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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)

NON-BINDING MEMORANDUM OF UNDERSTANDING IN CONNECTION WITH A PROPOSED ACQUISITION OF A PROPERTY MANAGEMENT COMPANY IN THE PRC AND RESUMPTION OF TRADING

This announcement is made pursuant to Rule 13.09 (1) of the Listing Rules.

The Board announces that on 10 January 2013, the Company and the Potential Seller entered into a non-binding MOU containing, among other terms, the parties' intention to discuss on the proposed acquisition by the Group the entire or partial equity interest of the Target Company with principal activity in property management in PRC (subject to compliance with the applicable laws and regulations of PRC).

The Board wishes to emphasize that since the MOU is not legally binding and the transaction under the MOU may or may not proceed, shareholders of the Company and public investors are urged to exercise caution when dealing in the shares of the Company.

Introduction

This announcement is made pursuant to Rules 13.09(1) of the Rules (“**Listing Rules**”) Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

The board (“**Board**”) of directors (“**Directors**”) of Sustainable Forest Holdings Limited (“**Company**”, together with its subsidiaries, “**Group**”) announces that on 10 January 2013, the Company and Tian Lun Holdings Limited Company* 天倫控股有限公司 (“**Potential Seller**”) entered into a non-binding memorandum of understanding (“**MOU**”) containing, among other terms, the parties' intention to discuss on the proposed acquisition (“**Proposed Transaction**”) by the Group the entire or partial equity interest of the Target Company with principal activity in property management in People's Republic of China (“**the PRC**”) (subject to the compliance with the applicable laws and regulations of the PRC).

The MOU is non-legally binding except certain terms regarding exclusivity, access to information, confidentiality and governing law. Under the MOU, the Potential Seller granted the Group exclusive right to proceed with the Proposed Transaction within six (6) months from the date of signing the MOU. During this period, the Group will commence the due diligence works on the Target Company and other related issues involved in the Proposed Transaction.

Principal terms of the MOU

Date:

10 January 2013

Parties:

(A) The Company, as the potential buyer

(B) Guangzhou Tian Lu Property Management Limited Company* (廣州天倫物業管理有限公司), as the Target Company

(C) Tian Lun Holdings Limited Company* (天倫控股有限公司), as the Potential Seller

After having made reasonable enquiries, and to the best of the information, knowledge and belief of the Directors, the Potential Seller, the Target Company and their respective ultimate beneficial owner(s) are third parties independent of the Group and connected persons (as defined under the Listing Rules) of the Group.

Assets proposed to be acquired

It is proposed that, depending on the results of the due diligence to be conducted by the Group on the Target Company, the Group intends to acquire from the Potential Seller the entire or partial equity interest in the Target Company, being a limited liability company established in Guangzhou, the PRC.

To the best knowledge and information of the Directors, the Target Company currently possesses property management service agreements for a number of property estates.

Proposed consideration

It is proposed that the consideration for the Proposed Transaction shall be agreed upon by parties concerned, which amount shall be referenced to the net asset value of the Target Company.

Information of the Potential Seller and Target Company

The Target Company currently possesses property management service agreements for a number of property estates.

Reason for the Proposed Transaction

The Group is principally engaged in tree felling services and sustainable forest management. It is the Group business strategy to continue to look for other business opportunities which are beneficial to the long term development of the Group and explore more investment to offer steady growth to its business in order to enhance shareholders' value. The Board is of the opinion that the property management service in PRC can bring new income stream to add to the existing business lines.

General

The Board wishes to remind the shareholders of the Company that there is no assurance that binding agreement(s) will be signed between parties. The Proposed Transaction is subject to, among other things, further negotiations between parties, due diligence, satisfaction of closing conditions, board approvals of the parties and the agreement and signing of the definitive agreement. The Proposed Transaction may or may not materialize and/or constitute notifiable transactions under the Listing Rules. Additionally, the terms of the definitive agreement, if signed, may deviate from those set out in the MOU. Further announcement(s) in relation to the Proposed Transaction, if such constitutes notifiable transaction, will be made by the Company as and when appropriate in compliance with the Listing Rules.

The Board wishes to emphasize that since the MOU is not legally binding and the transaction under the MOU may or may not proceed, shareholders of the Company and public investors are urged to exercise caution when dealing in the shares of the Company

Resumption of trading

At the request of the Company, trading of shares was halted with effect from 1:00 p.m. on 10 January 2013. Application has been made by the Company to the Stock Exchange for the resumption of trading of the shares with effect from 1:00 p.m. on 11 January 2013.

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

Hong Kong, 11 January 2013

As at the date of this announcement, the board of directors of the Company comprises Ms. Loh Jiah Yee, Katherine, Ms. Fletcher Yurk Nam, Sandy, Mr. Li Zhixiong, Mr. Leung Siu Hung, Joel, Ms. Zhou Jing and Mr. Mung Wai Ming as executive directors; and Mr. John Tewksbury Banigan, Mr. Keung Paul Hinsum, Mr. Donald Smith Worthley and Mr. William Keith Jacobsen as independent non-executive directors.