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If you have sold or transferred all your shares in Sustainable Forest Holdings Limited, you should at once hand this circular, together with the enclosed form of proxy, to the purchaser or transferee or to the bank, licensed securities dealer or other agent through whom the sale or transfer was effected for transmission to the purchaser or 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)

**PROPOSED REFRESHMENT OF GENERAL MANDATE
TO ALLOT AND ISSUE SHARES;
PROPOSED REFRESHMENT OF THE SCHEME MANDATE LIMIT
OF THE SHARE OPTION SCHEME;
PROPOSED INCREASE IN AUTHORISED SHARE CAPITAL
AND
NOTICE OF SPECIAL GENERAL MEETING**

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



A letter from an independent committee of the board (“**Independent Board Committee**”) of Sustainable Forest Holdings Limited (“**Company**”) is set out on page 13 of this circular. A letter from the independent financial adviser to the Independent Board Committee and the independent shareholders of the Company, is set out on pages 14 to 20 of this circular.

A notice convening the special general meeting (“**SGM**”) of the Company to be held at Unit A, 29th Floor, Admiralty Centre Tower 1, 18 Harcourt Road, Hong Kong on Wednesday, 11 April 2012 at 10:00 a.m. is set out on pages 21 to 24 of this circular. A form of proxy for use at the SGM is enclosed with this circular.

Whether or not you are able to attend the SGM, you are requested to complete the accompanying form of proxy in accordance with the instructions printed thereon and return it to the Company’s branch share registrar and transfer office 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 in person 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:

“AGM”	the annual general meeting of the Company held on 25 August 2011 at which the Shareholders had approved, among other matters, the Existing General Mandate;
“associate(s)”	has the meaning ascribed to it under the Listing Rules;
“Board”	the board of Directors;
“Bye-laws”	the bye-laws of the Company;
“Companies Act”	the Companies Act 1981 of Bermuda;
“Company”	Sustainable Forest Holdings Limited, an exempted company incorporated in Bermuda with limited liability, the issued Shares of which are listed on the main board of the Stock Exchange;
“controlling shareholder(s)”	has the meaning ascribed to it under the Listing Rules;
“Directors”	the directors of the Company;
“ELF Agreement”	the equity line facility agreement entered into between the Company and YA Global on 19 December 2011 (as amended and supplemented by supplemental deeds to the ELF Agreement dated 21 December 2011 and 19 January 2012 respectively);
“Existing General Mandate”	the general mandate granted to the Directors to exercise the power of the Company to allot, issue and otherwise deal with Shares not exceeding 20% of the aggregate nominal amount of the share capital of the Company in issue on the date of passing the relevant ordinary resolution at the AGM;
“Existing Scheme Mandate Limit”	the total number of Shares which may be issued upon exercise of all Share Options to be granted by the Board under the Share Option Scheme, refreshed by the Shareholders on 31 December 2010, being 10% of the issued share capital of the Company as at 31 December 2010;
“Group”	the Company and its subsidiaries;
“HK\$”	Hong Kong dollar, the lawful currency of Hong Kong;
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China;

DEFINITIONS

“Independent Board Committee”	an independent committee of the Board comprising Mr. John Tewksbury Banigan, Mr. Keung Paul Hinsum and Mr. Donald Smith Worthley to advise the Independent Shareholders in relation to the refreshment of the Existing General Mandate;
“Independent Financial Adviser” or “Goldin Financial”	Goldin Financial Limited, a licensed corporation to carry out type 6 (advising on corporate finance) regulated activity as defined under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), being the independent financial adviser to the Independent Board Committee and the Independent Shareholders in relation to the refreshment of the Existing General Mandate;
“Independent Shareholders”	Shareholder(s) other than the Directors (excluding independent non-executive Directors) and the chief executive of the Company and their respective associates;
“Latest Practicable Date”	16 March 2012, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein;
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange, as amended from time to time;
“Preference Share(s)”	convertible preference share(s) of HK\$0.01 each in the share capital of the Company carrying rights to convert into Shares;
“Refreshed General Mandate”	the general and unconditional mandate proposed to be refreshed and granted to the Directors to exercise the power of the Company to allot, issue and deal with new Shares not exceeding 20% of the aggregate nominal amount of the share capital of the Company in issue as at the date of passing of the relevant ordinary resolution at the SGM;
“SGM”	the special general meeting of the Company to be held at Unit A, 29th Floor, Admiralty Centre Tower 1, 18 Harcourt Road, Hong Kong on Wednesday, 11 April 2012 at 10:00 a.m. or any adjournment thereof;
“Share(s)”	ordinary share(s) of HK\$0.0533 each in the share capital of the Company;
“Shareholder(s)”	holder(s) of the Share(s);
“Share Option(s)”	option(s) to subscribe for Share(s) pursuant to the Share Option Scheme;

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“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;
“YA Global”	YA Global Master SPV Ltd., a company incorporated in the Cayman Islands with limited liability;
“%”	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:

Ms. LOH Jiah Yee, Katherine (*Chairman*)
Ms. Yurk Nam, Sandy FLETCHER
Mr. LI Zhixiong
Mr. LEUNG Siu Hung, Joel
Mr. SHIH Chiu, David

Independent non-executive Directors:

Mr. John Tewksbury BANIGAN
Mr. KEUNG Paul Hinsum
Mr. Donald Smith WORTHLEY

Registered office:

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

*Head office and principal
place of business in Hong Kong:*

Suites 1106–08, 11th Floor
Tower 6, The Gateway
Harbour City
9 Canton Road
Tsim Sha Tsui
Kowloon, Hong Kong

21 March 2012

To the Shareholders of the Company

Dear Sir or Madam,

**PROPOSED REFRESHMENT OF GENERAL MANDATE
TO ALLOT AND ISSUE SHARES;
PROPOSED REFRESHMENT OF THE SCHEME MANDATE LIMIT
OF THE SHARE OPTION SCHEME;
PROPOSED INCREASE IN AUTHORISED SHARE CAPITAL
AND
NOTICE OF SPECIAL GENERAL MEETING**

1. INTRODUCTION

The Directors propose to refresh the general mandate to issue and allot Shares, refresh the scheme mandate limit of the Share Option Scheme and increase the authorised share capital of the Company.

The purpose of this circular is:

- (i) to provide the Shareholders with details of the refreshment of the Existing General Mandate, the refreshment of the Existing Scheme Mandate Limit and increase in authorised share capital of the Company;

* for identification purposes only

LETTER FROM THE BOARD

- (ii) to set out the recommendations of the Independent Board Committee to the Independent Shareholders on the refreshment of the Existing General Mandate;
- (iii) to set out the recommendations of the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders on the refreshment of the Existing General Mandate; and
- (iv) to give you notice of the SGM to consider and, if thought fit, to approve the proposed refreshment of the Existing General Mandate, refreshment of the Existing Scheme Mandate Limit and increase in authorised share capital of the Company.

