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If you are in any doubt about 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 Sustainable Forest Holdings Limited, you should at once hand this circular with the enclosed form of proxy to the purchaser(s) or transferee(s) or to the bank, licensed securities dealer or other agent through whom the sale or the transfer was effected for transmission to the purchaser(s) or transferee(s).

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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)

PROPOSED REFRESHMENT OF GENERAL MANDATE AND NOTICE OF SPECIAL GENERAL MEETING

**Independent financial adviser to the Independent Board Committee and
the Independent Shareholders**

VINCO  **城高**

Grand Vinco Capital Limited

(A wholly-owned subsidiary of Vinco Financial Group Limited)

A notice convening a special general meeting (the "SGM") of Sustainable Forest Holdings Limited to be held at the Conference Room, Rooms 3001-02, Top Glory Tower, 262 Gloucester Road, Causeway Bay, Hong Kong at 9:30 a.m. on Friday, 16 July 2010 is set out on pages 20 to 22 of this circular. A form of proxy for use at the SGM is enclosed with this circular.

Whether or not you intend 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 Company's branch share registrar in Hong Kong, Tricor Tengis Limited, at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for the holding of the SGM or any adjournment thereof. Completion and return of the enclosed form of proxy will not preclude you from attending and voting at the SGM or any adjourned meeting should you so wish.

* for identification purposes only

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DEFINITIONS

In this circular, unless the context otherwise requires, the following expressions shall have the following meanings:

“associate(s)”	has the same meaning as ascribed in the Listing Rules;
“Board”	the board of Directors;
“Bye-laws”	the Bye-laws of the Company and references to “ Bye-law ” shall be construed accordingly;
“Company”	Sustainable Forest Holdings Limited, an exempted company incorporated in Bermuda with limited liability, the issued Shares of which are listed on the Stock Exchange;
“controlling Shareholder(s)”	has the meaning ascribed to it under the Listing Rules;
“Directors”	the directors of the Company;
“Existing General Mandate”	the general mandate approved by the Shareholders at the SGM JAN 2010 to grant to the Directors to issue and allot up to 20% of the issued share capital of the Company as at the date of the SGM JAN 2010;
“Group”	the Company and its subsidiaries;
“HK\$”	Hong Kong dollars;
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC;
“Independent Board Committee”	an independent committee of the Board, comprising the independent non-executive Directors of the Company, namely Mr LEUNG Siu Hung, Joel, Mr CHU Kin Wang, Peleus and Mr John Tewksbury BANIGAN, duly appointed by the Board for the purpose of advising the Independent Shareholders in respect of the proposed resolution in relation to the refreshment of the Existing General Mandate as set out in the SGM Notice;

DEFINITIONS

“Independent Financial Adviser” or “Vinc Capital”	Grand Vinco Capital Limited, a wholly-owned subsidiary of Vinco Financial Group Limited (stock code: 8340), a licensed corporation for type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO, and the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the proposed refreshment of the Existing General Mandate;
“Independent Shareholders”	Shareholders other than the controlling Shareholders and their associates, or where there are no controlling Shareholders, the Directors (excluding independent non-executive Directors) and the chief executive of the Company and their respective associates;
“Latest Practicable Date”	22 June 2010, being the latest practicable date prior to the printing of this circular for ascertaining certain information in this circular;
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange;
“PRC”	the People’s Republic of China;
“Preference Shares”	convertible preferred share(s) of HK\$0.01 each in the capital of the Company carrying rights to convert into Shares
“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 at the Conference Room, Rooms 3001-02, Top Glory Tower, 262 Gloucester Road, Causeway Bay, Hong Kong on Friday, 16 July 2010 at 9:30 a.m.;
“SGM JAN 2010”	the special general meeting of the Company held on 21 January 2010;
“SGM Notice”	notice of the SGM which is set out on pages 20 to 22 of this circular;
“Share(s)”	ordinary share(s) of HK\$0.0533 each in the capital of the Company;

DEFINITIONS

“Shareholder(s)”	holder(s) of the Share(s);
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“%”	per cent.



