Wu Wang Li

Independent

Non-executive Director

Ng Wai Hung

Independent

Non-executive Director

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The following is the full text of a letter of advice from Veda Capital Limited to the Independent Board Committee and the Independent Shareholders in respect of the Open Offers prepared for the purpose of inclusion in this circular.

VEDA | CAPITAL
智 略 資 本

Veda Capital Limited
Suite 3711, 37/F
Tower II, Times Square
1 Matheson Street
Causeway Bay
Hong Kong

3 November 2014

*To the Independent Board Committee and the Independent Shareholders
of Sustainable Forest Holdings Limited*

Dear Sirs / Madams,

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

INTRODUCTION

We refer to our appointment to advise the Independent Board Committee and the Independent Shareholders in respect of the Open Offers, details of which are set out in the letter from the Board (the “**Board Letter**”) in the Company’s circular dated 3 November 2014 (the “**Circular**”) to the Shareholders, of which this letter forms part. Terms used in this letter shall have the same meanings as those defined in the Circular unless the context requires otherwise.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

On 9 October 2014, the Board announced, among others, to propose the Open Offers (i) to raise not less than approximately HK\$118.8 million and not more than approximately HK\$123.7 million before expenses by issuing not less than 371,147,618 Offer Shares and not more than 386,428,602 Offer Shares at the subscription price of HK\$0.32 per Offer Share on the basis of one (1) Offer Share for every six (6) Shares held on the Record Date with seventeen (17) Bonus Shares for every Offer Share subscribed and allotted; and (ii) to raise not more than approximately HK\$4.0 million before expenses by issuing not more than 402,313,634 Offer CPS at the subscription price of HK\$0.01 per Offer CPS on the basis of one (1) Offer CPS for every six (6) existing CPS held on the Record Date with an issue of seventeen (17) Bonus CPS for every Offer CPS subscribed and allotted. The Open Offers are fully underwritten by the Underwriter.

The Open Offers are conditional upon, among other things, (i) the Independent Shareholders at the SGM having approved: (a) the Open Offers and (b) the granting of specific mandate for the allotment and issue of the Bonus Shares, the Offer CPS Conversion Shares and the Bonus CPS Conversion Shares; and (ii) the Underwriting Agreement having been performed and the Underwriter not having terminated the Underwriting Agreement in accordance with the terms thereof.

The Independent Board Committee, comprising all the independent non-executive Directors, has been established by the Company to advise the Independent Shareholders as to whether the terms of the Open Offers are fair and reasonable and on how to vote on the relevant resolution(s) at the SGM, taking into account the recommendations of the Independent Financial Adviser. Veda Capital Limited has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in these regards.

BASIS OF OUR OPINION

In formulating our opinion to the Independent Board Committee and the Independent Shareholders, we have relied on the accuracy of the statements, information, opinions and representations contained or referred to in the Circular and the information and representations provided to us by the Company, the Directors and the management of the Company. We have no reason to believe that any information and representations relied on by us in forming our opinion is untrue, inaccurate or misleading, nor are we aware of any material facts the omission of which would render the information provided and the representations made to us untrue, inaccurate or misleading. We have assumed that all information, representations and opinions contained or referred to in the Circular, which have been provided by the Company, the Directors and the management of the Company and for which they are solely and wholly responsible, were true and accurate at the time when they were made and continue to be true as at the Latest Practicable Date and should there be any material changes to our opinion after the despatch of the Circular and up to the date of the SGM, Shareholders would be notified as soon as practicable.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

All Directors jointly and severally accept full responsibility for the accuracy of the information contained in the Circular and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in the Circular have been arrived at after due and careful consideration and there are no other facts not contained in the Circular, the omission of which would make any statement in the Circular misleading.

We have not conducted any independent in-depth investigation into the business and affairs of the Company, or its subsidiaries or associated companies. We have not considered the tax consequences on the Qualifying Shareholders/Qualifying CPS Holders arising from the subscription for, holding of or dealing in the Offer Shares/Offer CPS or otherwise, since these are particular to their own circumstances. We will not accept responsibility for any tax effect on, or liabilities of, any person resulting from the subscription for, holding of or dealing in the Offer Shares/Offer CPS or the exercise of any rights attaching thereto or otherwise. In particular, Qualifying Shareholders subject to overseas taxes or Hong Kong taxation on securities dealings should consider their own tax positions with regard to the Open Offers and, if in any doubt, should consult their own professional advisers.

This letter is issued for the information for the Independent Board Committee and the Independent Shareholders solely in connection with their consideration of Open Offers and, except for its inclusion in the Circular, is not to be quoted or referred to, in whole or in part, nor shall this letter be used for any other purposes, without our prior written consent.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In assessing the Open Offers and in giving our recommendation to the Independent Board Committee and the Independent Shareholders, we have taken into account the following principal factors and reasons:

A. Financial highlights of the Group

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; (v) property investment; and (vi) money lending business pursuant to the Money Lenders Ordinance of the Laws of Hong Kong.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Set out below are the financial highlights of the Group showing the financial performance of the Group in the recent financial periods:

1. For the year ended 31 March 2014

As set out in the Company's annual report for the year ended 31 March 2014 (**"Annual Report 2014"**), the Group recorded revenue of approximately HK\$63.95 million, representing a decrease of approximately 16.50% from that for the year ended 31 March 2013 of a revenue of approximately HK\$76.55 million. As noted from the Annual Report 2014, the decrease of revenue was mainly attributable to the continuing suspension of the harvesting operation in Acre, Brazil of the Group.

The Group recorded loss attributable to the Shareholders of approximately HK\$490.13 million for the year ended 31 March 2014, representing an increase in loss of approximately 50.07% when compared with a loss attributable to the Shareholders of approximately HK\$326.60 million for the year ended 31 March 2013. As noted from the Annual Report 2014, the record of loss was mainly because a decrease in fair value of biological assets of HK\$292.8 million and impairment loss on goodwill of HK\$302.1 million.

As set out in the Annual Report 2014, the Group has current assets of approximately HK\$52.05 million in which cash and cash equivalents contributed approximately HK\$8.97 million and the Group's current liabilities as at 31 March 2014 were approximately HK\$111.67 million.

2. For the year ended 31 March 2013

As set out in the Company's annual report for the year ended 31 March 2013 (**"Annual Report 2013"**), the Group recorded revenue of approximately HK\$76.55 million, representing a decrease of approximately 33.79% from that for the year ended 31 March 2012 of a revenue of approximately HK\$115.62 million. As noted from the Annual Report 2013, the decrease of revenue was mainly attributable to the suspension of harvesting operations in Acre, Brazil for one year since 27 March 2012 and the demand for the Group's timber products remains sluggish due to the slowdown of the economy and real estate sector.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The Group recorded loss attributable to the Shareholders of approximately HK\$326.68 million for the year ended 31 March 2013, representing a significant decrease in loss of approximately 85.97% when compared with a loss attributable to the Shareholders of approximately HK\$2,327.91 million for the year ended 31 March 2012. As noted from the Annual Report 2013, the record of loss was mainly because the demand for the Group's timber products continued to be affected by the poor market sentiment and a sluggish real estate market in the Group's overwhelmingly most important market, China.

As set out in the Annual Report 2013, the Group has current assets of approximately HK\$231.46 million in which cash and cash equivalents contributed approximately HK\$216.54 million and the Group's current liabilities as at 31 March 2013 were approximately HK\$172.44 million.