2. PROPOSED REFRESHMENT OF GENERAL MANDATE TO ALLOT AND ISSUE SHARES

(a) Existing General Mandate

By a resolution of the Shareholders passed at the AGM, the Directors were granted the Existing General Mandate to allot, issue and deal with up to 1,097,012,157 Shares, being 20% of the aggregate number of the Shares in issue, namely 5,485,060,789 Shares, as at 25 August 2011.

As set out in the announcements of the Company dated 22 September, 31 October and 18 November 2011 respectively, the Company and CITIC Merchant Co., Limited entered into the warrant subscription agreement (“**Warrant Subscription Agreement**”) (as amended and supplemented by supplemental agreements dated 31 October 2011 and 18 November 2011 respectively) for the issuance of 300,000,000 warrants (“**Warrants**”) entitling the holders thereof to subscribe for an aggregate of 300,000,000 Shares (“**Warrant Shares**”) to be issued under the Existing General Mandate. The subscription of the Warrants was completed on 19 December 2011. As at the Latest Practicable Date, no Warrant Shares had been issued and allotted upon exercise of the subscription rights attaching to the Warrants under the Warrant Subscription Agreement.

Further, as set out in the announcements of the Company dated 19 December, 21 December 2011 and 19 January 2012 respectively, the Company and YA Global entered into the ELF Agreement, pursuant to which YA Global agreed to subscribe for and the Company may require YA Global to subscribe for up to HK\$115 million worth of Shares (i.e. up to a total of 771,812,080 Shares (“**ELF Shares**”)) to be issued under the Existing General Mandate upon the subscription in full of the Shares at the minimum price of HK\$0.149 per Share. Pursuant to the terms and conditions of the ELF Agreement, the Company agreed to allot and issue an additional 19,351,556 Shares (“**Commitment Shares**”) issuable under the Existing General Mandate, as settlement of the commitment fee payable by the Company to YA Global. On 3 January 2012, the Company allotted and issued such Commitment Shares to YA Global. On 2 March 2012, 30,864,197 ELF Shares were issued and allotted pursuant to the terms and conditions of the ELF Agreement.

Accordingly, during the period from the grant of the Existing General Mandate to the Latest Practicable Date, 1,091,163,636 Shares have been or will be issued under the Existing General Mandate, representing that the Existing General Mandate had been utilized as to approximately 99.47%. As at the Latest Practicable Date, the Company had an aggregate of 6,663,926,451 Shares in issue, only 5,848,521 Shares may be issued under the Existing General Mandate, representing

LETTER FROM THE BOARD

approximately 0.088% of the issued share capital of the Company as at the Latest Practicable Date. Since the AGM and except for the proposed grant of Refreshed General Mandate herein, the Company has not refreshed its general mandate granted at the AGM.

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

Set out below are the equity fund-raising activities conducted by the Company in the past twelve months prior to the Latest Practicable Date:

Date of announcements	Fund raising activities	Approximate net proceeds which can be raised	Intended use of proceeds	Actual use of proceeds
22 September 2011, 31 October 2011, 18 November 2011 and 19 December 2011	Issue of Warrants	HK\$74.95 million	As general working capital and as funds for future development of the Group when investment opportunities arise	Not applicable as the Warrants have not been exercised
19 December 2011, 21 December 2011 and 19 January 2012	Issue of Shares <i>(note 1)</i> under equity facility line	HK\$113.7 million	For settlement of the loan <i>(note 2)</i> which may be borrowed by the Company under a debt facility agreement (“ DF Agreement ”) entered into between the Company and YA Global on 19 December 2011, for supporting trading activities and for general corporate and working capital purposes of the Group	Part of ELF Shares with aggregate agreed value of HK\$6 million have been allotted and issued for repayment of part of the loan in principal amount of HK\$6 million

Notes:

1. Pursuant to the ELF Agreement, up to a total of 771,812,080 Shares may be issued upon the subscription in full of the Shares at the minimum price of HK\$0.149 per Share. The intended and actual use of proceeds for the issue of the ELF Shares are set out in the table above.
2. Pursuant to the DF Agreement, the Company as borrower has borrowed from YA Global as lender an initial loan of HK\$30 million (subject to renewal up to an aggregate maximum principal amount of not more than HK\$115 million) (“**Loan**”). Each tranche of Loan shall be repaid in five equal instalments. In respect of the initial loan of HK\$30 million, the final repayment date shall be 11 May 2012. No interest shall accrue on the Loan prior to the each final repayment date. The Loan is intended to be utilized by the Group for supporting trading activities and for general corporate and working capital purpose. The entire initial loan of HK\$30 million which was drawn by the Company has been used to support timber and logs related trading activities.

LETTER FROM THE BOARD

(c) Proposed refreshment of the Existing General Mandate

At the SGM to be held on Wednesday, 11 April 2012, it will be proposed to the Independent Shareholders the following ordinary resolutions, that:

- (i) the Directors be granted the Refreshed General Mandate to exercise the power of the Company to allot, issue and deal with Shares not exceeding 20% of the aggregate nominal amount of the share capital of the Company in issue as at the date of passing of such resolution; and
- (ii) the Refreshed General Mandate be extended to such number of Shares repurchased by the Company pursuant to the repurchase mandate granted to the Directors at the AGM.

As at the Latest Practicable Date, the Company had an aggregate of 6,663,926,451 Shares in issue and fully paid or credited as fully paid. Subject to the passing of the proposed ordinary resolutions at the SGM for the approval of granting the Refreshed General Mandate to the Directors and on the basis that no Shares would be issued and/or repurchased by the Company from the Latest Practicable Date up to the date of the SGM, the Refreshed General Mandate would allow the Directors to exercise the power of the Company to allot, issue and deal with up to a maximum of 1,332,785,290 Shares, representing 20% of the aggregate number of the Shares in issue as at the date of the SGM. The unutilised Existing General Mandate granted to the Directors to exercise the power of the Company to allot, issue and deal with 5,848,521 Shares as mentioned above shall be revoked upon approval of the Refreshed General Mandate at the SGM.

The Refreshed General Mandate will, if granted, remain effective until the earliest of (i) the conclusion of the next annual general meeting of the Company; (ii) the expiration of the period within which the next annual general meeting of the Company is required to be held by the Companies Act or the Bye-laws; and (iii) the revocation or variation of the authority given under such resolution by an ordinary resolution of the Shareholders in general meeting.