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:

Mr LEUNG Chau Ping, Paul
Mr CHIU Raymond Yim
Mr Leandro Dos Martires GUERRA

Independent non-executive Directors:

Mr LEUNG Siu Hung, Joel
Mr CHU Kin Wang, Peleus
Mr John Tewksbury BANIGAN

Registered office:

Clarendon House
2 Church Street
Hamilton, HM 11
Bermuda

Principal place of business

in Hong Kong:
Rooms 3001-02
Top Glory Tower
262 Gloucester Road
Causeway Bay
Hong Kong

24 June 2010

*To the Shareholders, and for information only,
holders of Preference Shares of the Company*

Dear Sir or Madam,

**PROPOSED REFRESHMENT OF GENERAL MANDATE
AND
NOTICE OF SPECIAL GENERAL MEETING**

INTRODUCTION

The Board proposes to refresh the Existing General Mandate to grant to the Directors to issue and allot up to 20% of the issued share capital of the Company as at the date of passing of the relevant resolution at the SGM. The purpose of this circular is to provide you with (i) information regarding the refreshment of Existing General Mandate; (ii) the recommendation from the Independent Board Committee; (iii) the recommendation from the Independent Financial Adviser; and (iv) the SGM Notice at which the necessary resolutions will be proposed to consider and, if thought fit, to approve the proposed refreshment of the Existing General Mandate.

* *For identification purposes only*

LETTER FROM THE BOARD

PROPOSED REFRESHMENT OF EXISTING GENERAL MANDATE

The Existing General Mandate

Since the annual general meeting of the Company held on 21 August 2009, the Company has refreshed its general mandate to issue new Shares at the SGM JAN 2010 on 21 January 2010. At the SGM JAN 2010, the Shareholders passed an ordinary resolution to grant to the Directors the Existing General Mandate to allot and issue not more than 412,004,215 Shares, being 20% of the issued share capital of the Company as at the date of the SGM JAN 2010. The Company has not refreshed the Existing General Mandate since the SGM JAN 2010.

As disclosed in the announcement of the Company dated 26 May 2010, 412,000,000 new Shares were issued under the Existing General Mandate upon completion of the issue of 412,000,000 new Shares pursuant to a subscription agreement dated 26 May 2010, after which the Existing General Mandate has been substantially utilized.

Reasons for the refreshment of the Existing General Mandate

The Group is principally engaged in the business of sustainable management and investments in tropical hardwood and softwood natural forests in Brazil, other parts of South America and Russia, trading processing, marketing and distribution of timber products under its brand to PRC, India, Europe, Japan and USA. Its goal is to become the world's largest owner of natural forest resources and fully integrated timber products supplier.

As at the Latest Practicable Date, the authorised share capital of the Company was HK\$725,340,000 divided into 8,437,500,000 Shares and 27,534,000,000 Preference Shares, of which HK\$344,827,984.92 divided into 2,929,704,409 Shares and 18,857,708,312 Preference Shares was in issue and fully paid or credited as fully paid. In the event that the Company has not issued or repurchased any Shares up to the date of the SGM, the Company will be entitled to allot and issue not more than 585,940,881 Shares if the Existing General Mandate is refreshed.

Having regard to the dynamic market conditions, it is to the advantage of the Group to have the flexibility in raising additional funds and to have an additional option of financing to facilitate future investments and acquisitions. The Directors believe that a refreshment of the Existing General Mandate will provide the Group with maximum flexibility as allowed under the Listing Rules to allot and issue securities for cash or as consideration in acquisitions as and when the Directors think appropriate.

As at the Latest Practicable Date, the Company did not have any immediate concrete and specific investment or acquisition plans in relation to the utilization of the proposed refreshment of Existing General Mandate. In addition, as at the Latest Practicable Date, the Directors had no immediate plans to issue and allot any new Shares pursuant to the proposed refreshment of Existing General Mandate.

LETTER FROM THE BOARD

Period during which the refreshed mandate will remain effective

The refreshed mandate will, if granted, remain effective until the earliest of (i) the conclusion of the next annual general meeting of the Company; (ii) the date by which the next annual general meeting is required to be held; and (iii) the date upon which such authority is revoked or varied by an ordinary resolution of the Shareholders in a general meeting of the Company.

Fund raising activities during the 12 months immediately prior to the Latest Practicable Date

Set out below are the fund raising activities during the 12 months immediately prior to the Latest Practicable Date:–

Date of announcement	Event	Net proceeds raised (approximate)	Intended use of proceeds	Actual use of proceeds as at the Latest Practicable Date
1 June 2009	Placing of up to a maximum of 5,636,360,000 shares of HK\$0.01 each, which was completed on 30 July 2009	HK\$187.8 million	as the general working capital of the Group	HK\$187.8 million was used as the general working capital of which approximately HK\$55 million for payment in cash and approximately HK\$132.8 million for repayment of the Promissory Note for the consideration of the Acquisition as defined and disclosed in the circular dated 25 June 2009.
19 October 2009	Top-up placing of up to a maximum of 917,640,000 shares of HK\$0.01 each, which was completed on 22 October 2009	HK\$72.1 million	as the general working capital of the Group	HK\$72.1 million was used as the general working capital of which approximately HK\$40 million for the instalment payment of the acquisition of biological assets; approximately HK\$3 million for purchase of plant and equipment; approximately HK\$15 million for repayment of other payables and accruals, approximately HK\$14.1 million for other operating and administrative expenses.