B. Reasons for the Open Offers

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

The net proceeds from Open Offers are estimated to be not less than approximately HK\$117.9 million and not more than approximately HK\$118.8 million. The Company intends to apply the net proceeds from Open Offers as to: (i) approximately HK\$80 million for the expansion of money lending business in Hong Kong; (ii) approximately HK\$20 million for investment(s) in and/or working capital for new business, including but not limited to, catering business in Hong Kong, as and when suitable opportunities arise; and (iii) the balance for general working capital of the Group, including but not limited to, payments of corporate and operating expenses.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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

As noted from the Annual Report 2014, 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 for one year and until the operating environment for its Brazilian subsidiary improves. As at the Latest Practicable Date, Acre's operations remained suspended. On 5 June 2014, the Board changed the operation model in Acre from own harvesting to leasing out the forest in Brazil so as to enhance the income stream of the Group. The Group is actively negotiating terms and conditions with potential lessees relating to the Group's forest in Brazil. However, as at the Latest Practicable Date, the aforesaid change in operation model has not been crystallized and no lease relating to the Group's forest in Brazil has been entered into by the Group.

As further noted from the Annual Report 2014, demand for the Group's timber products remains sluggish. As noted from the Board Letter, the Company expects that the Group's operations in Zhongshan, being the manufacturing and sales of timer products, would likely to continue to be disappointing. We noted from the Annual Report 2014 that manufacturing and sale of timber products segment is the main revenue stream of the Group and the segment revenue of the manufacturing and sale of timber products for the year ended 31 March 2014 has decreased by approximately 16.71% as compared to that of 31 March 2013.

Uncertain market conditions and poor demand for timber products will continue to affect the Group's near term outlook. The Group will continue to control its expenses and discover new business opportunities as well as divesting unprofitable business to restore and enhance Shareholders' value. In addition, the Company is keen on identifying and considering new business opportunities that diversifies its business portfolio and broaden the income base of the Group. The Company has diversified its business into licensed travel agent under the Travel Agents Ordinance and property investment through the acquisition of a 95% interest in Travel Inn Limited which has been completed on 18 February 2014. As set out in the Board Letter, the Group 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.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Besides, the Company has commenced its money lending business pursuant to the Money Lenders Ordinance of the Laws of Hong Kong since late August 2014. The Group's money lending business is principally the provision of mortgages loans to individual/corporate borrowers who are mainly referred by property agents in Hong Kong. The Group assess the credibility of the borrowers through, among others, (i) obtaining credit rating report of the individuals from recognized credit reference agencies in Hong Kong; (ii) requesting the borrowers to submit supporting information about their financial position, including the salary proof of the individuals/the audited financial statements of the companies, the tax assessment notice issued by the Inland Revenue Department of Hong Kong or overseas tax authorities and an exhaustive list of the existing outstanding debts payables by the borrowers; and (iii) evaluating the market value of the underlying property to be mortgaged to the Group. In September 2014, the Group has provided loans with the term of three months to two separate borrowers who are third parties independent of the Company and its connected persons. The principal amount of the aforesaid loans are HK\$5.5 million and HK\$10.0 million respectively, with respective interest rate of 12% and 11% per annum. In October 2014, the aforesaid loan with principal amount of HK\$10.0 million has been fully settled by the borrower while a new loan with principal amount of HK\$9.8 million at interest rate of 10.5% per annum has been lent to a borrower who is third party independent of the Company and its connected persons for a term of one year. The Company expects that the interest income to be generated from its money lending business will strengthen the Group's income base and therefore, the Company intends to continue to expand in this particular sector. In order to further expand the money lending business by increasing the amount of loans to customers to generate more interest income, the Company will need to look for additional financial resources to finance the expansion.

As further noted from the announcements of the Company dated 27 February 2014 and 12 May 2014, respectively, the Company has completed the February Open Offers and raised gross proceeds of approximately HK\$46.0 million. As advised by the Company, the net proceeds of the February Open Offers amounted to approximately HK\$42.6 million. As at the Latest Practicable Date, approximately HK\$35.2 million has been utilised as to (i) approximately HK\$16.5 million for repayment of the indebtedness of the Group; (ii) approximately HK\$15.5 million for investment in the new money lending business; and (iii) approximately HK\$3.2 million for the general working capital of the Group. The rest of the net proceeds of approximately HK\$7.4 million have been placed in bank deposits and are intended to be utilised as the general working capital of the Group such as daily operations of the Group. Hence, approximately 82.6% of the net proceeds of the February Open Offers has already been utilised.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Including the remaining net proceeds abovementioned, the Group had cash and cash equivalents amounted to approximately HK\$10.4 million as at the Latest Practicable Date. We also noted from Appendix I of this Circular that at the close of business on 30 September 2014, the Group had total borrowing of approximately HK\$25.0 million.

Having considered that (i) the indebtedness and the current cash balance of the Group; (ii) existing challenges of the Group's businesses given that the operation in Brazil has been suspended and the demand for timber products remained sluggish; (iii) the Group looks for new opportunities on a continual basis; (iv) the Company will put efforts and resources in new diversified business i.e. the travel business and the money lending business; (v) the cash requirement of money lending business; and (vi) the money lending business can generate interest income to the Group, we consider that the Open Offers allow the Group to obtain a better financial position and able to sustain development of existing business and future potential investments.

As noted from the above proposed use of proceeds, the proceeds from the Open Offers will be utilized by the Group to (i) raise funds for the expansion of the money lending business which can generate interest income to the Group, capturing new business opportunities and enhance working capital of the Group under the uncertain market conditions; and (ii) strengthen the capital base of the Group and enhance the financial position of the Group, it is expected that the Group will be in a better financial position for future development as a result of the Open Offers. Having also taken into account that the CPS Open Offer with the issue of Bonus CPS is required pursuant to the terms of the CPS and the Open Offers providing incentives to the Qualifying Shareholders and the Qualifying CPS Holders to subscribe for the Offer Shares and Offer CPS respectively, we consider the Open Offers are in the interests of the Company and Independent Shareholders as a whole.

C. The Open Offers

(I.) The Share Open Offer with the issue of Bonus Shares

The Share Open Offer and the issue of Bonus Shares is on the basis of one (1) Offer Share for every six (6) Shares held on the Record Date and payable in full upon application with seventeen (17) Bonus Shares for every Offer Share allotted and issued. The Share Open Offer Price of HK\$0.32 per Offer Share represents:

- (i) a premium of approximately 194% over the closing price of HK\$0.1090 per Share as quoted on the Stock Exchange on the Latest Practicable Date;

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

- (ii) a premium of approximately 141% over the closing price of approximately HK\$0.1330 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (iii) a premium of approximately 143% over the closing price of approximately HK\$0.1318 per Share based on the average closing prices 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 138% over the average closing price of approximately HK\$0.1343 per Share based on the average closing prices 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 587% over the theoretical ex-entitlement price of approximately HK\$0.0466 per Share calculated based on the closing price per Share of HK\$0.1330 as quoted on the Stock Exchange on the Last Trading Day.