(d) The Listing Rules requirements

As the refreshment of the Existing General Mandate is being proposed prior to the next annual general meeting of the Company, approval of the Independent Shareholders is required. Pursuant to Rule 13.36(4)(a) of the Listing Rules, the controlling shareholders and their associates or, where there are no controlling shareholders, Directors (excluding the independent non-executive Directors) and the chief executive of the Company and their respective associates shall abstain from voting in favour of such resolutions at the SGM. As at the Latest Practicable Date, the Company had no controlling Shareholders for the purpose of the Listing Rules. Ms. Loh Jiah Yee, Katherine, Ms. Fletcher Yurk Nam, Sandy, Mr. Shih Chiu, David, Mr. Li Zhixiong, Mr. Leung Siu Hung, Joel, all being executive Directors, and their respective associates shall abstain from voting in favour of the relevant resolutions at the SGM. As at the Latest Practicable Date, Ms. Loh Jiah Yee, Katherine and her associates were (without taking into account her interest in Preference Shares) interested in 1,657,903,910 Shares representing in aggregate approximately 24.88% of the issued share capital of the Company and Mr. Li Zhixiong was interested in 380,000,000 Shares, representing approximately 5.70% of the issued share capital of the Company.

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(e) Reasons for the refreshment of the Existing General Mandate

Having considered that (i) the Company will have to wait around five months until the next annual general meeting will be held where the Existing General Mandate can be refreshed; (ii) debt financing may incur interest burden to the Group; (iii) any subsequent drawing of the Loan under the DF Agreement of up to an aggregate maximum principal amount of HK\$115 million (which may be capitalized by way of issuance of the ELF Shares under the ELF Agreement), the actual amount of the Loan and/or whether the Company may request YA Global to subscribe for the ELF Shares shall be subject to satisfaction of conditions precedent under the ELF Agreement and the DF Agreement, including the attaining of certain level of trading value of the Shares and that the price of the Shares cannot drop below the prescribed minimum acceptable price. In light of the above, it is therefore currently not certain whether the Company can obtain fund by borrowing the entire available outstanding principal amount of Loan and/or to issue all the remaining number of ELF Shares under the terms and condition of the ELF Agreement and the DF Agreement; (iv) rights issue or open offer may take a longer time to complete while fund raising exercise pursuant to general mandate provides the Company a simpler, lower cost and less lead time process than other types of fund raising exercise and avoids the uncertainties in such circumstances that specific mandate may not be obtained in a timely manner; and (v) the Refreshed General Mandate, if granted, will provide discretion to the Directors to issue new Shares under the refreshed limit as and when necessary, without seeking further approval from the Shareholders. In addition, the Refreshed General Mandate offers an opportunity for the Directors to capture a favourable equity market condition to raise funds by equity issuance or to issue Shares as consideration for possible acquisition and investment projects.

Given that the Existing General Mandate has been nearly used up, it is impossible for the Company to proceed with any equity fund raising exercise and/or to issue new Shares as payment consideration in any possible acquisition transaction without first seeking separate approval from Shareholders. In light of the time and cost involved for convening shareholders' meeting, the inability of the Company to issue new Shares under general mandate will largely reduce the flexibility of the Company to structure any potential share transaction or other acquisition project. In particular, the Company may have to pay cash or settle the acquisition consideration in other ways and lost the chance to broaden its shareholder base if the potential sellers or counterparties are interested to become holders of the Shares. Taking into consideration the volatility of the market, the Company may fail to grasp good chance for capital raising and/or investment opportunities if it needs to wait around five months until the next annual general meeting for the refreshment of the general mandate or otherwise it is required to seek specific mandate from Shareholders for each equity issuance which may not be the most time and cost efficient way to proceed with the transaction.

In order to maintain the Company's flexibility and ability to capture any capital raising and/or for financing future investment opportunities and general working capital for the Group, the Directors propose to the Independent Shareholders a resolution to grant the Refreshed General Mandate such that the Directors are authorised to exercise the power of the Company to issue new Shares of up to 20% of the issued share capital of the Company as at the date of the SGM.

LETTER FROM THE BOARD

In view of the foregoing, the Directors consider the grant of the Refreshed General Mandate, which may or may not be utilized, is in the best interests of the Company and the Shareholder as a whole.

Any issue of new Shares in the Company is subject to approval from the Stock Exchange for the listing of and permission to deal in such new Shares.

3. PROPOSED REFRESHMENT OF THE SCHEME MANDATE LIMIT OF THE SHARE OPTION SCHEME

The Share Option Scheme was adopted by the resolution passed by the Shareholders at the special general meeting of the Company held on 27 November 2009. The purpose of the Share Option Scheme is, among others, to enable the Company to provide incentives or rewards to the eligible participants for their contribution to the Group.

Under the Share Option Scheme, the Directors were authorised to grant Share Options to subscribe for Shares thereunder and to allot and issue Shares upon exercise of the Share Options granted under the Share Option Scheme. The Board may grant Share Options of up to 10% (equivalent to 204,217,107 Shares) of the then issued share capital of the Company as at the date of adoption of the Share Option Scheme, under which limit Share Options carrying the rights to subscribe for 187,444,758 Shares were granted.

Such initial scheme mandate limit was refreshed at the special general meeting of the Company held on 31 December 2010. Pursuant to the Existing Scheme Mandate Limit, the Board may grant Share Options under the Share Option Scheme up to 10% of the then issued share capital of the Company as at 31 December 2010, i.e. not exceeding 430,994,088 Shares. Up to the Latest Practicable Date, Share Options carrying the rights to subscribe for 14,326,016 Shares had been granted under the Existing Scheme Mandate Limit and there were 416,668,072 outstanding Share Options which may be granted under the Existing Scheme Mandate Limit, representing approximately 6.25% of the issued share capital of the Company as at the Latest Practicable Date.

Under the rules of the Share Option Scheme, the maximum number of Shares which may be issued upon exercise of all outstanding Share Options granted and yet to be exercised under the Share Option Scheme and any other share option scheme of the Group must not in aggregate exceed 30% of the issued share capital of the Company from time to time. As at the Latest Practicable Date, a total number of 201,770,774 Share Options had been granted since the adoption of the Share Option Scheme, among which 9,097,500 Share Options were exercised and 92,694,205 Share Options were lapsed. Accordingly, the total number of outstanding Share Options granted and yet to be exercised under the Share Option Scheme was 99,979,069 Shares Options carrying the rights to subscribe for the same number of Shares, representing approximately 1.5% of the issued share capital of the Company as at the Latest Practicable Date, thereby, not exceeding the said 30% limit.

The Directors consider that the refreshment of the Existing Scheme Mandate Limit is in the interests of the Group and the Shareholders as a whole because it enables the Board to have more flexibility in granting the Share Options, achieving the purpose of the Share Option Scheme to reward and motivate the eligible participants up to the available limit allowable under the Share Option Scheme and in compliance with the Listing Rules.

