



Sustainable Forest Holdings Limited
永保林業控股有限公司*
(Incorporated in Bermuda with limited liability)
(stock code: 723)

**TERMS OF REFERENCE
OF THE EXECUTIVE COMMITTEE**

1. Constitution

- 1.1 The executive committee (the “**Committee**”) of the board of directors (the “**Board**”) of Sustainable Forest Holdings Limited (the “**Company**”) was established by the Board.

2. Membership and Secretary

- 2.1 Members of the Committee (the “**Member(s)**”) shall be appointed by the Board from amongst the executive directors (the “**Director(s)**”) of the Company and shall consist of not less than two members.
- 2.2 The chairman of the Committee (the “**Chairman**”) shall be appointed by the Board or elected among the Members and must be an executive Director.
- 2.3 The company secretary of the Company shall be the secretary of the Committee (the “**Secretary**”) who shall attend all meetings of the Committee. In the absence of the Secretary, the Members present at the meeting of the Committee shall elect any person among themselves as the secretary of that meeting.
- 2.4 The appointment of the Members or the Secretary may be revoked, or additional members may be appointed to the Committee by separate resolutions passed by the Board and by the Committee.
- 2.5 Every Member shall ensure that he/she can give sufficient time and attention to his/her duties as a Member. He/She shall give the Company and the Committee the benefit of his/her skills, expertise and varied backgrounds and qualifications through regular attendance and active participation.

* For identification purposes only

3. Proceedings of the Committee

3.1 *Notice:*

- (a) Unless otherwise agreed or waived by all the Members (either orally or in writing), for convening all meetings, reasonable notice should be given.
- (b) A Member may and, on the request of a Member, the Secretary shall, at any time summon a Committee meeting.
- (c) Notice shall be given to each Member orally or in writing or by telephone or by email or by facsimile transmission at the telephone or facsimile or address or email address from time to time notified to the Secretary by such Member or in such other manner as the Members may from time to time determine.
- (d) Any notice given orally shall be confirmed in writing as soon as practicable and before the meeting.
- (e) Notice of meeting shall state the time and place of the meeting and shall be accompanied by an agenda together with other documents which may be required to be considered by the Members for the purposes of the meeting. The agenda and accompanying papers shall be sent, in full, to all the Members. These should be sent in a timely manner and at least 3 days before the intended date of the meeting of the Committee (or other agreed period by all the Members).
- (f) Any Member shall be entitled, by notice to the Secretary, to include other matters relevant to the functions of the Committee in the agenda of a Committee meeting.

3.2 *Quorum:*

- (a) The quorum of the Committee meeting shall be two Members.
- (b) A duly convened meeting of the Committee at which a quorum is present at the time when the meeting proceeds to business and continues to be present until the conclusion of the meeting, shall be competent to exercise all or any of the authorities, powers and discretions vested in or exercisable by the Committee.

3.3 *Attendance:* Members may attend or participate in any meetings of the Committee either in person, by means of a conference telephone or through other electronic means of communication so that all persons participating in the meeting can communicate with each other and such participation shall constitute presence at a meeting as if those participating were present in person.

3.4 Other Directors, apart from the Members, have the right to attend any Committee meetings, though they shall not be counted in the quorum.

3.5 The Member shall not be counted towards the quorum in meetings of the Committee and he/she must abstain from voting in any resolutions of the Committee in which he/she or any of his/her associates has a material interest, unless the exceptions set out in note 1 to Appendix 3 of the Rules (the “**Listing Rules**”) Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) apply.

3.6 A resolution in writing signed by all the Members shall be as valid and effectual as if a resolution had been passed at a meeting of the Committee convened and held. Such resolution may be contained in one document or in several documents in like form each signed by one or more of the Members.

4. Alternate Members

4.1 A Member cannot appoint any alternate.

5. Authority of the Committee

5.1 The Committee may exercise the following powers:

- (a) to seek any information it requires from the management and any employee of the Company and its subsidiaries (the “**Subsidiaries**”) (together, the “**Group**”) and any professional advisers in order to perform its duties, to require any of them to prepare and submit reports and to attend Committee meetings and to supply information and address the questions raised by the Committee;
- (b) to obtain outside legal or other independent professional advice with relevant experience and expertise at the cost of the Company on any matters within these terms of reference as it considers necessary. For this purpose, a request for such advice may be made by any Members to the Board through the Secretary;
- (c) to review from time to time these terms of reference and their effectiveness in the discharge of its duties and to make recommendation to the Board any changes it considers necessary;
- (d) to have access to the advice and services of the Secretary with a view to ensuring that procedures of the Committee and all applicable rules and regulations are followed; and
- (e) to exercise such powers as the Committee may consider necessary and expedient so that their duties under section 6 below can be properly discharged or such powers and rights as delegated or assigned by the Board and/or as empowered to the Committee under the Listing Rules from time to time.

