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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
PROVISION OF LOAN TO AN INDEPENDENT THIRD PARTY**

The Board is pleased to announce that on 11 March 2019, the Lender, an indirect wholly owned subsidiary of the Company, entered into the Loan Agreement with the Borrower, pursuant to which the Lender agreed to provide to the Borrower a loan facility in the principal amount of HK\$23,000,000 for a term of 18 months.

As one or more of the applicable percentage ratios under Rule 14.07 of the Listing Rules in respect of the amount of financial assistance granted to the Borrower is more than 5% but less than 25%, the Loan constitutes a discloseable transaction of the Company under Chapter 14 of the Listing Rules and is therefore subject to the reporting and announcement requirements under the Listing Rules.

As the applicable percentage ratios under Rule 14.07 of the Listing Rules in respect of the amount of financial assistance granted to the Existing Finance Lessee was below 5% at the relevant time, the Existing Finance Lease did not constitute a discloseable transaction of the Company under Chapter 14 of the Listing Rules and was therefore not subject to any disclosure requirements under the Listing Rules.

* For identification purpose only

However, as the Borrower is an associate of the Existing Finance Lessee, the Loan requires aggregation with the Existing Finance Lease under Rule 14.22 of the Listing Rules. Given one or more of the applicable percentage ratios under Rule 14.07 of the Listing Rules in respect of the amount of financial assistance granted to the Borrower and the Existing Finance Lessee in aggregate is more than 5% but less than 25%, the Loan and the Existing Finance Lease in aggregate still constitutes a discloseable transaction of the Company under Chapter 14 of the Listing Rules and is therefore subject to the reporting and announcement requirements under the Listing Rules.

On 11 March 2019, the Lender, an indirect wholly owned subsidiary of the Company, entered into the Loan Agreement with the Borrower, pursuant to which the Lender agreed to provide to the Borrower a loan facility in the principal amount of HK\$23,000,000 for a term of 18 months.

THE LOAN AGREEMENT

Principal terms of the Loan Agreement are set out as below:

Date: 11 March 2019

Lender: Reliance Credit Limited, a company incorporated in Hong Kong with limited liability and an indirect wholly owned subsidiary of the Company

Borrower: a company incorporated in Hong Kong with limited liability and is an associate of the Existing Finance Lessee. Save as disclosed above, to the best of the Directors' knowledge, information and belief having made all reasonable enquiries, the Borrower and its ultimate beneficial owners are independent third parties not connected with the Company and its connected persons and other existing borrowers/finance lessees of the Group

Principal amount: HK23,000,000

Interest rate: 10.5% per annum, payable on a monthly basis

Administration fee: 1% of the principal amount of the Loan

Availability period: available for drawdown within 30 days from the date of the Loan Agreement

- Maturity date: 18 months from the date of drawdown, or such other date to be agreed by the Lender in writing, and subject to such terms and conditions to be agreed between the Lender and the Borrower in writing
- Repayment: subject as otherwise provided in the Loan Agreement, the Borrower shall repay the Loan and the outstanding interest on the maturity date of the Loan
- Security: a first legal charge/mortgage in respect of a property located in Hong Kong
- Guarantee: a guarantee executed in favour of the Lender by the Existing Finance Lessee, save as being our existing finance lessee, to the best of the Directors' knowledge, information and belief having made all reasonable enquiries, the guarantor is an independent third party not connected with the Company and its connected persons and other existing borrowers/finance lessees of the Group

The Loan will be funded by internal resources of the Group.

RELATIONSHIP WITH THE BORROWER

The Borrower is a company incorporated in Hong Kong with limited liability and is principally engaged in the business of investment holding. As the Existing Finance Lessee owned 80% of the equity interest in the Borrower, the Borrower is therefore an associate of the Existing Finance Lessee. Save as disclosed above, to the best of the Directors' knowledge, information and belief having made all reasonable enquiries, the Borrower and its ultimate beneficial owners are independent third parties not connected with the Company and its connected persons and other existing borrowers/finance lessees of the Group. Save for the transactions contemplated under the Loan Agreement and the Existing Finance Lease, there are no prior relationship and/or other transactions between the Company and each of the Borrower and the Existing Finance Lessee during the past 12 months.

REASONS FOR AND BENEFITS OF THE PROVISION OF THE LOAN

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. The Lender is a licensed money lender holding a valid money lenders licence under the Money Lenders Ordinance (Chapter 163 of the Laws of Hong Kong) and is principally engaged in the business of money lending. The provision of the Loan is a transaction carried out as part of the ordinary and usual course of business of the Group.