LETTER FROM THE BOARD

Apart from the Share Option Scheme, the Group did not have any other share option scheme as at the Latest Practicable Date. Based on the issued share capital of the Company as at the Latest Practicable Date of 6,663,926,451 Shares, and on the basis that no Shares would be issued and/or repurchased by the Company from the Latest Practicable Date up to the date of the SGM, the refreshed Existing Scheme Mandate Limit (if approved) will allow the Board to grant further Share Options carrying rights to subscribe for 666,392,645 Shares, being 10% of the issued share capital of the Company as at the date of the SGM.

The refreshment of the Existing Scheme Mandate Limit is conditional upon:

- (i) the passing of the ordinary resolution at the SGM to approve the refreshment of the Existing Scheme Mandate Limit; and
- (ii) the Stock Exchange granting the listing of, and permission to deal in any new Shares which may fall to be allotted and issued upon exercise of the Share Options that may be granted under the refreshed scheme mandate limit of the Share Option Scheme up to 10% of the issued share capital of the Company as at the date of passing of the ordinary resolution at the SGM.

Application will be made to the Stock Exchange for the listing of, and permission to deal in, the Shares to be issued under the refreshed scheme mandate limit.

4. PROPOSED INCREASE IN AUTHORISED SHARE CAPITAL

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 6,663,926,451 Shares and 2,686,861,404 Preference Shares were respectively in issue and outstanding and fully paid or credited as fully paid.

Given that the number of new Shares which the Company may issue and allot under the existing unissued authorised share capital of 1,773,573,549 Shares is insufficient to cover the aggregate number of Shares which may be issued and allotted by the Company (i) as Warrant Shares upon full exercise of the subscription right attaching to the Warrants; (ii) as the remaining number of ELF Shares upon subscription in full of the Shares under the terms and conditions of the ELF Agreement; (iii) upon full exercise of the conversion right attaching to the Preference Shares, (iv) upon full exercise of all outstanding Share Options granted and (v) under the terms and conditions of an acquisition agreement dated 21 March 2011 entered into between the Group and Mr. Li Zhixiong, and that it is prudent for the Company to maintain certain amount of unissued authorised share capital from time to time to cover future possible equity issuance, the Company proposes to increase the authorised share capital of the Company to HK\$915,340,000 divided into 12,000,000,000 Shares and 27,534,000,000 Preference Shares by the creation of 3,562,500,000 Shares which will be put to Shareholders' approval at the SGM.

The Directors have no current intention to issue any part of the existing unissued and enlarged authorised share capital other than for the purposes as set out in items (i) to (v) in the immediately preceding paragraph, provided that such Shares may only be issued and allotted subject to the terms and conditions governing such issuance and/or upon exercise of the subscription or conversion right attaching thereto, as the case may be.

LETTER FROM THE BOARD

The proposed increase in the authorised share capital of the Company is subject to and conditional upon the passing of an ordinary resolution by the Shareholders at the SGM.

5. SGM

As set out in the paragraph headed “(d) The Listing Rules requirements” in the section headed “2. Proposed refreshment of general mandate to allot and issue Shares”, the refreshment of the Existing General Mandate requires the approval of the Independent Shareholders at the SGM. All Directors (other than independent non-executive Directors), the chief executive of the Company and their respective associates who are entitled to attend and vote at the SGM shall abstain from voting in favor of the relevant resolutions in connection with the grant and extension of the Refreshed General Mandate at the SGM.

To the best knowledge, information and belief of the Board having made all reasonable enquiries, no Shareholder has material interest in the resolutions to be proposed in respect of the refreshment of the Existing Scheme Mandate Limit and the increase in authorised share capital of the Company, and accordingly, no Shareholder is required to abstain from voting at the SGM in relation to the above resolutions.

A notice of SGM is set out on pages 21 to 24 of this circular. A form of proxy for use by the Shareholders at the SGM is enclosed with this circular. To be valid, the form of proxy must be completed in accordance with the instructions printed thereon and deposited, together with the power of attorney or other authority, if any, under which it is signed, or a notarially certified copy of such power of attorney or other authority, must be lodged with the Company’s branch share registrar and transfer office in Hong Kong, Tricor Tengis Limited, at 26th Floor, Tesbury Centre, 28 Queen’s Road East, Wanchai, Hong Kong not less than forty-eight (48) hours before the time fixed for holding the SGM or any adjournment thereof. Completion and delivery of the form of proxy will not preclude Shareholders from attending and voting in present at the SGM or any adjournment thereto if they so wish and in such event, the instrument appointing a proxy shall be deemed to be revoked.

6. VOTING BY POLL

Pursuant to Rule 13.39(4) of the Listing Rules, any vote of Shareholders at a general meeting must be taken by poll except where the chairman, in good faith, decides to allow a resolution which relates purely a procedural or administrative matter to be voted on by a show of hands. Therefore, the chairman of the SGM will demand a poll for all the resolutions set out in the notice of the SGM to be put forward at the SGM pursuant to Bye-law 66 of the Company. 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(5) of the Listing Rules.

7. RESPONSIBILITY STATEMENT

This circular, for which the Directors, including the independent non-executive 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

LETTER FROM THE BOARD

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.

8. INDEPENDENT BOARD COMMITTEE AND INDEPENDENT FINANCIAL ADVISER

The Independent Board Committee comprises Mr. John Tewksbury Banigan, Mr. Keung Paul Hinsum and Mr. Donald Smith Worthley, all being independent non-executive Directors, has been established to advise the Independent Shareholders on the grant and extension of the Refreshed General Mandate.

Goldin Financial has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and Independent Shareholders in respect of the grant and extension of the Refreshed General Mandate.

9. RECOMMENDATIONS

The Directors consider that the granting and extension of the Refreshed General Mandate, the proposed refreshment of the Existing Scheme Mandate Limit and the proposed increase in the authorised share capital of the Company, are fair and reasonable and in the best interests of the Company and its Shareholders as a whole. Accordingly, the Directors recommend the Shareholders (or the Independent Shareholders as the case may be) to vote in favour of the relevant resolutions to be proposed at the SGM.

The Independent Board Committee, having taken into account the recommendations of the Independent Financial Adviser, considers the terms of the Refreshed General Mandate are fair and reasonable and in the best interests of the Company and the Shareholders as a whole and accordingly recommend the Independent Shareholders to vote in favour of the resolutions regarding the granting and extension of the Refreshed General Mandate to be proposed at the SGM.

10. GENERAL INFORMATION

Your attention is drawn to the letter from Goldin Financial as set out on pages 14 to 20 of this circular which contains its recommendations on the grant and extension of the Refreshed General Mandate to the Independent Board Committee and the Independent Shareholders, and the letter from the Independent Board Committee as set out on page 13 of this circular which contains its recommendations to the Independent Shareholders in relation to the above matter.