LETTER FROM THE BOARD

Date of announcement	Event	Net proceeds raised (approximate)	Intended use of proceeds	Actual use of proceeds as at the Latest Practicable Date
26 May 2010	issue 412,000,000 new Shares of HK\$0.0533 each, which was completed on 2 June 2010	HK\$191 million	for business development and as the general working capital of the Group	Part of the proceeds approximately HK\$97 million has been used as general working capital for repayment of other payables and accruals and other operating and administrative expenses. Save as aforesaid disclosed the remaining HK\$94 million will be used as intended.

The following table shows the details of the utilization of the Existing General Mandate:

	Shares of par value HK\$0.0533 each
Maximum number of new Shares that can be issued under the Existing General Mandate	412,004,215
<i>Less:</i> Utilised Existing General Mandate	<u>(412,000,000)</u>
Number of shares remaining under the Existing General Mandate	<u><u>4,215</u></u>

Save as disclosed above, the Company had not conducted any fund raising exercise during the 12 months immediately prior to the Latest Practicable Date of this Circular.

Independent Board Committee

The Independent Board Committee comprising Mr LEUNG Siu Hung, Joel, Mr CHU Kin Wang, Peleus and Mr John Tewksbury BANIGAN, being independent non-executive Directors, has been formed to advise the Independent Shareholders on the proposed refreshment of the Existing General Mandate. The Independent Financial Adviser has been appointed as independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in this regard.

LETTER FROM THE BOARD

SPECIAL GENERAL MEETING

A notice convening the SGM to be held at the Conference Room, Rooms 3001-02, Top Glory Tower, 262 Gloucester Road, Causeway Bay, Hong Kong at 9:30 a.m. on Friday, 16 July 2010 is set out on pages 20 to 22 of this circular. Pursuant to Rule 13.36(4)(a) of the Listing Rules, any controlling Shareholders and their associates, or, where there are no controlling Shareholders, Directors (excluding independent non-executive Directors) and chief executive of the Company and their respective associates shall abstain from voting in favour of the relevant resolution to be proposed at the SGM.

Pursuant to Rules 13.36(4) of the Listing Rules, the proposed refreshment of the Existing General Mandate will be subject to the Independent Shareholders' approval at the SGM. As at the Latest Practicable Date, the Company had no controlling Shareholders and none of the Directors and the chief executive of the Company and their respective associates owned any Shares. As at the Latest Practicable Date, Mr LEUNG Chau Ping, Paul, Mr CHIU Raymond Yim and Mr Leandro Dos Martires GUERRA, the executive Directors, and Mr LEUNG Siu Hung, Joel and Mr John Tewksbury BANIGAN, the independent non-executive Directors, held 20,421,710, 10,210,855, 20,421,710, 2,042,171 and 2,042,171 options to subscribe for Shares granted under the share option scheme adopted by the Company on 27 November 2009 respectively. Save as disclosed herein, none of the Directors and the chief executive of the Company and their respective associates owned any Shares and underlying shares of the Company. Accordingly, Mr LEUNG Chau Ping, Paul, Mr CHIU Raymond Yim and Mr Leandro Dos Martires GUERRA, all the executive Directors and their respective associates are required to abstain from voting in favour of the resolution to be proposed at the SGM to approve the proposed refreshment of the Existing General Mandate.

To the extent that the Company was aware having made all reasonable enquiries, (i) there was no controlling shareholders of the Company; and (ii) there were no Directors and their respective associates controlled or are entitled to exercise control over the voting rights in respect of the Shares required to abstain from voting in favour of the resolution for approving the refreshment of the Existing General Mandate at the SGM.

A form of proxy for use by the Shareholders at the SGM is enclosed with this circular. Whether or not you intend to attend and vote at the SGM in person, you are requested to complete the enclosed form of proxy in accordance with the instructions printed thereon and return the same to the Company's branch share registrar in Hong Kong, Tricor Tengis Limited, at 26th Floor, Tesbury Centre, 28 Queen's Road East, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for holding the SGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting at the SGM or any adjourned meeting should you so wish.

LETTER FROM THE BOARD

VOTING BY POLL

Pursuant to Rule 13.39 of the Listing Rules, any votes of the Shareholders at a general meeting must be taken by poll. Therefore, the chairman of the SGM will demand a poll for the resolutions to be put forward at the SGM pursuant to Bye-law 66. The Company will appoint scrutineers to handle vote-taking procedures at the SGM. The results of the poll will be published on the websites of the Stock Exchange and the Company as soon as possible after the SGM in accordance with Rule 13.39 of the Listing Rules.

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.