The issue of Bonus Shares will reduce the average price per Offer Share taken up and therefore is in effect affecting the Share Open Offer Price to the prevailing market price of the Share. Since every seventeen (17) Bonus Shares will be issued upon the subscription of one (1) Offer Share, the average price for each Share to be allotted and issued under the Share Open Offer will be approximately HK\$0.017 (the “**Effective Share Offer Price**”), which represents:

- (i) a discount of approximately 83.69% to the closing price of HK\$0.1090 per Share as quoted on the Stock Exchange on the Latest Practicable Date;
- (ii) a discount of approximately 86.63% to the closing price of HK\$0.1330 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (iii) a discount of approximately 86.51% to the average closing price of HK\$0.1318 per Share based on the average of the closing prices for the last five (5) trading days as quoted on the Stock Exchange up to and including the Last Trading Day;

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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

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

1. Historical closing prices

We have reviewed the movements in the trading price of the Shares during the period from 9 October 2013 (being the 12 calendar months period prior to the date of the Underwriting Agreement) to the Latest Practicable Date (the "Review Period"). The closing prices of the Shares during the Review Period are set out below:



Source: website of the Stock Exchange (www.hkex.com.hk)

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The closing prices of the Shares ranged from the lowest of HK\$0.068 on 22 May 2014 to the highest of HK\$0.149 on 17 July 2014 and 23 September 2014 during the Review Period. The average closing price of the Shares during the Review Period was approximately HK\$0.115.

The Effective Share Offer Price represents (i) a discount of approximately 88.07% to the highest closing price of the Share; (ii) a discount of approximately 84.54% to the average closing price of the Share; and (iii) a discount of approximately 73.86% over the lowest closing price of the Share during the Review Period.

As shown in the above graph, the closing prices of the Shares illustrates a decreasing trend since the beginning of the Review Period with a rebound in late May 2014 and then fluctuated for the rest of the Review Period.

We note that it is a common market practice that, in order to enhance the attractiveness of an open offer exercise and to encourage the existing shareholders to participate in an open offer, the subscription price of an open offer normally represents a discount to the prevailing market prices of the relevant shares. And in view that (i) the closing prices of the Shares have been fluctuated during the Review Period; (ii) the consecutive losses recorded by the Group; and (iii) the uncertain market conditions in relation to the sustainable forest management business and manufacturing and sale of timer products business of the Group, we concur with the Directors that the Effective Share Offer Price being set lower than the prevailing market prices of the Shares is in line with general practice and the current market trend, which we consider such arrangement is reasonable and acceptable.

2. Comparison with open offers comparables

In assessing the reasonableness and fairness of the Effective Share Offer Price, we have reviewed all open offers conducted by other companies listed on the Stock Exchange, which announced the respective open offers in the six months preceding the date of the Underwriting Agreement i.e. from 9 April 2014 up to and including 9 October 2014. During this period, we have identified 6 open offers where the listed companies are profit making according to their respective latest published annual reports and/or annual results announcements, and we have also decided to exclude these 6 companies as the Group has been recording losses

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

for the past years and we consider that comparing with the companies which encountering similar financial performance of the Group, i.e. recording losses, can offer Shareholders a more accurate comparison in relation to the terms of the Share Open Offer.

To the best of our knowledge and as far as we are aware of, after excluding the abovementioned 6 profit making companies, we have identified 19 listed companies (the “**Comparables**”), which represent all companies listed on the Stock Exchange, announced open offers within the aforesaid period and criteria. As the terms of the Comparables are determined under similar market conditions and sentiments as the Share Open Offer and the Underwriter and the Company had considered the then recent market conditions when determining the terms of the Open Offers, we believe that the Comparables may reflect the recent trend of the open offer transactions in the market and is helpful in assessing the fairness of the Effective Share Offer Price. Also, we consider the selection of such six months period to be sufficient and appropriate for our analysis for fund raising exercises such as open offers, as the market sentiment at the relevant time in general plays an important role in the determination of the subscription price, while reasonable number of such fund raising exercises could be included for reference purposes. Nevertheless, Shareholders should note that the businesses, operations and prospects of the Company are not exactly the same as the Comparables and we have not conducted any indepth investigation into the businesses, operations and prospects of the Comparables. Details of our findings are summarised in the table below:

Comparable (Stock Code)	Date of Announcement	Basis of entitlement	Premium/(discount)		Maximum dilution (Note 1)	Underwriting commission	Excess application
			Premium/(discount) of subscription price over/(to) the closing price on the last trading day (%)	Premium/(discount) of subscription price over/(to) the theoretical ex-entitlement price (%)			
Artini China Co. Ltd. (789)	23/9/2014	3 for 1	(78.00)	(46.90)	75.00	1	Yes
Jian ePayment Systems Limited (8165)	12/9/2014	1 for 2	(36.71)	(27.54)	33.33	2	Yes
DeTeam Company Limited (65)	8/8/2014	1 for 1	(66.67)	(50.00)	50.00	0	No
Chinese Energy Holdings Limited (8009)	1/8/2014	1 for 2	(52.38)	(17.46)	33.33	2.5	No
China Green (Holdings) Limited (904)	29/7/2014	1 for 2	(49.00)	(39.00)	33.33	HK\$3,267,832.70	No
Auto Italia Holdings Limited (720)	25/7/2014	1 for 2	(39.81)	(30.85)	33.33	(Note 2) 2	Yes

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Comparable (Stock Code)	Date of Announcement	Basis of entitlement	Premium/(discount)		Maximum dilution (Note 1)	Underwriting commission	Excess application
			Premium/(discount) of subscription price over/(to) the closing price on the last trading day	Premium/(discount) of subscription price over/(to) the theoretical ex-entitlement price			
			(%)	(%)	(%)	(%)	
Integrated Waste Solutions Group Holdings Limited (923)	25/7/2014	1 for 1	(50.60)	(34.00)	50.00	2	No
Well Way Group Limited (8063)	16/7/2014	2 for 1	(62.50)	(35.76)	66.67	3.5	No
Celebrate International Holdings Limited (8212)	30/6/2014	1 for 8	(80.00)	(30.80)	11.11	3	Yes
EDS Wellness Holdings Limited (8176)	25/6/2014	1 for 2	(8.26)	(5.66)	33.33	3.5	No
China Investment and Finance Group Limited (1226)	9/6/2014	1 for 2	(47.37)	(37.50)	33.33	2	No
Green International Holdings Limited (2700)	5/6/2014 (entered into supplemental agreement on 8/7/2014)	3 for 10	(54.55)	(48.28)	23.08	0	Yes
China Energy Development Holdings Limited (228)	9/5/2014	1 for 4	(8.70)	(7.00)	20.00	2.75	No
Cosmopolitan International (120)	30/4/2014	2 for 1	(83.60)	(63.00)	66.67	0	Yes
Inno-Tech Holdings Limited (8202)	25/4/2014	25 for 1	(90.30)	(26.40)	96.15	3	No
Hao Tian Development Group Limited (474)	25/4/2014	2 for 1 (1 Bonus Share for 1 Offer Share)	(91.83)	(69.21)	80.00	2.5	No
China Packaging Group Company Limited (572)	22/4/2014	1 for 2	(70.37)	(61.17)	33.33	2.5	No
MelcoLot Limited (8198)	11/4/2014	3 for 10	(23.70)	(19.90)	23.08	3	No
Sunwah Kingsway Capital Holdings Limited (188)	11/4/2014	1 for 4	(5.13)	(3.90)	20.00	2	Yes
		Minimum	(5.13)	(3.90)	11.11	0.00	
		Maximum	(91.83)	(69.21)	96.15	3.50	
		Mean	(52.60)	(34.44)	42.90	2.07	
Company (taken into account the Bonus Issue)		1 for 6 with Bonus Issue of 17 Bonus Shares for every Offer Share	(86.63)	(61.85)	75.00	2.5	No

Source: website of the Stock Exchange (www.hkex.com.hk)

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Notes:

1. Maximum dilution effect of each open offer is calculated as: $((\text{number of offer shares to be issued under the basis of entitlement})/(\text{number of existing shares held for the entitlement for the offer shares under the basis of entitlement} + \text{number of offer shares to be issued under the basis of entitlement})) \times 100\%$, e.g. for an open offer with basis of one offer share for every ten existing shares, the maximum dilution effect is calculated as $((1)/(1+10)) \times 100 = 9.09\%$.
2. This is excluded from the comparison of underwriting commission given it is a fixed amount.