Yours faithfully,
For and on behalf of
Sustainable Forest Holdings Limited
LOH Jiah Yee, Katherine
Chairman

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

The following is the text of a letter from the Independent Board Committee setting out its recommendations to the Independent Shareholders in relation to the proposed refreshment of the Existing General Mandate:



Sustainable Forest Holdings Limited

永保林業控股有限公司*

(incorporated in Bermuda with limited liability)

(Stock Code: 723)

21 March 2012

To the Independent Shareholders

Dear Sir or Madam,

PROPOSED REFRESHMENT OF GENERAL MANDATE TO ALLOT AND ISSUE SHARES

We have been appointed as members of the Independent Board Committee to consider and advise you in connection with the proposed refreshment of Existing General Mandate, details of which are set out in the Letter from the Board contained in the circular dated 21 March 2012 issued by the Company to the Shareholders (“**Circular**”), of which this letter forms part. Terms defined in the Circular will have the same meanings when used herein unless the context otherwise requires.

We wish to draw your attention to the Letter from the Board and the letter from Goldin Financial set out on pages 4 to 12 and pages 14 to 20 of the Circular respectively.

Having taken into account the principal factors considered by Goldin Financial, and its recommendations, we concur with the view of Goldin Financial and consider the terms of the refreshment of Existing General Mandate are fair and reasonable so far as the Independent Shareholders are concerned and the Refreshed General Mandate is in the best interests of the Company and the Shareholders as a whole.

Accordingly, we recommend you to vote in favour of the ordinary resolutions to be proposed at the SGM to approve the refreshment of Existing General Mandate and the extension thereof.

Yours faithfully,
Independent Board Committee
Sustainable Forest Holdings Limited

Mr. John Tewksbury Banigan
Independent
Non-executive Director

Mr. Keung Paul Hinsum
Independent
Non-executive Director

Mr. Donald Smith Worthley
Independent
Non-executive Director

* for identification purposes only

LETTER FROM GOLDIN FINANCIAL

Set out below is the full text of the letter of advice from Goldin Financial in relation to the proposed refreshment of the Existing General Mandate to the Independent Board Committee and the Independent Shareholders prepared for inclusion in this circular.



高銀融資有限公司
GOLDIN FINANCIAL LIMITED

Goldin Financial Limited

23/F

Two International Finance Centre

8 Finance Street

Hong Kong

21 March 2012

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

Dear Sirs,

PROPOSED REFRESHMENT OF GENERAL MANDATE TO ALLOT AND ISSUE SHARES

INTRODUCTION

We refer to our engagement as the independent financial adviser to the independent board committee (the “Independent Board Committee”) and the independent shareholders (the “Independent Shareholders”) of Sustainable Forest Holdings Limited (the “Company”) in relation to the proposed refreshment of the existing general mandate to allot and issue shares approved by the shareholders of the Company on 25 August 2011, details of which are contained in the “Letter from the Board” on page 4 to page 12 of the circular of the Company dated 21 March 2012 (the “Circular”), of which this letter forms part. Capitalised terms used in this letter shall have the same meanings as defined in the Circular unless the content otherwise requires.

Pursuant to Rule 13.36(4) of the Listing Rules, any refreshment of the general mandate before the next annual general meeting shall be subject to the Independent Shareholders approval by way of poll at the SGM. Any controlling Shareholders and their associates or where there are no controlling Shareholders, the Directors (excluding the independent non-executive Directors) and chief executive of the Company and their respective associates shall abstain from voting in favour of the resolutions for approving the new general mandate as required under Rule 13.36(4)(a) of the Listing Rules. As at the Latest Practicable Date, since the Company has no controlling Shareholders, Ms. Loh Jiah Yee, Katherine, Ms. Fletcher Yurk Nam, Sandy, Mr. Shih Chiu, David, Mr. Li Zhixiong and Mr. Leung Siu Hung, Joel, all being executive Directors, and their respective associates shall abstain from voting in favour of the resolutions to approve the refreshment of the Existing General Mandate and the extension thereof at the SGM. As at the Latest Practicable Date, Ms. Loh Jiah Yee, Katherine and her associates were (without taking into account her interest in Preference Shares) interested in 1,657,903,910 Shares representing in aggregate approximately 24.88% of the issued share capital of the Company and Mr. Li Zhixiong was interested in 380,000,000 Shares, representing approximately 5.70% of the issued share capital of the Company. Pursuant to Rule 13.39(4) of the Listing Rules, the vote of the Independent Shareholders in respect of the refreshment of Existing General Mandate at the SGM will be taken by way of poll.

LETTER FROM GOLDIN FINANCIAL

The Independent Board Committee, comprising Mr. John Tewksbury Banigan, Mr. Keung Paul Hinsum and Mr. Donald Smith Worthley, all being the independent non-executive Directors, has been formed to advise the Independent Shareholders on whether the proposed refreshment of the Existing General Mandate is fair and reasonable, and in the interest of the Company and the Shareholders as a whole.

BASIS OF OUR ADVICE

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 in the Circular and the information and representations provided to us by the Company, the Directors and the management of the Company. We have assumed that all information, representations and opinions contained or referred to in the Circular, which have been provided by the Company, Directors and 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 date of the SGM.

The Directors have collectively and individually accepted full responsibility for the Circular which 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, confirmed that to the best of their knowledge and belief the information contained in the Circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other facts the omission of which would make any statement in the Circular or the Circular misleading.

We consider that we have been provided with sufficient information to reach an informed view and to provide a reasonable basis for our opinion. We have not, however, conducted any independent in-depth investigation into the business and affairs of the Group.

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.

PRINCIPAL FACTORS CONSIDERED

In arriving at our opinion in respect of the proposed refreshment of the Existing General Mandate, we have considered the following principal factors and reasons:

1. Background of and reasons for the proposed refreshment of the Existing General Mandate

The Company is an investment holding company. The Group is principally engaged in the business of tree felling service, sustainable forest management and manufacturing and sale of timber products including but not limited to wooden door, furniture and wooden floor panels.

At the AGM, the Shareholders approved, among other things, to grant to the Directors the Existing General Mandate under which the Directors are authorised to allot, issue and deal with up to 1,097,012,157 Shares, which is equivalent to 20% of the then aggregate number of the Shares as at the date of the AGM.