RECOMMENDATION

The Board (including the non-executive Directors) considers that the proposed refreshment of the Existing General Mandate are in the best interests of the Company and the Shareholders as a whole. The Board therefore recommends the Shareholders to vote in favour of the relevant resolution.

Yours faithfully,
For and on behalf of
Sustainable Forest Holdings Limited
LEUNG Chau Ping, Paul
Executive Director



SUSTAINABLE FOREST HOLDINGS LIMITED

永保林業控股有限公司*

(incorporated in Bermuda with limited liability)

(Stock Code: 723)

24 June 2010

To the Independent Shareholders

Dear Sirs or Madams,

PROPOSED REFRESHMENT OF EXISTING GENERAL MANDATE

We refer to the circular of the Company dated 24 June 2010 (the “Circular”) of which this letter forms part. Unless the context requires otherwise, capitalized 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 refreshment of the Existing General Mandate. 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.

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 11 to 19 of the Circular, we are of the opinion that the proposed refreshment of the Existing General Mandate is 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 and the Independent Shareholders are concerned. Accordingly, we recommend the Independent Shareholders to vote in favour of the ordinary resolution to be proposed at the SGM to approve the proposed refreshment of the Existing General Mandate.

Yours faithfully,
Independent Board Committee
Sustainable Forest Holdings Limited

LEUNG Siu Hung, Joel
Independent
Non-executive Director

CHU Kin Wang, Peleus
Independent
Non-executive Director

John Tewksbury BANIGAN
Independent
Non-executive Director

* *For identification purposes only*

LETTER FROM VINCO CAPITAL

The following is the text of a letter of advice from Vinco Capital to the Independent Board Committee and the Independent Shareholders in connection with the refreshment of the Existing General Mandate, which has been prepared for the purpose of incorporation in this circular.



Grand Vinco Capital Limited
Units 4909-4910, 49/F., The Center
99 Queen's Road Central, Hong Kong

24 June 2010

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

Dear Sirs,

PROPOSED REFRESHMENT OF GENERAL MANDATE LIMIT TO ISSUE SHARES

INTRODUCTION

We refer to our engagement as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in connection with the refreshment of the Existing General Mandate, details of which are set out in the section headed "Letter from the Board" in the circular ("Circular") issued by the Company to the Shareholders dated 24 June 2010 of which this letter forms part. Capitalized terms used in this letter shall have the same meanings ascribed to them in the Circular unless the context otherwise requires.

In accordance with Rule 13.36(4)(a) of the Listing Rules, the refreshment of the Existing General Mandate requires the approval of the Independent Shareholders by way of poll at the SGM, at which any controlling Shareholders and their associates, or where there are no controlling Shareholders, the Directors (excluding independent non-executive Directors) and the chief executives of the Company and their respective associates shall abstain from voting in favour of the resolution approving the refreshment of the Existing General Mandate. As at the Latest Practicable Date, to the best of the Directors' knowledge, information and belief and having made all reasonable enquiries, the Company does not have any controlling Shareholders and none of the Directors, chief executives and their respective associates controlled or is entitled to exercise control over the voting rights in respect of the Shares. As such, no Shareholders are required to abstain from voting in favour of the relevant resolution approving the refreshment of the Existing General Mandate at the SGM.

LETTER FROM VINCO CAPITAL

The Independent Board Committee, comprising Mr. LEUNG Siu Hung, Joel, Mr. CHU Kin Wang, Peleus and Mr. John Tewksbury BANIGAN, all being the independent non-executive Directors, has been formed to advise the Independent Shareholders as to whether the refreshment of the Existing General Mandate is fair and reasonable so far as the Independent Shareholders are concerned and whether the refreshment of the Existing General Mandate is in the interests of the Company and the Independent Shareholders as a whole.

BASIS OF OUR OPINION AND RECOMMENDATION

In forming our opinion and recommendation, we have relied on the information, facts and representations contained or referred to in the Circular and the information, facts and representations provided by, and the opinions expressed by the Directors, management of the Company and its subsidiaries. We have assumed that all information, facts, opinions and representations made or referred to in the Circular were true, accurate and complete at the time they were made and continued to be true, accurate and complete as at the date of the Circular and that all expectations and intentions of the Directors, management of the Company and its subsidiaries, will be met or carried out as the case may be. We have no reason to doubt the truth, accuracy and completeness of the information, facts, opinions and representations provided to us by the Directors, management of the Company and its subsidiaries. The Directors have confirmed to us that no material facts have been omitted from the information supplied and opinions expressed. We have no reason to doubt that any relevant material facts have been withheld or omitted from the information provided and referred to in the Circular or the reasonableness of the opinions and representations provided to us by the Directors, management of the Company and its subsidiaries.