As shown in the above table, the discounts represented by the subscription prices to the closing prices of shares of the Comparables on the last trading days prior to the release of the respective announcements ranged from approximately 91.83% to 5.13% (the “**LTD Market Range**”). The discount of approximately 86.63% as represented by the Effective Share Offer Price to the closing price of the Shares on the Last Trading Day falls within and is deeper than the mean of the LTD Market Range.

The discounts represented by the subscription prices to the theoretical entitlement prices of the shares of the Comparables ranged from approximately 69.21% to 3.90% (the “**TEP Market Range**”). The discount of approximately 61.85% as represented by the Effective Share Offer Price to the theoretical ex-entitlement price of the Shares falls within and is deeper than the mean of the TEP Market Range.

Having taken into account of (i) the use of proceeds from the Open Offers as disclosed in the section “B. Reasons for the Open Offers” above; (ii) the continue loss-makings recorded by the Company since the financial year ended 31 March 2012; (iii) the fluctuation of closing prices of the Shares during the Review Period; (iv) conditions in relation to the sustainable forest management business and manufacturing and sale of timer products business of the Group; and (v) that the Company is developing new diversified business, we consider that it is inevitable for the Company to set the Effective Share Offer Price at a deeper discount so as to increase the attractiveness of the Share Open Offer. Having considered the abovementioned and that (i) the Effective Share Offer Price was determined after arm’s length negotiations between the Company and the Underwriter; (ii) all Qualifying Shareholders are offered an equal opportunities to subscribe for the Offer Shares; (iii) the discount represented by the Effective Share Offer Price to the closing price of the Shares on the Last Trading Day falls within the LTD Market Range; and (iv) the discount represented by the Effective Share Offer Price to the theoretical ex-entitlement price of the Shares falls within and above the mean of the TEP Market Range, we consider the Effective Share Offer Price is fair and reasonable so far as the Independent Shareholders are concerned.

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(II.) The CPS Open Offer with the issue of Bonus CPS

The CPS Open Offer with the issue of Bonus CPS is on the basis of one (1) Offer CPS for every six (6) existing CPS held on the Record Date and payable in full upon application with seventeen (17) Bonus CPS Conversion Shares for every Offer CPS allotted and issued. The subscription price of the Offer CPS is HK\$0.01 each. 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).

Given the terms, including but not limited to, the subscription price of the CPS Open Offer with the issue Bonus CPS are same as the Share Open Offer with the issue of Bonus Shares and our analysis under the sub-section headed “(I.) The Share Open Offer with the issue of Bonus Shares”, we consider the subscription price of the Offer CPS is fair and reasonable so far as the Independent Shareholders are concerned.

(III.) No application for excess Offer Shares and Offer CPS

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

We consider that the absence of the excess application arrangement may not be desirable from the point of view of those Qualifying Shareholders/Qualifying CPS Holders (as the case may be) who wish to take up additional Offer Shares/Offer CPS (as the case may be) in excess of their assured entitlements. However, we consider that the aforesaid should be balanced against the fact that (i) the terms of the Open Offers are structured with an intention to encourage all the Qualifying Shareholders to take up their respective assured allotment as the Effective Share Offer Price is set at a discount

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to the prevailing market price of the Shares which provides reasonable incentives to all the Qualifying Shareholders/Qualifying CPS Holders (as the case may be) to participate in the Open Offers; (ii) the Qualifying Shareholders and the Qualifying CPS Holders have the first right to decide whether to accept the Open Offers; (iii) the absence of such arrangement will save additional efforts and costs to the administrative procedures for the excess application; and (iv) all Qualifying Shareholders and the Qualifying CPS Holders are given a fair and equal opportunity to subscribe for his/her/its assured entitlement under the Open Offers, we are of the view that the absence of excess application under the Open Offers is fair and reasonable.

(IV.) Underwriting commission

As stated in the Board Letter, the Open Offers will be fully underwritten by the Underwriter and the Company will pay the Underwriter an underwriting commission of 2.50% (the “**Underwriting Commission**”) of the aggregate subscription price in respect of the Underwritten Shares and the Underwritten CPS. As shown in the above table, the underwriting commissions of the Comparables range from nil to 3.5% with a mean of 2.07%. In view that (i) the Underwriting Commission falls within the range of and close to the mean of the underwriting commissions of the Comparables; and (ii) the Underwriting Commission was determined after arm’s length negotiation between the Company and the Underwriter, we consider that the Underwriting Commission is in line with the market practice and is fair and reasonable and in the interests of the Company and the Independent Shareholders as a whole.

(V.) Risks associated with the Open Offers

Shareholders and potential investors should note that the Open Offers are conditional, among other things, upon the fulfillment of the conditions set out under the section headed “Conditions of the Open Offers” in the Board Letter. In particular, the Open Offers are subject to the Underwriting Agreement having become unconditional and the Underwriter not having terminated the Underwriting Agreement in accordance with the terms thereof as set out in the paragraph headed “Termination of the Underwriting Agreement” in the Board Letter. Accordingly, the Open Offers may or may not proceed. The Shareholders and potential investors should exercise caution when dealing in the Shares, and if they are in any doubt about their position, they should consult their professional advisers.

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D. Alternatives

We have enquired with the Company and are advised that they have considered other methods of fund raising such as rights issue, placement of new Shares or other convertible securities and bank borrowing. Having taking into account the following:

- (i) pursuant to the terms of the CPS, if the Company makes any offer by way of rights issue 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. In this regard, if the Company raises fund by way of rights issue, such rights issue has to be extended to the CPS Holders accordingly. Higher costs will be incurred by rights issue as compared to open offer because of additional administrative costs and expenses of the Company in arranging trading arrangement of the nil-paid rights with the share registrar for the Shares and the arrangement of the transfer of the nil-paid rights for the CPS. Also, there is no liquidity for the nil-paid rights of the CPS as compared to those of the Shares as the CPS is unlisted.
- (ii) the Open Offers will give the Qualifying Shareholders and Qualifying CPS Holders an equal and fair opportunity to maintain their respective pro-rata shareholding interests in the Company;
- (iii) the uncertainty of the existence of a market to trade the nil-paid entitlements and the un-economical trading cost which may be incurred by a qualifying shareholder;
- (iv) debt financing and bank borrowing will create interest payment obligations on the Group and increase the gearing and incur further interest burden to the Company;
- (v) any placing of new Shares will inevitably cause massive dilution to the interests of the existing Shareholders as they will not be able to participate on an equitable basis; and
- (vi) the Open Offers will enable the Shareholders and the CPS Holders to maintain their proportionate interests in the Company should they so wish,

Given the above, we are of the view that fund raising by way of the Open Offers is fair and reasonable and in the interests of the Company and the Independent Shareholders as a whole.