The terms of the Loan Agreement (including the interest rate) were arrived at by the parties thereto after arm's length negotiations, with reference to prevailing commercial practice, the value of security provided and the amount of the Loan. Having considered the recurring interest income to be generated by and the other terms of the Loan as well as the good repayment records of the Existing Finance Lessee, the Directors consider that the terms of the Loan Agreement are normal commercial terms and are fair and reasonable and the provision of the Loan is in the interest of the Company and the Shareholders as a whole.

EXISTING FINANCE LEASE

The Existing Finance Lease has been granted by the Lender to the Existing Finance Lessee under the Existing Finance Lease Agreement. The Existing Finance Lessee due to the Lender total outstanding installments of approximately HK\$2,912,000 as at the date of this announcement under the Existing Finance Lease Agreement.

As the applicable percentage ratios under Rule 14.07 of the Listing Rules in respect of the amount of financial assistance granted to the Existing Finance Lessee was below 5% at the relevant time, the Existing Finance Lease did not constitute a discloseable transaction of the Company under Chapter 14 of the Listing Rules and was therefore not subject to any disclosure requirements under the Listing Rules.

IMPLICATIONS UNDER THE LISTING RULES

As one or more of the applicable percentage ratios under Rule 14.07 of the Listing Rules in respect of the amount of financial assistance granted to the Borrower is more than 5% but less than 25%, the Loan constitutes a discloseable transaction of the Company under Chapter 14 of the Listing Rules and is therefore subject to the reporting and announcement requirements under the Listing Rules.

As the applicable percentage ratios under Rule 14.07 of the Listing Rules in respect of the amount of financial assistance granted to the Existing Finance Lessee was below 5% at the relevant time, the Existing Finance Lease did not constitute a discloseable transaction of the Company under Chapter 14 of the Listing Rules and was therefore not subject to any disclosure requirements under the Listing Rules.

However, as the Borrower is an associate of the Existing Finance Lessee, the Loan requires aggregation with the Existing Finance Lease under Rule 14.22 of the Listing Rules. Given one or more of the applicable percentage ratios under Rule 14.07 of the Listing Rules in respect of the amount of financial assistance granted to the Borrower and the Existing Finance Lessee in aggregate is more than 5% but less than 25%, the Loan and the Existing Finance Lease in aggregate still constitutes a discloseable transaction of the Company under Chapter 14 of the Listing Rules and is therefore subject to the reporting and announcement requirements under the Listing Rules.

Trading in the Shares has been suspended commencing from 9:00 a.m. on 10 October 2018 as the Company has been placed in the first delisting stage under Practice Note 17 of the Listing Rules referred to in the Company’s announcement dated 12 October 2018.

DEFINITIONS

- “associate” has the meaning ascribed to it under the Listing Rules
- “Board” Board of Directors of the Company
- “Borrower” a company incorporated in Hong Kong with limited liability and is an associate of the Existing Finance Lessee. Save as disclosed above, to the best of the Directors’ knowledge, information and belief having made all reasonable enquiries, the Borrower and its ultimate beneficial owners are independent third parties not connected with the Company and its connected persons and other existing borrowers/finance lessees of the Group
- “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
- “connected person(s)” has the meaning ascribed to it under the Listing Rules
- “Director(s)” director(s) of the Company

“Existing Finance Lessee”	an individual who, to the best of the Directors’ knowledge, information and belief having made all reasonable enquiries, is an independent third party not connected with the Company and its connected persons and other existing borrowers/finance lessees of the Group
“Existing Finance Lease Agreement”	finance lease agreement entered into between the Lender and the Existing Finance Lessee on 25 May 2018
“Existing Finance Lease”	finance lease with total installments amounting to approximately HK\$3,883,000 granted by the Lender to the Existing Finance Lessee under the Existing Finance Lease 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
“Lender”	Reliance Credit Limited, a company incorporated in Hong Kong with limited liability and an indirect wholly owned subsidiary of the Company and a licensed money lender under the Money Lenders Ordinance (Chapter 163 of the Laws of Hong Kong)
“Listing Rules”	Rules Governing the Listing of Securities on the Stock Exchange
“Loan”	a loan facility in the principal amount of HK\$23,000,000 granted by the Lender to the Borrower in accordance with the terms and conditions of the Loan Agreement
“Loan Agreement”	a loan agreement dated 11 March 2019 entered into between the Lender and the Borrower in relation to the provision of the Loan
“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

“%”

per cent.

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

Hong Kong, 11 March 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.