The 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 relied on such information and opinions and have not, however, conducted any independent verification of the information provided, nor have we carried out any independent investigation into the business, financial conditions and affairs of the Group or its future prospect.

Based on the foregoing, we confirm that we have taken all reasonable steps, which are applicable to the refreshment of the Existing General Mandate, as referred to in Rule 13.80 of the Listing Rules (including the notes thereto).

This letter is issued for the information for the Independent Board Committee and the Independent Shareholders solely in connection with their consideration of the refreshment of the Existing General Mandate 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 prior written consent.

LETTER FROM VINCO CAPITAL

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion and recommendation to the Independent Board Committee and the Independent Shareholders in respect of the refreshment of the Existing General Mandate, we have taken into consideration the following principal factors and reasons:

Background of the refreshment of the Existing General Mandate

The Group is principally engaged in the business of sustainable management and investments in tropical hardwood and softwood natural forests in Brazil, other parts of South America and Russia, trading processing, marketing and distribution of timber products under its brand to PRC, India, Europe, Japan and USA. Its goal is to become the world's largest owner of natural forest resources and fully integrated timber products supplier.

As set out in the announcement of the Company dated 26 May 2010, the Company and NWS Financial Management Services Limited (the "Subscriber") entered into a subscription agreement pursuant to which the Subscriber has agreed to subscribe for, and the Company has agreed to allot and issue to the Subscriber, 412,000,000 new Shares at the subscription price of HK\$0.50 per subscription share (the "Subscription"). Immediately after the completion of the Subscription, 412,000,000 Shares will be issued under the Existing General Mandate representing approximately 100% of the Shares that are allowed to be allotted and issued under the Existing General Mandate. After the completion of the Subscription on 2 June 2010, there are 4,215 Shares could further be issued under the Existing General Mandate as at the Latest Practicable Date.

Given that (i) the Existing General Mandate granted to the Directors has been substantially utilised immediately after completion of the Subscription; and (ii) the proposed refreshment of Existing General Mandate can provide a flexible mean for the Company to raise further funds and/or to procure potential merger and acquisition opportunities through the issue of new Shares for its future business development, the Board proposes to seek approval from the Independent Shareholders at the SGM to refresh the Existing General Mandate so that the Directors will be granted to allot, issue and deal with new Shares not exceeding 20% of the issued share capital of the Company as at the date of the SGM.

As at the Latest Practicable Date, the Company had 2,929,704,409 Shares and 18,857,708,312 convertible Preference Shares of HK\$0.01 each in issue and fully paid or credited as fully paid. Subject to the passing of the ordinary resolution for the refreshment of the Existing General Mandate and assuming that no further Shares are issued or repurchased by the Company from the Latest Practicable Date to the date of the SGM (both dates inclusive), the Company would be entitled to allot and issue up to a maximum of 585,940,881 Shares under the refreshed mandate, representing 20% of the entire issued share capital of the Company as at the Latest Practicable Date.

LETTER FROM VINCO CAPITAL

Reasons for the refreshment of the Existing General Mandate

As stated in the Letter from the Board, the Directors consider that it is to the advantage of the Group to have the flexibility in raising additional funds and to have an additional option of financing to facilitate future investments and acquisitions given the dynamic market conditions. The Directors believe that the refreshment of the Existing General Mandate will provide the Group with maximum flexibility as allowed under the Listing Rules to allot and issue securities for cash or as consideration in acquisitions as and when the Directors think appropriate. As such, the Board proposed to pass an ordinary resolution at the SGM to approve the proposed refreshment of the Existing General Mandate in accordance with Rule 13.36(4) of the Listing Rules to allow flexibility to issue any additional new Shares so that the Directors would be granted to allot and issue up to a maximum of 20% of the entire issued share capital of the Company as at the date of the SGM.

As set out in the annual report 2008/09 of the Company, we noted that the Group plans to consolidate its forest assets globally and develop timber trading business on a worldwide basis. We also noted that from the circular of the Company dated 25 January 2010, the Group will shift its focus on the forestry business and continue to strive to explore investment opportunities in order to strengthen and expand its business portfolio. As set out in the interim report 2009 of the Company for the six months ended 30 September 2009 (“Interim Report 2009”), we noted that the Group recorded unaudited net loss attributable to equity holders of the Company of approximately HK\$40,860,000 for the six months ended 30 September 2009. As at 30 September 2009, the Group recorded cash and cash equivalents of the Group of approximately HK\$119,140,000 and the total liabilities of approximately HK\$867,652,000.

