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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)

TERMS OF REFERENCE OF THE NOMINATION COMMITTEE

1. Constitution

- 1.1 The nomination 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 directors (the “**Director(s)**”) of the Company and shall consist of not less than three members and a majority of which should be independent non-executive Directors.
- 2.2 The chairman of the Committee (the “**Chairman**”) shall be appointed by the Board or elected among the Members and shall be the chairman of the Board or an independent non-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 the 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), a Regular Meeting (as defined in the below 3.3) of the Committee shall be called by at least 14 days' notice. For convening all other 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. For the Regular Meetings of the Committee, and as far as practicable for all other meetings of the Committee, 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 and a majority of which shall be the independent non-executive Directors.
- (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 ***Frequency:*** Meetings shall be held at least once every year (the “**Regular Meeting(s)**”).

3.4 ***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.

3.5 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. Overriding Principles

- 4.1 There should be a formal, considered and transparent procedure for the appointment of new Directors.
- 4.2 There should be plans in place for orderly succession for appointments of Directors.
- 4.3 All Directors should be subject to retirement by rotation and re-election at regular intervals.
- 4.4 The Company must explain the reasons for the resignation or removal of any Director.
- 4.5 Every Director must always know his/her responsibilities as a director of the Company and its conduct, business activities and development.
- 4.6 Non-executive Directors have the same duties of care and skill and fiduciary duties as executive Directors.

5. Alternate Members

- 5.1 A Member cannot appoint any alternate.

6. Authority of the Committee

- 6.1 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 (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 review the performance of the Directors and the independence of independent non-executive Directors in relation to their appointment or reappointment as Directors;
 - (c) 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, including the advice of independent human resource consultancy firm or other independent professionals. For this purpose, a request for such advice may be made by any Members to the Board through the Secretary. The Committee shall have full authority to commission any search (including without limitation litigation, bankruptcy and credit searches), report, survey or open recruitment which it deems necessary to help it fulfill its duties;

- (d) 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;
- (e) 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
- (f) to exercise such powers as the Committee may consider necessary and expedient so that their duties under section 7 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.

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

7. Duties of the Committee

7.1 The duties of the Committee shall be:

- (a) to review the structure, size and composition (including the skills, knowledge and experience) of the Board at least annually and make recommendations on any proposed changes to the Board to complement the Company's corporate strategy;
- (b) to identify individuals suitably qualified to become members of the Board and select or make recommendations to the Board on the selection of individuals nominated for directorships;
- (c) to assess the independence of the independent non-executive Directors;
- (d) to make recommendations to the Board on the following matters and perform relevant services and duties:
 - (i) relevant matters relating to the appointment, re-appointment of Directors;
 - (ii) succession planning for Directors in particular the chairman of the Board and the chief executive;
 - (iii) the role, responsibilities, capabilities, skills, knowledge and experience required for members of the Board;
 - (iv) the policy on the terms of employment of non-executive Directors;
 - (v) the composition of the audit committee, remuneration committee and other board committees of the Board;
 - (vi) the re-election by shareholders of the Company of any Directors who are to retire by rotation having regard to their performance and ability to continue to contribute to the Board;
 - (vii) the continuation (or not) in service of any independent non-executive Director serving more than nine years and (if his/her continuous service is recommended) to provide the Board with reasons why the Committee believes such independent non-executive Director is still independent and should be re-elected; and

- (viii) the independency of independent non-executive Directors upon their election, providing the Board with reasons why the Committee believes such independent non-executive Director shall be elected and why the Committee considers him/her to be independent;
- (e) to give full consideration to the following in the discharge of its duties as mentioned above or elsewhere in these terms of reference:
 - (i) succession planning of Directors;
 - (ii) leadership needs of the Group with a view of maintaining or fostering the competitive edge of the Group over others;
 - (iii) changes in market environment and commercial needs of the market in which the Group operates;
 - (iv) the skills and expertise required for members of the Board; and
 - (v) the relevant requirements of the Listing Rules with regard to directors of a listed issuer;
- (f) to review the service contracts and/or letters of appointment of all Directors, which shall set out the key terms and conditions of their appointment. For non-executive Directors, they shall be appointed for specific term and their respective letter of appointment should set out what is expected of them in terms of time commitment, committee service and involvement outside meetings of the Board;
- (g) to conduct exit interviews with any Director upon their resignation in order to ascertain the reasons for his/her departure; and
- (h) to consider other matters and perform other duties, as defined or assigned by the Board and/or as required to be performed by the Committee under the Listing Rules from time to time.

8. Minutes and Reporting Procedures

- 8.1 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.
- 8.2 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.
- 8.3 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.

- 8.4 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.
- 8.5 The Committee shall compile a report to shareholders of the Company on its roles and work performed by it during the financial year for inclusion in the Company's annual report.
- 8.6 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.

9. Annual general meeting

- 9.1 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.

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

- 10.1 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.

11. Powers and duties of the Board

- 11.1 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.

12. Publication of the terms of reference of the Committee

- 12.1 These terms of reference will be posted on the websites of the Company and the Stock Exchange, and shall be made available on request.

By Order of the Board
Sustainable Forest Holdings Limited
Yeung Wing Yee
Company Secretary

Hong Kong, 30 March 2012

As at the date of this announcement, the Board comprises Ms. Loh Jiah Yee, Katherine, Ms. Fletcher Yurk Nam, Sandy, Mr. Li Zhixiong, Mr. Leung Siu Hung, Joel and Mr. Shih Chiu, David as executive directors; and Mr. John Tewksbury Banigan, Mr. Keung Paul Hinsum and Mr. Donald Smith Worthley as independent non-executive directors.