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E. Financial effect of the Open Offers

1. Net asset value

Based on the statement of unaudited pro forma financial information set out in Appendix II of the Circular, the unaudited pro forma adjusted consolidated net tangible assets of the Group would increase by the estimated net proceeds from the Open Offers (i) of approximately HK\$117.89 million to approximately HK\$176.69 million as compared with that as at 31 March 2014 assuming no exercise of Share Options, Share Warrants or conversion of CPS (including the CPS resulted from exercise of CPS Warrants); and (ii) of approximately HK\$118.76 million to approximately HK\$179.70 million as compared with that as at 31 March 2014 assuming full exercise of Share Options, Share Warrants and full conversion of CPS (including the CPS resulted from exercise of CPS Warrants).

The unaudited consolidated net tangible assets per Share as at 31 March 2014 was HK\$0.0422 based on 1,391,796,013 Shares in issue as at 31 March 2014.

The unaudited pro forma adjusted net tangible assets per Share immediately after completion for the Open Offers would be (i) approximately HK\$0.0198 which represents a decrease of approximately 53.08% assuming no exercise of Share Options, Share Warrants or conversion of CPS (including the CPS resulted from exercise of CPS Warrants); and (ii) approximately HK\$0.0194 which represents a decrease of approximately 54.03% assuming full exercise of Share Options, Share Warrants and full conversion of CPS (including the CPS resulted from exercise of CPS Warrants).

As illustrated above, the Offer Shares and the Offer CPS, which will be issued at a discount to the net tangible assets per Share before completion of the Open Offers, is expected to decrease the consolidated net tangible assets per Share upon completion of the Open Offers.

2. Working capital

The Open Offers shall have positive effect on the Group's working capital upon completion as the net proceeds from the Open Offers will bring a net cash inflow to the Group.

In light of the enhancement on the net tangible assets and the working capital as a result of the Open Offers, we are of the opinion that the Open Offer is in the interests of the Company and the Independent Shareholders as a whole.

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F. Potential Dilution

As the Open Offers are offered to all Qualifying Shareholders and Qualifying CPS Holders on the same basis, the Qualifying Shareholders and Qualifying CPS Holders will be able to maintain their proportional interests in the Company if they take up their allotments under the Open Offer in full. Any Qualifying Shareholders and Qualifying CPS Holders who choose not to take up in full their assured entitlements under the Open Offer will have their shareholdings in the Company diluted by up to a maximum of approximately 75% from their shareholding interest upon completion of the Open Offers. As shown in the above table, the dilution of the Comparables range from minimum of approximately 11.11% to maximum of approximately 96.15% with a mean of approximately 42.90%. The maximum dilution effect of the Share Open Offer with the issue of Bonus Shares lies within the range of the Comparables.

In all cases of open offers, the dilution on the shareholding of those qualifying shareholders who do not take up in full their assured entitlements under the open offers is inevitable. In fact, the dilution magnitude of any open offers depends mainly on the extent of the basis of entitlement under such exercises since the higher offering ratio of new shares to existing shares is the greater the dilution on the shareholding would be.

Having considered that (i) the Share Open Offer would enable the Group to strengthen the capital base and the financial position of the Group; (ii) all Qualifying Shareholders and Qualifying CPS Holders will be offered the same opportunity to maintain their proportional interests in the Company; (iii) it is common for the listed issuers in Hong Kong to issue Offer Shares at a discount to the market price in order to enhance the attractiveness of an open offer transaction and the Effective Share Offer Price, which is at discount to the market price of the Shares on the Last Trading Day is in line with general practice in the market; (iv) the inherent dilutive nature of open offer for non-participating Shareholders in general; (v) Qualifying Shareholders and Qualifying CPS Holders have their choices whether to accept the Open Offers or not; and (vi) the dilution effect of the Share Open Offer lies within the range of the Comparables, we consider that the potential dilution effect of the Open Offers to the Qualifying Shareholders and Qualifying CPS Holders who decide not to accept the Open Offers is acceptable.

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RECOMMENDATION

Having considered the principal factors and reasons referred to above, we are of the opinion that the terms of the Open Offers are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned and the Open Offers are in the interests of the Company and the Independent Shareholders as a whole. Accordingly, we would therefore advise the Independent Shareholders and the Independent Board Committee to recommend the Independent Shareholders to vote in favour of the resolutions to approve the Open Offers to be proposed at the SGM.

Yours faithfully,
For and on behalf of
Veda Capital Limited
Julisa Fong
Managing Director

Note: Ms. Julisa Fong is a licensed person under the SFO to engage in Type 6 (advising on corporate finance) regulated activities and has over 18 years of experience in investment banking and corporate finance.

1. FINANCIAL INFORMATION INCORPORATED BY REFERENCE

Financial information of the Group for the three years ended 31 March 2012, 2013 and 2014 are disclosed in 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 annual report of the Company for the year ended 31 March 2014 (pages 41 to 179) (<http://www.hkexnews.hk/listedco/listconews/SEHK/2014/0718/LTN20140718366.pdf>), respectively, of the Company, which are also published on the Company's designated website (<http://www.susfor.com>).

Disclaimer of Opinion for the financial year ended 31 March 2014

As disclosed in the independent auditor report in the annual report of the Company for the financial year ended 31 March 2014, the auditor of the Company, namely Crowe Horwath (HK) CPA Limited, has not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion for the financial statements of the Company for the financial year ended 31 March 2014. Accordingly, they did not express an opinion on the consolidated financial statements as to whether they give a true and fair view of the state of affairs of the Company and of the Group as at 31 March 2014 and of the Group's loss and cash flows for the year then ended in accordance with International Financial Reporting Standards and as to whether the consolidated financial statements have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance. Please refer to the independent auditor report in the annual report of the Company for the financial year ended 31 March 2014 (pages 38 to 40) (<http://www.hkexnews.hk/listedco/listconews/SEHK/2014/0718/LTN20140718366.pdf>) for further details.

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

At the close of business on 30 September 2014, being the latest practicable date for the purpose of this indebtedness statement prior to the printing of this Circular, the Group had total borrowing of approximately HK\$25.0 million, comprising (i) mortgage loans of approximately HK\$13.0 million secured by the Group's property of approximately HK\$3.2 million and investment properties of approximately HK\$23.7 million in Hong Kong; (ii) unsecured loans from a third party of approximately HK\$11.2 million which bear an interest of 3% per annum; (iii) an unsecured non-interest bearing loan from a non-controlling shareholder of a subsidiary of the Company of approximately HK\$0.8 million.

(b) Commitment

As the close of business on 30 September 2014, the Group had total future minimum lease payments under non-cancelable operating leases in respect of rented premises amounting to approximately HK\$247,000.

(c) Contingent liabilities

On 18 July 2011, a subsidiary of the Group entered into an agreement (the “**Agreement**”) with R2R Industria e Comercio 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.

(d) 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\$1,291,000 (equivalent to approximately HK\$4,439,000) 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\$1,354,000 (equivalent to approximately HK\$4,655,000) 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 subsidiary for paying Leandro the claim of R\$1,354,000 (equivalent to approximately HK\$4,655,000). The subsidiary will investigate the issue and is consulting legal counsels for legal appeal.