In view of the above and taking into consideration that (i) the liquidity position of the Group as at 30 September 2009 and the Group has been loss-making for the past three years; and (ii) the Group has been committed to explore investment opportunities in order to strengthen and expand its business portfolio and to optimize the value of its current business, we concur with the Directors’ view that the refreshment of Existing General Mandate is fair and reasonable and is in the interests of the Company and the Independent Shareholders as a whole.

LETTER FROM VINCO CAPITAL

Fund raising activities of the Company in the twelve months immediately prior to the Latest Practicable Date

Set out below are the fund raising activities of the Company during the twelve months immediately prior to the Latest Practicable Date:

Date of announcement	Event	Net proceeds raised (approximately)	Intended use of proceeds	Actual use of proceeds as at the Latest Practicable Date
1 June 2009	Placing of up to a maximum of 5,636,360,000 shares of HK\$0.01 each, which was completed on 30 July 2009	HK\$187.8 million	For the general working capital of the Group	Fully Utilised. HK\$187.8 million was used as the general working capital of which approximately HK\$55 million for payment in cash and approximately HK\$132.8 million for repayment of the Promissory Note for the consideration of the Acquisition as defined and disclosed in the circular dated 25 June 2009.
14 October 2009 and 19 October 2009	Placing of up to a maximum of 917,640,000 shares of HK\$0.01 each and subscription of 917,640,000 new shares of HK\$0.01 each, which was completed on 22 October 2009	HK\$72 million	For the general working capital of the Group	Fully Utilised. HK\$72.1 million was used as the general working capital of which approximately HK\$40 million for the instalment payment of the acquisition of biological assets; approximately HK\$3 million for purchase of plant and equipment; approximately HK\$15 million for repayment of other payables and accruals, approximately HK\$14.1 million for other operating and administrative expenses.

LETTER FROM VINCO CAPITAL

Date of announcement	Event	Net proceeds raised (approximately)	Intended use of proceeds	Actual use of proceeds as at the Latest Practicable Date
26 May 2010	Issue of 412,000,000 new Shares of HK\$0.0533 each, which was completed on 2 June 2010	HK\$191 million	For business development and general working capital of the Group	Partly Utilised. Part of the proceeds approximately HK\$97 million has been used as general working capital for repayment of other payables and accruals and other operating and administrative expenses. Save as aforesaid disclosed the remaining HK\$94 million will be used as intended.

Save as disclosed above, the Directors confirmed that the Company has not conducted any other fund raising activities during the 12 months immediately prior to the Latest Practicable Date. As advised by the Directors, we noted that the net proceeds of HK\$191 million from the issue of new Shares announced on 26 May 2010 has not yet been utilized and is intended to be utilized for business development and general working capital of the Group. As such, we are of the view that the actual use of proceeds was in line with the intended use of proceeds as stated in their respectively announcements of the abovementioned fund raising activities.

Financial flexibility

The Directors confirmed that the existing cash resources of the Group are sufficient for it to conduct its daily operations and the Group has sufficient working capital to meet its present requirements. However, the Directors cannot preclude the possibilities that the current financial resources are inadequate for a large scale investment and additional funding may still be needed for investment opportunities as well as other opportunities arise in the future. In the event that the Company identifies a suitable investment opportunity but does not have sufficient financial resources on hand, or is unable to obtain loan financing on acceptable terms, or cannot find other alternatives to finance the acquisition of such investment opportunity in a timely manner, the Company may lose its opportunities in an otherwise favourable investment and a favorable opportunity to expand its business portfolio. In view of the gradual recovery in the economy, we are advised by the Directors that they have been actively seeking potential investment opportunities and business developments of the Group.

As confirmed by the Directors, no specific target has been identified as at the Latest Practicable Date and the scale of investment will be subject to investigation on the possible target investment and negotiation with the potential vendor. Also, the Directors confirmed that they have considered the possibility of seeking a specific mandate when specific project is identified. However, the Directors considered that timely decision

LETTER FROM VINCO CAPITAL

making is critical to grasp opportunities arising from the prevailing market condition. As such, they considered granting of specific mandate which is subject to the approval of the Independent Shareholders may delay the Group to grasp the opportunities in a timely manner.

In view of the above, we consider that it is reasonable for the Directors to propose the refreshment of Existing General Mandate at the SGM in order to provide the Company with necessary financing flexibility to raise additional funds through the issue of new Shares for its future business development as and when an opportunity arises. Given the financial flexibility available to the Company, we are of the view that the refreshment of the Existing General Mandate is in the interests of the Company and the Independent Shareholders as a whole.

