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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)

**DISCLOSEABLE TRANSACTION
DISPOSAL OF PROPERTY**

On 22 February 2019, the Vendor, a wholly owned subsidiary of the Company, entered into the Provisional Agreement with the Purchaser for the disposal of the Property at a consideration of HK\$12,380,000. Pursuant to the terms of the Provisional Agreement, the Vendor and the Purchaser will enter into a formal sale and purchase agreement for the Disposal on or before 6 March 2019.

As the applicable percentage ratio under the Listing Rules in respect of the Disposal is more than 5% but less than 25%, the Disposal constitutes a discloseable transaction of the Company and is subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

THE PROVISIONAL AGREEMENT

On 22 February 2019, the Vendor entered into the Provisional Agreement with the Purchaser for the disposal of the Property.

SUMMARY OF TERMS OF THE PROVISIONAL AGREEMENT

Date: 22 February 2019

** For identification purpose only*

Vendor: Bluestone Investment Limited, a wholly owned subsidiary of the Company

Purchaser: An individual who, to the best of the Directors' knowledge, information and belief having made all reasonable enquiries, is an Independent Third Party

Property: Flat D, South Court, 18th Floor, Tower 5, Phase 1, Festival City, 1 Mei Tin Road, Tai Wai, Shatin, New Territories, Hong Kong

Consideration: Pursuant to the terms of the Provisional Agreement, the Vendor will sell the Property to the Purchaser at a consideration of HK\$12,380,000. An initial deposit of HK\$400,000 was received by the Vendor upon signing of the Provisional Agreement and a further deposit of HK\$838,000 will be received by the Vendor upon signing of the formal sale and purchase agreement on or before 6 March 2019. The balance of the Consideration, being HK\$11,142,000, will be received by the Vendor upon completion of the Disposal, which is scheduled to take place on or before 30 April 2019.

The Consideration was arrived at after arm's length negotiation between the Vendor and the Purchaser on normal commercial terms after considering the recent property market conditions in Hong Kong.

INFORMATION ON THE PROPERTY

The Property is a residential property and an investment property of the Group currently leased to an Independent Third Party at a monthly rental of HK\$29,500 (inclusive of government rent, rates and management fees). Upon completion, the Property will be delivered to the Purchaser subject to the existing lease.

Rental income attributable to the Property for the two financial years ended 31 March 2018 and 31 March 2017 were approximately HK\$282,000 and HK\$285,000 respectively. After accounting for the government rent, rates, management fees and interest expenses paid by the Vendor, the net profit before and after taxation attributable to the Property for the two financial years ended 31 March 2018 and 31 March 2017 are as follows:

	For the year ended 31 March	
	2018	2017
	<i>HK\$</i>	<i>HK\$</i>
Net profit before and after taxation	162,000	165,000

INFORMATION ON THE VENDOR AND THE COMPANY

The Vendor is a company incorporated in Hong Kong with limited liability and is a wholly owned subsidiary of the Company. The Vendor is principally engaged in property investment.

The Company is an investment holding company. The Group is principally engaged in the business of money lending, sustainable forest management, sales of timber and wooden products and leasing of properties.

INFORMATION ON THE PURCHASER

The Purchaser is an individual who, to the best of the Directors' knowledge, information and belief having made all reasonable enquiries, is an Independent Third Party.

FINANCIAL EFFECTS OF THE DISPOSAL

The carrying value of the Property as at the date of the latest audited financial statements, i.e. 31 March 2018, amounted to HK\$11,200,000. Based on the Consideration of HK\$12,380,000 and subject to audit, the Company is expected to recognise a gain (net of related legal costs, commission and expenses) of approximately HK\$1,044,000 from the Disposal.

PROPOSED USE OF PROCEEDS

Based on the Consideration of HK\$12,380,000 and the associated estimated direct cost of the Disposal of approximately HK\$136,000, the Company is expected to receive net proceeds of approximately HK\$12,244,000 from the Disposal.

The Company intends to use the net proceeds as general working capital for existing operations of the Group and/or for future investments if opportunities arise.

REASONS FOR AND BENEFITS OF THE DISPOSAL

Having taken into account the current property market conditions, the Directors consider that the Disposal gives a good opportunity for the Group to reasonably realise its investment. After the Disposal, the Group will have additional working capital for existing operations of the Group and/or for future investments if opportunities arise. The Board is of the view that the terms in the Provisional Agreement including the Consideration are in normal commercial terms, which are fair and reasonable and in the interests of the Shareholders and the Company as a whole.

IMPLICATIONS OF THE LISTING RULES

As the applicable percentage ratio under the Listing Rules in respect of the Disposal is more than 5% but less than 25%, the Disposal constitutes a discloseable transaction of the Company and is subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

DEFINITIONS

In this announcement, the following terms have the same meanings as set out below:

“Board”	Board of Directors
“Company”	Sustainable Forest Holdings Limited, a company incorporated in Bermuda with limited liability, the shares of which are listed on the Main Board of the Stock Exchange
“Consideration”	HK\$12,380,000
“Director(s)”	director(s) of the Company
“Disposal”	disposal of the Property by the Vendor pursuant to the terms of the Provisional Agreement
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollar(s), the lawful currency of Hong Kong
“Hong Kong”	Hong Kong Special Administrative Region of the People’s Republic of China

“Independent Third Party”	a third party independent of the Company and connected persons (as defined in the Listing Rules) of the Company
“Listing Rules”	Rules Governing the Listing of Securities on the Stock Exchange
“Property”	Flat D, South Court, 18th Floor, Tower 5, Phase 1, Festival City, 1 Mei Tin Road, Tai Wai, Shatin, New Territories, Hong Kong
“Provisional Agreement”	provisional sale and purchase agreement entered into between the Vendor and the Purchaser on 22 February 2019 for the Disposal
“Purchaser”	an individual who, to the best of the Directors’ knowledge, information and belief having made all reasonable enquiries, is an Independent Third Party
“Share(s)”	ordinary share(s) of HK\$0.01 each in the capital of the Company
“Shareholder(s)”	holder(s) of the issued Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Vendor”	Bluestone Investment Limited, a wholly owned subsidiary of the Company
“%”	per cent.

By Order of the Board
Sustainable Forest Holdings Limited
Wang Jingyu
Chairlady

Hong Kong, 22 February 2019

As at the date of this announcement, the Board comprises Ms. Wang Jingyu (Chairlady), Mr. Lai Ming Wai (Chief Executive Officer) and Ms. Chan Yuk Yee as Executive Directors and Mr. Yam Kwong Chun, Mr. Chiang Bun and Mr. Chai Chi Keung as Independent Non-executive Directors.