(e) 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 30 September 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 30 September 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 this circular.

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 2014, 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 31 March 2014.

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 31 March 2014, as extracted from the published annual report of the Company as of 31 March 2014 and the adjustments described below.

Audited consolidated net tangible assets attributable to equity holders of the Company as at 31 March 2014 <i>HK\$'000</i> <i>(Note 1)</i>	Estimated net proceeds from the Open Offers <i>HK\$'000</i> <i>(Note 2)</i>	Unaudited pro forma adjusted consolidated net tangible assets attributable to equity holders of the Company upon Completion <i>HK\$'000</i>	Audited consolidated net tangible assets attributable to equity holders of the Company per Share as at 31 March 2014 <i>HK cents</i> <i>(Note 3)</i>	Unaudited consolidated net tangible assets attributable to equity holders of the Company per Share upon Completion (after taking into account the Irrevocable Non-conversion Undertaking and assuming no conversion of the other Share Options, Share Warrants and CPS before the Record Date) <i>HK cents</i> <i>(Note 4)</i>
Based on 371,147,618 Offer Shares and 402,313,634 Offer CPS to be issued				
58,798	117,894	176,692	4.22	1.98

APPENDIX II

UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE GROUP

	Audited consolidated net tangible assets attributable to equity holders of the Company as at 31 March 2014 <i>HK\$'000</i> <i>(Note 1)</i>	Estimated net proceeds from the full exercise of Share Options, Share Warrants and full conversion of CPS as at 31 March 2014 <i>HK\$'000</i> <i>(Note 5)</i>	Unaudited consolidated net tangible assets attributable to equity holders of the Company (after taking into account the Irrevocable Non-conversion Undertaking and assuming full conversion of the other Share Options, Share Warrants and CPS) as at 31 March 2014 <i>HK\$'000</i>	Estimated net proceeds from the Open Offers <i>HK\$'000</i> <i>(Note 6)</i>	Unaudited pro forma adjusted consolidated net tangible assets attributable to equity holders of the Company (after taking into account the Irrevocable Non-conversion Undertaking and assuming full conversion of the other Share Options, Share Warrants and CPS before the Record Date) <i>HK\$'000</i>	Unaudited consolidated net tangible assets attributable to equity holders of the Company per Share upon Completion (after taking into account the Irrevocable Non-conversion Undertaking and assuming full conversion of the other Share Options, Share Warrants and CPS before the Record Date) <i>HK cents</i> <i>(Note 7)</i>
Based on 386,428,602 Offer Shares to be issued	58,798	2,142	60,940	118,761	179,701	1.94

Notes:

1. This represented the unaudited consolidated net assets attributable to equity holders of the Company of HK\$58,798,000 which are extracted from the unaudited consolidated statement of finance position of the Group as at 31 March 2014.
2. The estimated net proceeds from the Open Offers of approximately HK\$117.89 million are based on 371,147,618 Offer Shares and 402,313,634 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\$4.9 million.
3. The unaudited consolidated net tangible assets attributable to equity holders of the Company per Share of approximately HK4.22 cents is calculated based on 1,391,796,013 Shares in issue as at 31 March 2014.
4. The unaudited pro forma adjusted consolidated net tangible assets attributable to equity holders of the Company per Share upon Completion of approximately HK1.98 cents is arrived at after the adjustment referred to in note 2 above and on the basis of 8,907,542,834 Shares expected to be in issue upon Completion, comprising 2,226,885,710 Shares in issue as at the Latest Practicable Date and 371,147,618 Offer Shares and 6,309,509,506 Bonus Shares (as mentioned in the paragraph headed "Issue Statistics of Share Open Offer with the issue of Bonus Shares" in the "Letter from the Board") to be issued pursuant to the Open Offers.

5. The estimated net proceeds from the full exercise of Share Options, full conversion of CPS and full conversion of ordinary share warrants of approximately HK\$2,142,000 are based on 343,587, 185,277 and 43,978 Share Options to be exercised at the exercise price of HK\$4.275, HK\$3.2289 and HK\$1.7054 respectively, 2,413,881,809 CPS to be converted as at 31 March 2014 with no net proceeds, 15,679,255 ordinary share warrants with nominal value of HK\$3,808,491 to be exercised as at 31 March 2014.
6. The estimated net proceeds from the Open Offers of approximately HK\$118,761,000 are based on 386,428,602 Offer Shares to be issued at the subscription prices of HK\$0.32 per Offer Share and after deduction the estimated issuing expenses of approximately HK\$4.9 million.
7. The unaudited pro forma adjusted consolidated net tangible assets attributable to equity holders of the Company per Share upon Completion of approximately HK1.94 cents is arrived at after the adjustment referred to in note 5 and 6 above and on the basis of 9,274,286,450 Shares expected to be in issue upon Completion, comprising 2,226,885,710 Shares in issue as at the Latest Practicable Date, 572,843 Shares to be issued through the exercise of Share Options, 75,433,806 Shares to be issued through the conversion of CPS, 15,679,255 Shares to be issued through the exercise of the Share Warrants, and 386,428,602 Offer Shares and 6,569,286,234 Bonus Shares (as mentioned in the paragraph headed "Issue Statistics of Share Open Offer with the issue of Bonus Shares" in the "Letter from the Board") to be issued pursuant to the Open Offers.
8. No adjustment has been made to reflect any trading results or other transactions of the Group entered into subsequent to 31 March 2014.

**(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 this 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

3 November 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 circular dated 3 November 2014 (the “Circular”) in connection with (I) the proposed share open offer on the basis of one offer share for every six (6) shares held on the record date with the issue of share bonus issue on the basis of seventeen (17) 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 six (6) CPS held on the record date with the issue of bonus CPS on the basis of seventeen (17) 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 31 March 2014. The basis of preparation of the Unaudited Pro Forma Financial Information is set out in Appendix II to the Circular.

**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 in 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 purpose 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 purpose 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 31 March 2014 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

Leung Chun Wa

Practising Certificate Number P04963

1. RESPONSIBILITY STATEMENT

This circular, 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 Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this circular 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 this circular 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>		
(i) assuming no conversion of the Share Options, Share Warrants or CPS before the Record Date		
2,226,885,710	Shares as at the Latest Practicable Date	22,268,857.10
<u>6,680,657,124</u>	Offer Shares and Bonus Shares to be issued upon Completion	<u>66,806,571.24</u>
<u>8,907,542,834</u>	Total issued Shares upon Completion	<u>89,075,428.34</u>

- (ii) After taking into account the Irrevocable Non-conversion Undertakings and assuming full exercise of the other Share Options, Share Warrants and the CPS before the Record Date

<i>Authorised:</i>		<i>HK\$</i>
2,318,571,614	Shares before the Record Date	23,185,716.14
	Offer Shares and Bonus Shares to be issued upon	
<u>6,955,714,836</u>	Completion	<u>69,557,148.36</u>
<u><u>9,274,286,450</u></u>	Total issued Shares upon Completion	<u><u>92,742,864.50</u></u>

Issued and fully paid CPS:

2,413,881,809	CPS as at the Latest Practicable Date	24,138,818.09
	Offer CPS and Bonus CPS to be issued upon	
	Completion (assuming no conversion of CPS into	
<u>7,241,645,412</u>	Shares before the Record Date)	<u>72,416,454.12</u>
<u><u>9,655,527,221</u></u>	Total issued CPS upon Completion	<u><u>96,555,272.21</u></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 37,188,167 outstanding Options entitling holders thereof to subscribe for 37,188,167 Shares; 241,097,736 outstanding Share Warrants entitling holder thereof to subscribe for 241,097,736 Shares; 215,525,161 CPS Warrants entitling holder thereof to subscribe for 215,525,161 CPS and 2,413,881,809 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	18,307,662 Share Options 225,418,481 Share Warrants 215,525,161 CPS Warrants
Mr. Mung Wai Ming (<i>Note 2</i>)	beneficial owner	18,307,662 Share Options

Notes:

1. Ms. Zhou is the chairman and an executive Director of the Company. As at the Latest Practicable Date, Ms. Zhou is interested in 18,307,662 Share Options, 225,418,481 Share Warrants and 215,525,161 CPS Warrants (convertible into 215,525,161 CPS), which are convertible into 18,307,662 Shares, 225,418,481 Shares and 6,735,161 Shares respectively.
2. Mr. Mung Wai Ming is an executive Director. As at the Latest Practicable Date, Mr. Mung Wai Ming is interested in 18,307,662 Share Options, which are convertible into 18,307,662 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

Number of Shareholder	Capacity and nature of interest	Name and class of Shares and underlying Shares	Aggregate percentage of interest as at the Latest Practicable Date (%)
Loh Jiah Yee, Katherine ("Ms. Loh") (<i>Note 1</i>)	Beneficial owner/Interest of controlled corporation	1,294,849,369	58.15
Mr. Lau Jack ("Mr. Lau") (<i>Note 2</i>)	Interest of spouse	1,294,849,369	58.15
Assure Gain International Limited ("Assure Gain") (<i>Note 1</i>)	Beneficial owner/Interest of controlled corporation	1,256,270,940	56.41
Ocean Honor Limited ("Ocean Honor") (<i>note 3</i>)	Beneficial owner	2,274,052,584	102.11

Number of Shareholder	Capacity and nature of interest	Name and class of Shares and underlying Shares	Aggregate percentage of interest as at the Latest Practicable Date (%)
Chan Yuen Ming ("Mr. Chan") (note 4)	Interest in controlled corporation	2,274,052,584	102.11
Head & Shoulders Securities Limited ("Head & Shoulders") (note 5)	Beneficial owner	4,279,038,372	192.15
Cheung Fung Kuen, Maggie ("Ms. Cheung") (note 6)	Interest in controlled corporation	4,279,038,372	192.15
Choi Chiu Fai, Stanley ("Mr. Choi") (note 7)	Interest in controlled corporation	4,279,038,372	192.15

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 744,508,226 Shares and 2,485,386,857 CPS of the Company convertible into 77,668,351 underlying Shares; Winner Global was the registered holder of 213,360,723 Shares; Splendid Asset was the registered holder of 220,733,640 Shares; and Corp Insights was the registered holder of 1,234,509,728 CPS convertible into 38,578,429 underlying Shares. Under Part XV of the SFO, Ms. Loh was therefore deemed to have interests in 1,178,602,589 Shares and 116,246,780 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 Shares and underlying Shares in which Ms. Loh was interested under Part XV of the SFO.
- Ocean Honor was interested in 2,194,847,088 Shares and 2,534,575,896 CPS, which is convertible into 79,205,496 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 2,194,847,088 Shares and 2,534,575,896 CPS, which is convertible into 79,205,496 Shares.

5. Pursuant to the Underwriting Agreement, Head & Shoulders was interested in 4,279,038,372 Shares.
6. 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 4,279,038,372 Shares in which Head & Shoulders was interested.
7. 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 4,279,038,372 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 were 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 2014, 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 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 “(d) Litigation” under the paragraph headed “2. Indebtedness Statement” set out in Appendix I of this circular, 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 are the qualification of the experts who have given opinion and advice, which are contained in this circular:

Name	Qualifications
Crowe Horwath (HK) CPA Limited	Certified Public Accountants
Veda Capital Limited	a corporation licensed under the SFO to conduct type 6 (advising on corporate finance) regulated activity as defined under the SFO

Each of Crowe Horwath (HK) CPA Limited and Veda Capital Limited has given and has not withdrawn its written consent to the issue of this circular 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, each of Crowe Horwath (HK) CPA Limited and Veda Capital 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 2014 (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 underwriting agreement dated 27 February 2014 and entered into among the Company, Ocean Honor and the Underwriter pursuant to which Ocean Honor and the Underwriter agreed to underwrite not less than 139,173,247 offer shares and not more than 165,665,906 offer shares at the subscription price of HK\$0.32 per offer share and not more than 172,420,129 CPS at the subscription price of HK\$0.01 per offer CPS;
- (iii) 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;
- (iv) the Sale and Purchase Agreement;
- (v) the deed of termination dated 23 August 2013 and entered into between the Company and the 2013 July Underwriters (as defined below) in relation to the termination of the 2013 July Underwriting Agreement (as defined below) by mutual agreement;
- (vi) the underwriting agreement dated 5 July 2013 and entered into among the Company, Ocean Honor and China Galaxy International Securities (Hong Kong) Co., Limited pursuant to which Ocean Honor 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 at the subscription price of HK\$0.32 per offer share and not more than 143,683,441 offer CPS of the Company at the subscription price of HK\$0.01 per each offer CPS (the “**2013 July Underwriting Agreement**”);

- (vii) 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 at the subscription price of HK\$0.0534 per offer Share and not more than 215,525,161 offer CPS of the Company at the subscription price of HK\$0.0100125 per offer CPS; and
- (viii)(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 of the disposal, 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
Underwriter	Head & Shoulders Securities Limited
Auditors	Crowe Horwath (HK) CPA Limited 9/F, Leighton Centre 77 Leighton Road Causeway Bay Hong Kong
Legal adviser	<i>As to Hong Kong law:</i> Robertsons 57/F, The Center 99 Queen's Road Central Hong Kong <i>As to Bermuda law:</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

	<p>The Hongkong and Shanghai Banking Corporation Limited 1 Queen's Road Central Central Hong Kong</p>
	<p>Shanghai Commercial Bank Ltd. No. 666 Nathan Road Mongkok Kowloon Hong Kong</p>
<p>Hong Kong branch share registrar and transfer office</p>	<p>Tricor Tengis Limited Level 22 Hopewell Centre 183 Queen's Road East Hong Kong</p>
<p>Authorised representatives</p>	<p>Ms. Zhou Jing Suites No. 302-305, 3rd Floor, Sino Plaza, 255-257 Gloucester Road, Causeway Bay, Hong Kong</p> <p>Mr. Lee Rabi Suites No. 302-305, 3rd Floor, Sino Plaza, 255-257 Gloucester Road, Causeway Bay, Hong Kong</p>

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

Ms. ZHOU Jing, aged 40, 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 was an independent non-executive director of Perception Digital Holdings Limited (stock code: 1822) and resigned in August 2014. Ms. Zhou was also 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 Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong, “SFO”).