Other financing alternatives

We have enquired into the Directors and the Directors consider equity financing to be an important avenue of resources for the Group given its non-interest bearing nature. Apart from equity financing, the Directors confirmed that they also consider other financing alternatives, such as debt financing and internal cash resources, to be other possible fund raising alternatives available to the Group. As confirmed by the Directors, the Group has sufficient working capital to meet its present requirements, however, there is no guarantee that such cash resources will be sufficient or be available for its future investments or business developments. In addition, debt financing may incur interest burden on the Group and it may subject to, including but not limited to, lengthy due diligence and negotiations with the banks based on the Group's financial position, capital structure and the stock market condition from time to time, which is rather uncertain and time-consuming as compared to equity financing. Further to our discussion with the Directors, they also consider other forms of pro rata equity financing methods such as rights issue and open offer, yet, such financing methods would subject to lengthy process and would incur additional costs in form of underwriting commission and there would be no certainty that the Company would be able to procure favourable terms in such commercial underwriting. In this regard, we consider that the refreshment of the Existing General Mandate will provide the Company an additional financing alternative for the Company to raise capital for its future investments or business developments and it is reasonable for the Company to have the flexibility in deciding the best financing methods for any future investments or business developments. Accordingly, we are of the view that the refreshment of the Existing General Mandate is in the interests of the Company and the Independent Shareholders as a whole.

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Potential dilution to the shareholdings

Set out below is a table illustrating the shareholdings of the Company as at the Latest Practicable Date and, for illustrative purpose, the potential dilution effect on the shareholdings immediately after full utilization of the refreshed mandate (assuming no further Shares are issued or repurchased by the Company after the Latest Practicable Date and up to the date of the SGM):

	As at the Latest Practicable Date		Immediately after full utilisation of the refreshed mandate (assuming no further Shares are issued or repurchased by the Company after the Latest Practicable Date and up to the date of the SGM)	
	<i>Number of Shares</i>	<i>Approximate %</i>	<i>Number of Shares</i>	<i>Approximate %</i>
Assure Gain International Limited (<i>Note 1</i>)	250,556,651	8.55	250,556,651	7.13
Winner Global Holdings Limited (<i>Note 2</i>)	360,052,500	12.29	360,052,500	10.24
The Subscriber	412,000,000	14.06	412,000,000	11.72
Public Shareholders				
Shares which may be issued under the refreshed mandate	–	–	585,940,881	16.67
Other public Shareholders	<u>1,907,095,258</u>	<u>65.10</u>	<u>1,907,095,258</u>	<u>54.24</u>
Total	<u><u>2,929,704,409</u></u>	<u><u>100.00</u></u>	<u><u>3,515,645,290</u></u>	<u><u>100.00</u></u>

Notes:

- Assure Gain International Limited is wholly-owned by Ms. Loh Jian Yee, Katherine. As at the Latest Practicable Date, it also held 6,396,195,799 Preference Shares carrying rights to convert into 1,199,286,712 Shares.
- Winner Global Holdings Limited is owned as to 43.39% by Assure Gain International Limited. As at the Latest Practicable Date, it also held 4,200,000 Preference Shares carrying rights to convert into 787,500,000 Shares.

LETTER FROM VINCO CAPITAL

The aggregate shareholding of the other public Shareholders will decrease from approximately 65.10% to approximately 54.24% upon full utilization of the refreshed mandate, indicating a potential maximum dilution of approximately 10.86%. Taking into account the potential benefits of the refreshed mandate as discussed above and the fact that the shareholdings of all Shareholders will be diluted proportionally to their respective shareholdings, we consider such potential dilution to the shareholdings of the Independent Shareholders to be acceptable.

CONCLUSION

Having taken into consideration the above principal factors and reasons, we are of the view that the refreshment of the Existing General Mandate is fair and reasonable so far as the Independent Shareholders are concerned and that the refreshment of the Existing General Mandate is in the interests of the Company and the Independent Shareholders as a whole. Accordingly, we advise the Independent Board Committee to recommend the Independent Shareholders, and the Independent Shareholders, to vote in favour of the ordinary resolution to be proposed at the SGM to approve the refreshment of the Existing General Mandate.

Yours faithfully,
For and on behalf of
Grand Vinco Capital Limited
Alister Chung
Managing Director

NOTICE OF SPECIAL GENERAL MEETING



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 (the “SGM”) of Sustainable Forest Holdings Limited (the “Company”) will be held at the Conference Room, Rooms 3001-02, Top Glory Tower, 262 Gloucester Road, Causeway Bay, Hong Kong on Friday, 16 July 2010 at 9:30 a.m. (or an adjournment thereof) to consider and, if thought fit, pass with or without modifications, the following resolution:

ORDINARY RESOLUTION

“THAT:

- (a) the general mandate granted to the directors of the Company to exercise the powers of the Company to allot, issue and otherwise deal with the shares of HK\$0.0533 each in the capital of the Company as approved by the shareholders of the Company at the special general meeting held on 21 January 2010, to the extent not already exercised, be and is hereby revoked (but without prejudice to any valid exercise of such general mandate prior to the passing of this Resolution);
- (b) subject to paragraph (c) below, the exercise by the directors of the Company during the Relevant Period (as hereinafter defined) of all the powers of the Company to allot, issue and deal with additional shares of HK\$0.0533 each in the capital of the Company and to make or grant offers, agreements and options (including bonds, warrants, debentures and other securities which carry rights to subscribe for or are convertible into shares of the Company) which would or might require the exercise of such power be and is hereby generally and unconditionally approved;
- (c) the approval in paragraph (b) above shall authorise the directors of the Company during the Relevant Period (as hereinafter defined) to make or grant offers, agreements and options (including bonds, warrants, debentures and other securities which carry rights to subscribe for or are convertible into shares of the Company) which would or might require the exercise of such power during or after the end of the Relevant Period;

* For identification purposes only

NOTICE OF SPECIAL GENERAL MEETING

- (d) the aggregate nominal amount of share capital allotted or agreed conditionally or unconditionally to be allotted (whether pursuant to an option or otherwise) and issued by the directors of the Company pursuant to the approval in paragraph (b) above, otherwise than
 - (i) a Rights Issue (as hereinafter defined); or
 - (ii) the exercise of rights of subscription or conversion under the terms of any existing warrants, bonds, debentures, notes or other securities issued by the Company which carry rights to subscribe for or are convertible into shares of the Company; or
 - (iii) an issue of shares under any option scheme or similar arrangement for the time being adopted for the grant or issue to employees of the Company and/or any of its subsidiaries or any other eligible person(s) of shares or rights to acquire shares of the Company; or
 - (iv) an issue of shares as scrip dividends pursuant to the bye-laws of the Company, from time to time,

shall not exceed 20% of the aggregate nominal amount of the issued share capital of the Company as at the date of passing this Resolution, and the said approval shall be limited accordingly; and

- (e) for the purpose of this Resolution:

“**Relevant Period**” means the period from the passing of this Resolution until whichever is the earliest of:

- (i) the conclusion of the next annual general meeting of the Company; or
- (ii) the expiration of the period within which the next annual general meeting of the Company is required by the bye-laws of the Company or any applicable law to be held; or
- (iii) the date on which the authority set out in this Resolution is revoked or varied by an ordinary resolution of the shareholders in general meeting of the Company; and

NOTICE OF SPECIAL GENERAL MEETING

“**Rights Issue**” means an offer of shares of the Company open for a period fixed by the directors of the Company to the holders of shares of the Company (and, where appropriate, to holders of other securities of the Company entitled to the offer) on the register on a fixed record date in proportion to their then holdings of such shares (or, where appropriate such other securities) as at that date (subject to such exclusions or other arrangements as the directors of the Company may deem necessary or expedient in relation to fractional entitlements or having regard to any restrictions or obligations under the laws of, or the requirements of any recognised regulatory body or any stock exchange in, any relevant jurisdiction).”

By Order of the Board
Sustainable Forest Holdings Limited
LEUNG Chau Ping, Paul
Executive Director

Hong Kong, 24 June 2010

Principal place of business in Hong Kong:

Rooms 3001-02
Top Glory Tower
262 Gloucester Road
Causeway Bay
Hong Kong

Registered office:

Clarendon House
2 Church Street
Hamilton HM11
Bermuda

Notes:

1. A holder of the Share(s) (as defined below) of the Company (“**Shareholder**”) entitled to attend and vote at the SGM may appoint one or more than one proxy to attend and to vote in his stead. A proxy need not be a Shareholder.
2. Where there are joint registered holders of any share of HK\$0.0533 each in the capital of the Company (“**Share**”), any one of such persons may vote at the SGM, either personally or by proxy, in respect of such Share as if he were solely entitled thereto; but if more than one of such joint holders be 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.
3. In order to be valid, the form of proxy duly completed and signed in accordance with the instructions printed thereon together with the power of attorney or other authority, if any, under which it is signed or a notarially certified copy thereof must be delivered to the office of the Company’s Hong Kong branch share registrar, Tricor Tengis Limited, at 26th Floor, Tesbury Centre, 28 Queen’s Road East, Hong Kong, as soon as possible but in any event not less than 48 hours before the time appointed for holding the SGM.
4. As at the date of this notice, the board of directors of the Company consists of Mr LEUNG Chau Ping, Paul, Mr CHIU Raymond Yim and Mr Leandro Dos Martires GUERRA as executive Directors and Mr LEUNG Siu Hung, Joel, Mr CHU Kin Wang, Peleus and Mr John Tewksbury BANIGAN as independent non-executive Directors.