LETTER FROM GOLDIN FINANCIAL

On 22 September 2011, the Company and CITIC Merchant Co., Limited entered into the Warrant Subscription Agreement (as amended and supplemented by the supplemental agreements dated 31 October and 18 November 2011 respectively) in relation to the subscription by CITIC Merchant Co., Limited for 300,000,000 Warrants issued by the Company carrying the rights to subscribe for new Shares at the exercise price of HK\$0.25 per Warrant Share, details of which were set out in the announcements of the Company dated 22 September, 31 October and 18 November 2011 respectively. Assuming exercise in full of the subscription rights attaching to the Warrants, 300,000,000 Shares shall be allotted and issued to the holder(s) of the Warrants and such Shares would be issued under the Existing General Mandate. The warrant subscription was completed on 19 December 2011 as announced by the Company on the even date. As at the Latest Practicable Date, no subscription rights attaching to the Warrants had been exercised.

On 19 December 2011, the Company and YA Global entered into the ELF Agreement, as amended and supplemented by the supplemental deeds dated 21 December 2011 and 19 January 2012 respectively, pursuant to which YA Global agreed to subscribe for and the Company may require YA Global to subscribe for up to HK\$115 million worth of Shares at the minimum subscription price of HK\$0.149 per Share, details of which were set out in the announcements of the Company dated 19 December, 21 December 2011 and 19 January 2012 respectively. Assuming that the Company shall request YA Global to subscribe for HK\$115 million worth of Shares in accordance with the terms of the ELF Agreement, 771,812,080 Shares would be allotted and issued under the Existing General Mandate. On 2 March 2012, 30,864,197 Shares were issued and allotted to YA Global by the Company pursuant to the terms of the ELF Agreement. On 3 January 2012, 19,351,556 Shares issuable under the Existing General Mandate were allotted and issued to YA Global as the commitment fee in the sum of HK\$3.5 million payable by the Company to YA Global pursuant to the terms of the ELF Agreement.

During the period from the grant of the Existing General Mandate to the Latest Practicable Date, 1,091,163,636 Shares have been or will be issued under the Existing General Mandate, representing that the Existing General Mandate had been utilised as to approximately 99.47%. If the Existing General Mandate is not to be refreshed, only 5,848,521 new Shares may be issued under the Existing General Mandate. In addition, we were advised by the Directors that the next annual general meeting of the Company will not be held until around August 2012, which is about five months away from the Latest Practicable Date. If the Existing General Mandate (which has been almost fully utilised) is not to be refreshed at the SGM, the Company will not have flexible fund raising availability by way of issuing new Shares under general mandate, if so required, until a new general mandate is approved in the next annual general meeting.

As advised by the Directors, the Company has been actively pursuing opportunities to augment the Group's business and has been on the lookout for good investment opportunities to generate greater returns for the Shareholders, which is echoed by, as stated in the interim report of the Company for the six months ended 30 September 2011, that the Group would continue its effort in extending its supply network and fostering new relationships or joint venture in its distribution channels. With a view to providing financial flexibility for the Group to raise additional equity capital for any future business development and investment opportunities and general working capital for the Group, the Directors therefore propose to seek the Independent Shareholders' approval at the SGM for the grant of the Refreshed General Mandate so that the

LETTER FROM GOLDIN FINANCIAL

Directors will be granted the authority to issue, allot and deal with new Shares not exceeding 20% of the total issued share capital of the Company as at the date of passing of the resolutions approving the Refreshed General Mandate at the SGM.

On the basis of a total of 6,663,926,451 Shares in issue as at the Latest Practicable Date and assuming that no Shares would be issued and/or repurchased by the Company between the Latest Practicable Date and the date of the SGM, the Refreshed General Mandate, if granted, will empower the Directors to exercise the power of the Company to allot, issue and deal with up to a maximum of 1,332,785,290 Shares, representing 20% of the issued share capital of the Company as at the date of SGM. The unutilised Existing General Mandate granted to the Directors to exercise the power of the Company to allot, issue and deal with 5,848,521 Shares as mentioned above shall be revoked upon approval of the Refreshed General Mandate at the SGM.

Having considered that (i) the Existing General Mandate has been utilised as to approximately 99.47%; (ii) the Refreshed General Mandate would provide the Group with financial flexibility to raise equity capital in a timely manner to capture investment opportunities that could create returns to the Shareholders; and (iii) the Refreshed General Mandate would strengthen the capital base and financial position of the Company amidst the current volatile market condition, we concur with the Directors that the grant of the Refreshed General Mandate is in the interests of the Company and the Independent Shareholders as a whole.

2. History of capital raising activities of the Group during the past 12 months

According to the information provided by the Directors, we summarise the capital raising activities of the Company during the past 12 months immediately preceding the Latest Practicable Date in the following table:

Date of announcements	Description	Net proceeds which can be raised	Intended use of proceeds	Actual use of proceeds
22 September 2011, 31 October 2011, 18 November 2011 and 19 December 2011	Issue of Warrants	HK\$74.95 million	As general working capital and as funds for future development of the Group when investment opportunities arise	Not applicable as the Warrants have not been exercised
19 December 2011, 21 December 2011 and 19 January 2012	Issue of Shares under equity facility line	HK\$113.70 million	For settlement of the loan which may be borrowed under the DF Agreement, for supporting trading activities and for general corporate and working capital purposes of the Group	Part of the ELF Shares with aggregate agreed value of HK\$6 million have been allotted and issued for repayment of part of the loan in the principal amount of HK\$6 million

Save as disclosed herein, the Company has not conducted any other capital raising activities in the past twelve months immediately preceding the Latest Practicable Date.

LETTER FROM GOLDIN FINANCIAL

The cash and cash equivalents of the Group was approximately HK\$18.22 million as at 30 September 2011 according to the latest published interim report of the Company for the six months period ended 30 September 2011. Having considered the proceeds which can be raised from the aforementioned fund raising exercises, the Directors are of the view that the existing cash and credit resources of the Group are sufficient for the Group to conduct its daily operations and the Group has sufficient working capital to meet its present operational requirements. As stated in the Letter from the Boards in the Circular, the net proceeds of approximately HK\$113.70 million which may be raised under the ELF Agreement was intended to be utilised for the settlement of loan which may be borrowed under the DF Agreement, supporting of trading activities and general working capital purposes of the Group as discussed above. As at the Latest Practicable Date, the Company had drawn an initial loan of HK\$30 million under the DF Agreement which has been utilised by the Group for supporting timber and logs related trading activities, however, any subsequent drawing of loan (which may be capitalised by way of issuance of the ELF Shares under the ELF Agreement) and the loan amount shall be subject to satisfaction of conditions precedent under the DF Agreement. Having considered that (i) any subsequent drawing of loan (and the loan amount) may or may not proceed subject to the satisfaction of conditions precedent under the DF Agreement; (ii) the Company has been actively seeking for investments/acquisition opportunities in order to capture business that would bring in returns to the Shareholders as discussed above; and (iii) the cash balance of the Group as disclosed in the Group's interim report 2011, we consider that there is no certainty that such cash and credit resources of the Group will be adequate for business development and acquisition of appropriate investments that may be identified by the Company in the future and the Refreshed General Mandate would provide an alternative to the Group for financing any potential investment opportunities that would bring in returns to the Shareholders before a general mandate to be granted in the next annual general meeting which will be held about five months away.