Mr. MUNG Wai Ming

Mr. MUNG Wai Ming, aged 51, 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. He was an executive director of Perception Digital Holdings Limited (stock code: 1822) and resigned in August 2014. 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 48, 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 abc Multiactive Limited (stock code: 8131) and China Financial Leasing Group Limited (stock code: 2312). He was the independent non-executive director of Perception Digital Holdings Limited (stock code: 1822) and resigned in August 2014 and of HyComm Wireless Limited (stock code: 499) and resigned in September 2014. 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 40, 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. 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), Talent Property Group Limited (formerly known as Tomorrow International Holdings Limited) (stock code: 760) and HyComm Wireless Limited (stock code: 499) and resigned in July 2009, January 2010, January 2011 and September 2014 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 51, 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), Trigiant Group Limited (stock code: 1300) 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), Tomorrow International Holdings Limited (currently

known as Talent Property Group Limited, stock code: 760), Perception Digital Holdings Limited (stock code: 1822) and HyComm Wireless Limited (stock code: 499) and resigned in February 2010, February 2011, January 2012, August 2014 and September 2014 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 G, Block 5, 15/F., Royal Peninsula, Hung Lai 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\$4.9 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 the date of SGM:

- (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 2013 and 2014;
- (d) 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 this circular;
- (e) the letter from the Independent Financial Adviser, the text of which is set out in this circular;
- (f) the consent letters from Crowe Horwath (HK) CPA Limited and Veda Capital Limited referred to in the paragraph headed “Expert and Consent” in this Appendix;
- (g) the circular of the Company dated 20 March 2014 in relation to, among other things, 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, which constituted a connected transaction to the Company; and
- (h) this circular.

12. 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. Lee Rabi, 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.

NOTICE OF SGM



Sustainable Forest Holdings Limited 永保林業控股有限公司*

(Incorporated in Bermuda with limited liability)

(Stock code: 723)

NOTICE OF SPECIAL GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT a special general meeting (“SGM”) of Sustainable Forest Holdings Limited (“Company”) will be held at 20/F, Infinitus Plaza, 199 Des Voeux Road Central, Sheung Wan, Hong Kong on Tuesday, 18 November 2014 at 11:00 a.m. (or an adjournment thereof) for the purpose of considering and, if thought fit, passing, with or without modification, the following resolution as an ordinary resolution:

ORDINARY RESOLUTION

“**THAT**, subject to the fulfilment of the conditions in the Underwriting Agreement (as defined and more particularly described in the circular of the Company dated 3 November 2014 (“Circular”), and copies of the Underwriting Agreement and the Circular have been tabled at the meeting, marked “A” and “B” respectively and signed by the Chairman of the meeting for the purpose of identification):

1. (a) the allotment and issue by way of open offer of not less than 371,147,618 shares and not more than 386,428,602 shares of HK\$0.01 each in the capital of the Company (the “Offer Shares”, each an “Offer Share”) to those shareholders of the Company whose names appear on the register of members of the Company at the close of business on a date to be fixed by the Directors (the “Record Date”), other than Excluded Shareholders (as defined in the Circular) in the proportion of six (6) Offer Shares for every one (1) existing Share (as defined in the Circular) held on the Record Date at the subscription price of HK\$0.32 per Offer Share and on the terms and conditions as set out in the Circular be and is hereby approved, confirmed and ratified and subject to the allotment and issue of the Offer Shares, the Directors be and are hereby authorised to allot and issue shares (“Bonus Shares”), by way of bonus issue, to the registered holders of the Offer Shares on the basis of seventeen (17) Bonus Shares for every one (1) Offer Share taken up under the Share Open Offer entitling the holders of the Bonus Shares be and is hereby approved, confirmed and ratified (the “Share Open Offer”);

* for identification purposes only

NOTICE OF SGM

- (b) the allotment and issue by way of open offer of not more than 402,313,634 convertible preferred shares (the “CPS”) of HK\$0.01 each in the capital of the Company (the “Offer CPS”) to those shareholders of the Company whose names appear on the register of CPS holders of the Company at the close of business on the Record Date, other than Excluded CPS Holders (as defined in the Circular) in the proportion of six (6) Offer CPS for every one (1) existing CPS held on the Record Date at the subscription price of HK\$0.01 per Offer CPS and on the terms and conditions as set out in the Circular, be and is hereby approved, confirmed and ratified and subject to the allotment and issue of the Offer CPS, the Directors be and are hereby authorised to allot and issue CPS (“**Bonus CPS**”), by way of bonus issue, to the registered holders of the CPS on the basis of seventeen (17) Bonus CPS for every one (1) Offer CPS taken up under the CPS Open Offer entitling the holders of the Bonus CPS be and is hereby approved (the “**CPS Open Offer**”);
- (c) the underwriting agreement between the Company and Head & Shoulders Securities Limited dated 9 October 2014 (the “**Underwriting Agreement**”) and the transactions contemplated thereunder be and is hereby approved, confirmed and ratified and any Director be and is hereby authorised to do such acts or execute such other document which may be necessary, desirable or expedient in his opinion to carry into effect or to give effect to the terms of the Underwriting Agreement;
- (d) the absence of arrangements for application for the Offer Shares by the Qualifying Shareholders in excess of their entitlements under the Share Open Offer be and is hereby approved, confirmed and ratified;
- (e) the absence of arrangements for application for the Offer CPS by the Qualifying Holders in excess of their entitlements under the CPS Offer be and is hereby approved, confirmed and ratified;
- (f) the Directors of the Company be and are hereby specifically authorised to allot, issue and deal with the Bonus Shares, the new shares to be allotted, issued and dealt on the exercise of the subscription rights attaching to the Offer CPS (the “**Offer CPS Conversion Shares**”), the new shares to be allotted, issued and dealt on the exercise of the conversion rights attaching to the Bonus CPS (the “**Bonus CPS Conversion Shares**”);

NOTICE OF SGM

- (g) the Directors, acting together, individually or by committee, be and are hereby authorised to allot, issue and deal with the Offer Shares, the Bonus Shares, the Offer CPS, the Bonus CPS, the Offer CPS Conversion Shares and the Bonus CPS Conversion Shares and to take such actions, do such things and execute such further documents or deeds for and on behalf of the Company as such Directors may, in their opinion, consider necessary, desirable or expedient to carry out or give effect to any or all the transactions contemplated in this resolution and the Circular.

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

Hong Kong, 3 November 2014

Notes:

1. A member entitled to attend and vote at the SGM is entitled to appoint one or more proxy to attend and, subject to the provisions of the bye-laws of the Company, to vote on his/her/its behalf. A proxy needs not be a member of the Company but must be present in person at the SGM to represent the member. If more than one proxy is so appointed, the appointment shall specify the number and class of shares in respect of which each such proxy is so appointed.
2. A form of proxy for use at the SGM is enclosed. Whether or not you intend to attend the SGM in person, you are encouraged to complete and return the enclosed form of proxy in accordance with the instructions printed thereon. Completion and return of a form of proxy will not preclude a member from attending in person and voting at the SGM or any adjournment thereof, should he/she/it so wish.
3. In order to be valid, the form of proxy, together with a power of attorney or other authority, if any, under which it is signed, or a certified copy of such power or authority must be deposited at the Company's Hong Kong branch share registrar, Tricor Tengis Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong not less than 48 hours before the time appointed for holding the SGM or any adjournment thereof.
4. In the case of joint holders of Shares, any one of such joint holders may vote at the SGM, either in person or by proxy, in respect of such share as if he/she/it was solely entitled thereto, but if more than one of such joint holders are present at the SGM personally or by proxy, that one of the said persons so present whose name stands first on the register of members of the Company in respect of such shares shall alone be entitled to vote in respect thereof.
5. Any voting at the SGM shall be taken by way of poll.