5.2 The Committee should be provided with sufficient resources to perform its duties.

6. Duties of the Committee

6.1 The Committee is delegated with full power and authority to monitor the day-to-day operation and management of the Group from time to time. Nevertheless, without the prior approval of the Board at the board meeting, the Committee has no authority to exercise any power from the Company to proceed or undertake to proceed the following matters:

- (a) to create any fixed or floating charge, lien (other than a lien arising by operation by law) or other encumbrance over the whole or any part of the undertaking, property or assets of the Group unless such charge, lien or encumbrance is created in connection with any loan, advance or credit given to the Group in the ordinary course of business;
- (b) to make any loan or advance or give any credit except to any Subsidiary or in the ordinary course of business;

- (c) to give any guarantee or indemnity to secure the liability or obligations of any person except in relation to a Subsidiary or in the ordinary course of business;
- (d) to sell, transfer, lease, assign or otherwise dispose of any material part of the undertaking, property or assets of the Group (or any interest therein) or contract to do so otherwise than in the ordinary course of business;
- (e) to issue or allot any unissued shares for the time being other than the shares issued by virtue of the general mandate given by the member of the Company to the Director at the general meeting from time to time or as a result of exercise of options pursuant to the Company's share option scheme (if any), create and/or issue any debentures or other securities convertible into shares or debentures or any share warrants or any options in respect of shares other than options issued pursuant to the Company's share option scheme (if any);
- (f) to create any contract or other obligation binding on the Group:-
 - (i) with any person, which will constitute a discloseable, major or very substantial transaction under the Listing Rules; or
 - (ii) with any connected person of the Company, which will constitute a connected transaction which is discloseable under the Listing Rules;
- (g) to appoint or remove any firm of accountants to audit the annual financial statements of the Group;
- (h) to appoint or remove any Directors;
- (i) to change the nature or geographical area of business of the Company; and
- (j) to commence defend or settle any litigation arbitration or other proceedings otherwise than in the ordinary course of business.

6.2 The Committee shall consider other matters and perform other duties, as defined or assigned by the Board from time to time.

7. Minutes and Reporting Procedures

7.1 The Secretary or the secretary appointed for the meetings of the Committee shall minute in sufficient detail the matters considered and decisions reached at such meetings. The minutes shall also include any concerns raised by any member of the Committee and/or dissenting views expressed.

7.2 Full minutes of the meetings of the Committee and all written resolutions of the Committee should be kept by the Secretary, which shall be available for inspection by any Member or the Board at any reasonable time on reasonable notice.

7.3 The Secretary shall circulate the draft and final versions of minutes of the meeting of the Committee or, as the case may be, written resolutions of the Committee to all Members for their comment and records respectively within a reasonable time after the meeting or before the passing of the written resolutions. Once the minutes and/or written resolutions are signed, the Secretary shall within a reasonable time submit a copy of such minutes and written resolutions of the Committee to the Board for record.

7.4 The Secretary shall keep record of all meetings of the Committee held during each financial year of the Company and records of individual attendance of Members, on a named basis, at meetings held during that financial year.

7.5 The Committee shall report back to the Board on their decisions or recommendations, unless there are legal or regulatory restrictions on their ability to do so.

8. Annual general meeting

8.1 The Chairman or in his/her absence, another Member or failing this, his/her duly appointed delegate, shall attend the annual general meeting of the Company and be prepared to answer questions at the annual general meeting on the Committee's activities and their responsibilities.

9. Continuing application of the bye-laws of the Company

9.1 The bye-laws of the Company regulating the meetings and proceedings of the Directors so far as the same are applicable and are not replaced by the provisions in these terms of reference shall apply to the meetings and proceedings of the Committee.

10. Powers and duties of the Board

10.1 The Board may, subject to compliance with the bye-laws of the Company and the Listing Rules (including the Corporate Governance Code and Corporate Governance Report set out in Appendix 14 to the Listing Rules), amend, supplement and revoke these terms of reference and any resolution passed by the Committee provided that no amendments to and revocation of these terms of reference and the resolutions passed by the Committee shall invalidate any prior act and resolution of the Committee which would have been valid if such terms of reference or resolution had not been amended or revoked.

Hong Kong, 30 March 2012