

**THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION**

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)**

### **REFRESHMENT OF THE SCHEME MANDATE LIMIT UNDER THE SHARE OPTION SCHEME AND NOTICE OF SPECIAL GENERAL MEETING**

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 on Friday, 31 December 2010 at 10:00 a.m. is set out on pages 7 to 8 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

# CONTENTS

	<i>Page</i>
<b>Definitions</b> .....	1
<b>Letter from the Board</b>	
Introduction .....	3
Refreshment of the Scheme Mandate Limit under the Share Option Scheme . . .	4
Special General Meeting .....	5
Voting by Poll .....	6
Responsibility Statement .....	6
Recommendation .....	6
<b>Notice of Special General Meeting</b> .....	7



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## DEFINITIONS

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

“10% Scheme Mandate Limit”	the maximum number of Shares which may be issued upon the exercise of all options to be granted under the Share Option Scheme and any other share option schemes of the Company, being (i) 10% of the Company’s issued share capital as at the date of adoption of the Share Option Scheme; or (ii) if such limit in (i) above is to be refreshed thereafter, not exceeding 10% of the Company’s issued share capital as at the date of approval of the refreshed limit by the Shareholders;
“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;
“Directors”	the directors of the Company;
“Group”	the Company and its subsidiaries;
“HK\$”	Hong Kong dollars;
“Latest Practicable Date”	3 December 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;
“Preference Shares”	convertible preferred share(s) of HK\$0.01 each in the capital of the Company carrying rights to convert into Shares;
“Proposed Refreshment”	the proposed refreshment of the 10% Scheme Mandate Limit under the Share Option Scheme at the SGM;

## DEFINITIONS

“SGM”	the special general meeting of the Company to be convened to be held at the Conference Room, Rooms 3001-02, Top Glory Tower, 262 Gloucester Road, Causeway Bay, Hong Kong on Friday, 31 December 2010 at 10:00 a.m.;
“Share(s)”	ordinary share(s) of HK\$0.0533 each in the capital of the Company;
“Shareholder(s)”	holder(s) of the Share(s);
“Share Option Scheme”	the share option scheme of the Company adopted by the Shareholders at the special general meeting of the Company held on 27 November 2009;
“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 Leandro Dos Martires GUERRA

*Non-executive Director:*

Mr NG Tik Hong

*Independent non-executive Directors:*

Mr LEUNG Siu Hung, Joel  
Mr John Tewksbury BANIGAN  
Mr KEUNG Paul Hinsum

*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  
Hong Kong

9 December 2010

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

Dear Sir or Madam,

**REFRESHMENT OF THE SCHEME MANDATE LIMIT  
UNDER THE SHARE OPTION SCHEME  
AND  
NOTICE OF SPECIAL GENERAL MEETING**

**INTRODUCTION**

The purpose of this circular is to provide you with the information relating to the Proposed Refreshment and to give you notice of SGM, at which a resolution will be proposed to the Shareholders to consider and, if thought fit, approve the Proposed Refreshment.

\* *for identification purposes only*

## LETTER FROM THE BOARD

### REFRESHMENT OF THE SCHEME MANDATE LIMIT UNDER THE SHARE OPTION SCHEME

Under the rules of the Share Option Scheme:

- (i) the total number of Shares which may be issued upon the exercise of all options to be granted under the Share Option Scheme and any other option schemes of the Company is subject to the 10% Scheme Mandate Limit; and
- (ii) the overall maximum number of Shares which may be issued upon the exercise of all outstanding options grants and yet to be exercised under the Share Option Scheme and any other share option schemes of the Company must not in aggregate exceed 30% of the Shares in issue from time to time ("**30% Overall Limit**").

The Company may seek approval from the Shareholders in general meeting to refresh the 10% Scheme Mandate Limit so that the total number of Shares which may be issued upon the exercise of all options to be granted under the Share Option Scheme and any other share option schemes of the Company shall be 10% of the Shares in issue as at the date of approval of the limit as "refreshed". In this connection, options previously granted under the Share Option Scheme and any other share schemes of the Company (including options outstanding, cancelled, lapsed or exercised) will not be counted for the purpose of calculating the 10% Scheme Mandate Limit as "refreshed".