As mentioned in the Letter from the Board in the Circular, given that the Existing General Mandate has been nearly used up, it is impossible for the Company to proceed with any equity fund raising exercise and/or to issue new Shares as payment consideration in any possible acquisition transaction without first seeking separate approval from the Shareholders. In light of the time and cost involved for convening shareholders' meeting, the inability of the Company to issue new Shares under general mandate will largely reduce the flexibility of the Company to structure any potential share transaction or other acquisition project. In particular, the Company may have to pay cash or settle the acquisition consideration in other ways and lose the chance to broaden its shareholder base if the potential sellers or counterparties are interested to become holders of the Shares. Taking into consideration the volatility of the market, the Company may fail to grasp good chance for capital raising and/or investment opportunities if it needs to wait around five months until the next annual general meeting for the refreshment of the general mandate or otherwise it is required to seek specific mandate from Shareholders for each equity issuance which may not be the most time and cost efficient way to proceed with the transaction.

It comes to our attention that, in the event that the Group identifies suitable business or investment opportunities before the next annual general meeting and does not have sufficient cash and credit resources on hand, and it fails to obtain loans on terms which the Directors consider acceptable to the Group or raise funds from the equity market in a timely and cost efficient manner, or it cannot find other alternatives to finance the business development or acquisition of such investment opportunities in a timely manner, the Group may lose its opportunity in an otherwise favourable development/investment. Based on the aforesaid, we are of the view that the Refreshed General Mandate would provide flexibility to the Company in carrying out fund raising activities.

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3. Other financing alternatives

As debt financing may incur interest burden to the Group, equity financing such as issuance of new Shares for cash or equity swaps may be an appropriate means to fund such investments and/or acquisition, and provide additional working capital for the future development and expansion of the Group, given the Group's financial position, capital structure, cost of funding and the then financial market condition, especially under the situations in which the global financial market has remained uncertain and volatile. Other financing methods such as debt financing and internal cash resources to fund future business development of the Company shall be taken into consideration in appropriate circumstances.

We consider that the Refreshed General Mandate will provide the Company with an additional alternative. It is reasonable for the Company to have the flexibility in deciding the financing methods for its future development, including equity issuance. As such, we are of the view that the grant of the Refreshed General Mandate will be in the interests of the Company and the Independent Shareholders as a whole.

4. Potential dilution to shareholding of the Shareholders

We set out below the table depicting the shareholding structure of the Company as at the Latest Practicable Date and, for illustrative purpose only, the potential dilution effect on the shareholdings upon full utilisation of the Refreshed General Mandate, assuming that no Share would be issued and/or repurchased by the Company between the Latest Practicable Date and the date of the SGM:

Name of Shareholders	As at the Latest Practicable Date		Upon full utilisation of the Refreshed General Mandate	
	<i>Approximate</i>		<i>Approximate</i>	
	<i>No. of Shares</i>	<i>%</i>	<i>No. of Shares</i>	<i>%</i>
Assure Gain International Limited (<i>Note 1</i>)	1,006,762,347	15.11	1,006,762,347	12.59
Winner Global Holdings Limited (<i>Note 2</i>)	320,041,100	4.80	320,041,100	4.00
Splendid Asset Holdings Limited (<i>Note 3</i>)	331,100,463	4.97	331,100,463	4.14
Li Zhixiong (<i>Note 4</i>)	<u>380,000,000</u>	<u>5.70</u>	<u>380,000,000</u>	<u>4.75</u>
Sub-total	2,037,903,910	30.58	2,037,903,910	25.48
Public Shareholders	4,626,022,541	69.42	4,626,022,541	57.85
Shares that may be issued under the Refreshed General Mandate	<u>—</u>	<u>—</u>	<u>1,332,785,290</u>	<u>16.67</u>
Total	<u>6,663,926,451</u>	<u>100.00</u>	<u>7,996,711,741</u>	<u>100.00</u>

LETTER FROM GOLDIN FINANCIAL

Notes:

1. Assure Gain International Limited is wholly owned by Ms. Loh Jiah Yee, Katherine, an executive Director of the Company. As at the Latest Practicable Date, it also held 1,208,013,390 Preference Shares carrying rights to convert into 226,502,510 Shares.
2. Winner Global Holdings Limited is owned as to 100% by Assure Gain International Limited.
3. Splendid Asset Holdings Limited is owned as to 100% by Assure Gain International Limited.
4. As at the Latest Practicable Date, Li Zhixiong, an executive Director, beneficially held 380,000,000 Shares. Mr. Li is also entitled to up to an additional of 389,230,769 Shares which may be issued by the Company to him pursuant to a sale and purchase agreement dated 21 March 2011, details of which were disclosed in the announcement of the Company dated 21 March 2011.

As illustrated in the table above, assuming no Share will be issued and/or repurchased by the Company between the Latest Practicable Date and the date of the SGM, 1,332,785,290 new Shares can be issued upon full utilisation of the Refreshed General Mandate, representing 20% the issued share capital of the Company as at the date of the SGM, and the aggregate shareholding of the existing public Shareholders (excluding the Shareholders holding the new Shares issuable under the Refreshed General Mandate) will decrease from approximately 69.42% as at the Latest Practicable Date to approximately 57.85% upon full utilisation of the Refreshed General Mandate.

Taking into account that (i) the Refreshed General Mandate will provide an alternative to increase the amount of capital which may be raised under the Refreshed General Mandate; (ii) the Refreshed General Mandate provides more flexibility and options of financing to the Group for further business development as well as for other potential future investments and/or acquisitions as and when such opportunities arise, especially during the current volatile financial market; and (iii) the fact that the shareholding interests of all the Shareholders will be decreased in proportion to their respective shareholdings upon any utilisation of the Refreshed General Mandate, we consider that such potential dilution to shareholdings of the public Shareholders to be justifiable.

RECOMMENDATIONS

Having taken into account the principal factors and reasons referred to the above, we are of the opinion that the proposed grant of the Refreshed General Mandate is fair and reasonable so far as the Company and the Independent Shareholders are concerned and in the interests of the Company and the Shareholders as a whole. We therefore advise the Independent Shareholders and recommend the Independent Board Committee to advise the Independent Shareholders to vote in favour of the ordinary resolutions approving the Refreshed General Mandate and the extension thereof at the SGM. Independent Shareholders are however advised to take note of the possible dilution effect on their shareholding interests in the Company when and if the Refreshed General Mandate is utilised.