The 10% Scheme Mandate Limit as at the date of adoption of the Share Option Scheme on 27 November 2009 was 204,217,107 Shares. Set out below are the particulars regarding the options since the adoption of the Share Option Scheme:

	<b>Number of Shares regarding the options</b>
Granted:	187,444,758
Exercised:	0
Cancelled:	0
Lapsed:	(9,067,733)
Outstanding in respect of options granted from the date of approval of the Share Option Scheme:	178,377,025
Unused existing 10% Scheme Mandate Limit:	16,772,349

Apart from the Share Option Scheme, the Company did not have any other share option scheme as at the Latest Practicable Date. As shown in the table above, the Shares to be allotted and issued upon the exercise in full of the outstanding options granted from the date of approval of the Share Option Scheme amounts to 178,377,025, representing approximately 4.99% of the issued share capital of the Company as at the Latest Practicable Date.

If the 10% Scheme Mandate Limit is "refreshed", on the basis of 3,572,286,515 Shares in issue as at the Latest Practicable Date and assuming prior to the SGM no Shares will be

## LETTER FROM THE BOARD

issued (whether upon exercise of options granted under the Share Option Scheme or otherwise) or repurchased by the Company, the refreshed 10% Scheme Mandate Limit will be 357,228,651 Shares and the Company will be allowed to grant further options under the Share Option Scheme and other share option schemes carrying the rights to subscribe for maximum of 357,228,651 Shares (“**Available Limit**”).

The Directors consider that it will be for the benefit of the Company and its Shareholders as a whole that eligible participants of the Share Option Scheme be granted rights to obtain equity holdings of the Company through the grant of options under the Share Option Scheme. This will motivate and give incentives to eligible participants to continue contributing to the long term success and prosperity of the Group. For these reasons, the Directors will propose the passing of an ordinary resolution at the SGM to refresh the 10% Scheme Mandate Limit.

On the basis of 3,572,286,515 Shares in issue as at the Latest Practicable Date, the 30% Overall Limit represents a total of 1,071,685,954 Shares.

The refreshment of the 10% Scheme Mandate Limit is conditional upon:

- (i) the passing of an ordinary resolution by the Shareholders to approve the Proposed Refreshment at the SGM; and
- (ii) the Stock Exchange granting the listing of, and permission to deal in, such number of Shares, representing 10% of the issued Shares as at the date of the SGM, which may fall to be allotted and issued pursuant to the exercise of the options to be granted under the 10% Scheme Mandate Limit so refreshed.

Application will be made to the Stock Exchange for the listing of, and permission to deal in, the Shares to be issued pursuant to the exercise of the Options to be granted under the refreshed 10% Scheme Mandate Limit.

### **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 on Friday, 31 December 2010 at 10:00 a.m. is set out on pages 7 to 8 of this circular.

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 Group. 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 considers that the Proposed Refreshment is fair and reasonable and is 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*



## 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 31 December 2010 at 10:00 a.m. (or any adjournment thereof) to consider and, if thought fit, pass with or without modifications, the following resolution:

#### Ordinary Resolution

“THAT subject to and conditional upon The Stock Exchange of Hong Kong Limited granting the listing of, and permission to deal in, such number of shares of the Company which may fall to be allotted and issued pursuant to the exercise of the options which may be granted under the share option scheme adopted by the Company on 27 November 2009 (“Share Option Scheme”) and any other share option schemes of the Company, representing 10 per cent. of the issued share capital of the Company as at the date on which this resolution is passed:

- (a) approval be and is hereby granted for refreshing the 10 per cent. limit under the Share Option Scheme (“Refreshed Scheme Mandate”) and any other share option schemes of the Company provided that the total number of shares of the Company which may be allotted and issued upon the exercise of all options to be granted under the Share Option Scheme and any other share option schemes of the Company under the limit as refreshed hereby shall not exceed 10 per cent. of the aggregate nominal amount of the issued share capital of the Company as at the date on which this resolution is passed (options previously granted under the Share Option Scheme and any other share option schemes of the Company (including options outstanding, cancelled, lapsed or exercised in accordance with the terms of the Share Option Scheme or any other share option schemes of the Company) shall not be counted for the purpose of calculating the Refreshed Scheme Mandate); and

\* for identification purposes only

## NOTICE OF SPECIAL GENERAL MEETING

- (b) the directors of the Company be and are hereby authorised to do all such acts and things and execute all such documents, including under seal where applicable, as they consider necessary or expedient to give effect to the foregoing arrangement.”

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

Hong Kong, 9 December 2010

*Principal place of business in Hong Kong:*

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

*Registered office:*

Clarendon House  
2 Church Street  
Hamilton HM11  
Bermuda

*Notes:*

1. A holder of the Share(s) (as defined below) 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 and Mr Leandro Dos Martires GUERRA as executive Directors; Mr NG Tik Hong as non-executive Director; and Mr LEUNG Siu Hung, Joel, Mr John Tewksbury BANIGAN and Mr KEUNG Paul Hinsum as independent non-executive Directors.