Yours faithfully,
For and on behalf of
Goldin Financial Limited
Billy Tang
Director



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 Unit A, 29th Floor, Admiralty Centre Tower 1, 18 Harcourt Road, Hong Kong on Wednesday, 11 April 2012 at 10:00 a.m. (or an adjournment thereof) for the purpose of considering and, if thought fit, passing, with or without modification, the following resolutions as ordinary resolutions:

ORDINARY RESOLUTIONS

1. (A) **“THAT**, to the extent not already exercised, the mandate to allot, issue and deal with the shares of the Company given to the directors (“**Directors**”) of the Company at the annual general meeting of the Company held on 25 August 2011 (“**AGM**”) be and is hereby revoked and replaced by the mandate **THAT**:
 - (a) subject to paragraph (c) of this Resolution, the exercise by the Directors during the Relevant Period (as hereinafter defined) of all the powers of the Company to allot, issue and deal with additional ordinary shares of HK\$0.0533 each (“**Shares**”) in the share capital of the Company and to make or grant offers, agreements and options (including bonds, warrants, debentures, notes 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 powers during or after the end of the Relevant Period be and is hereby generally and unconditionally approved;
 - (b) the approval in paragraph (a) of this Resolution shall authorise the Directors during the Relevant Period to make or grant offers, agreements and options (including bonds, warrants, debentures, notes 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 powers after the end of the Relevant Period;
 - (c) 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 pursuant to the approval given in paragraph (a) of this Resolution, otherwise than pursuant to:
 - (i) a Rights Issue (as hereinafter defined);

* for identification purposes only

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- (ii) an issue of shares of the Company 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;
- (iii) an issue of shares of the Company as scrip dividend or similar arrangement providing for the allotment and issue of shares in lieu of the whole or part of a dividend on shares pursuant to the bye-laws (“**Bye-laws**”) of the Company from time to time;
- (iv) any issue of shares of the Company upon the exercise of rights of subscription or conversion under the terms of any existing warrants, bonds, debentures, notes, options of the Company or any other securities issued by the Company which carry rights to subscribe for or are convertible into shares,

shall not exceed the aggregate of:

- (1) 20% of the aggregate nominal amount of the share capital of the Company in issue at the date of the passing of this Resolution; and
- (2) (if the Directors are so authorised by a separate ordinary resolution of the shareholders of the Company) the nominal amount of any share capital of the Company repurchased by the Company subsequent to the passing of this Resolution (up to a maximum equivalent to 10% of the aggregate nominal amount of the share capital of the Company in issue on the date of the passing of such resolution),

and the authority pursuant to paragraph (a) of this Resolution shall be limited accordingly; and

(d) for the purpose of this Resolution:

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

- (i) the conclusion of the next annual general meeting of the Company;
- (ii) the expiration of the period within which the next annual general meeting of the Company is required by any applicable law or the Bye-laws to be held; or
- (iii) the revocation or variation of the authority given under this Resolution by an ordinary resolution of the shareholders of the Company in general meeting.

“**Right Issue**” means an offer of shares of the Company, or offer or issue of warrants, options or other securities giving rights to subscribe for shares open for a period fixed by the Directors to holders of shares on the register of members of the Company on a fixed record date in proportion to their then holdings of shares (subject to such exclusion or other arrangements as to the Directors may deem necessary or expedient in

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relation to fractional entitlements, or having regard to any restrictions or obligations under the laws of, or the requirements of, or the expense or delay which may be involved in determining the existence or extent of any restrictions or obligations under the laws of, or requirements of, any jurisdiction outside Hong Kong or any recognized regulatory body or any stock exchange outside Hong Kong).”

(B) “**THAT** conditional upon the passing of resolution no. 1(A) above, the mandate granted to the Directors at the AGM to extend the general mandate to allot and issue shares of the Company to shares repurchased by the Company be and is hereby revoked and replaced by the mandate **THAT** the Directors be and they are hereby authorised to exercise the authority referred to in paragraph (a) of resolution no. 1(A) above in respect of the share capital of the Company referred to in sub-paragraph (2) of the paragraph (c) of such resolution.”

2. “**THAT** subject to and conditional upon the Listing Committee of The Stock Exchange of Hong Kong Limited (“**Stock Exchange**”) 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 a resolution of the shareholders of the Company on 27 November 2009 (“**Share Option Scheme**”) and any other share option scheme of the Company and its subsidiaries, representing 10% 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% limit under the Share Option Scheme (“**Refreshed Scheme Mandate Limit**”) and any other share option scheme of the Company and its subsidiaries provided that the aggregate nominal amount of the shares of the Company to be allotted and issued upon the exercise of all options under the Share Option Scheme and any other share option scheme of the Company and its subsidiaries under the limit as refreshed hereby shall not exceed 10% of the aggregate nominal amount of the share capital of the Company in issue at the date of passing of this Resolution (excluding options previously granted, outstanding, cancelled, lapsed or exercised under the Share Option Scheme); and
- (b) the Directors be and are hereby authorised, subject to compliance with the Rules Governing the Listing of Securities on the Stock Exchange (as amended from time to time), to grant options to subscribe for the shares of the Company under the Share Option Scheme up to the Refreshed Scheme Mandate Limit in accordance with the rules of the Share Option Scheme and to exercise all the powers of the Company to allot, issue and deal with shares of the Company pursuant to the exercise of such options.”

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3. “**THAT**, the authorised share capital of the Company be and is hereby increased from HK\$725,340,000 divided into 8,437,500,000 Shares and 27,534,000,000 convertible preference shares of HK\$0.01 each to HK\$915,340,000 divided into 12,000,000,000 Shares and 27,534,000,000 convertible preference shares of HK\$0.01 each.”

By Order of the Board
Sustainable Forest Holdings Limited
LOH Jiah Yee, Katherine
Chairman

Hong Kong, 21 March 2012

As at the date of this notice, the Board comprises Ms. LOH Jiah Yee Katherine, Ms. FLETCHER Yurk Nam Sandy, Mr. SHIH Chiu David, Mr. LI Zhixiong and Mr. LEUNG Siu Hung Joel as executive directors; and Mr. John Tewksbury BANIGAN, Mr. KEUNG Paul Hinsum and Mr. Donald Smith WORTHLEY as independent non-executive directors.

Notes:

- (1) A member of the Company 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 of the Company.
- (2) Where there are joint registered holders of any 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 and transfer office, Tricor Tengis Limited, at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong, as soon as possible but in any event not less than 48 hours before the time appointed for holding the SGM or any adjournment thereof.
- (4) The instrument appointing a proxy shall be in writing under the hand of the appointor or of his/her attorney duly authorised in writing or, if the appointor is a corporation, either under its seal or under the hand of an officer, attorney or other person authorised to sign the same.