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**If you have sold or transferred** all your shares in the Company, you should at once hand this circular to the purchaser or the transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or the transferee.

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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)**

**(I) PROPOSED SHARE CONSOLIDATION**  
**(II) PROPOSED CAPITAL REORGANISATION**  
**AND SHARE PREMIUM CANCELLATION;**  
**AND**  
**(III) PROPOSED AMENDMENTS TO THE BYE-LAWS OF THE COMPANY**

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A letter from the Board is set out on pages 3 to 13 of this circular.

A notice convening the SGM to be held at Units 3–5, 21/F, No. 9 Queen's Road Central, Central, Hong Kong on Monday, 30 September 2013 at 11:00 a.m. is set out on pages N-1 to N-4 of this circular. A form of proxy for use at the SGM is enclosed. Whether or not you are able to attend the SGM, you are requested to complete the enclosed form of proxy in accordance with the instructions printed thereon and return the same to the Share Registrar, Tricor Tengis Limited, at 26/F., Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong as soon as practicable but in any event not later than 48 hours before the time appointed for holding of the SGM or any adjournment thereof (as the case may be). Completion and return of the form of proxy will not preclude you from attending and voting in person at the SGM or any adjournment thereof (as the case may be) should you so wish and in such case, the form of proxy shall be deemed to be revoked.

\* *For identification purpose only*

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## DEFINITIONS

*In this circular, unless the context requires otherwise, the following expressions bear the following meanings:*

|                          |  |
|--------------------------|--|
| “Adjusted Share(s)”      | ordinary share(s) of HK\$0.01 each in the issued and unissued share capital of the Company immediately after the Share Consolidation and Capital Reorganisation becoming effective   |
| “Board”                  | the board of Directors   |
| “Business Day”           | a day (excluding Saturday and other general holidays in Hong Kong and any day on which a tropical cyclone warning no. 8 or above or a “black” rainstorm warning is hoisted or remains hoisted or in effect between 9:00 a.m. and 12:00 noon and is not lowered or discontinued at or before 12:00 noon) on which licensed banks in Hong Kong are generally open for business |
| “Bye-laws”               | the bye-laws of the Company, as amended from time to time  |
| “Bye-laws Amendments”    | the proposed amendments to the Bye-laws, details of which are set out in the section entitled “Proposed Amendments to the Bye-laws of the Company” in this circular  |
| “Capital Reduction”      | the proposed reduction of the nominal value of the issued Consolidated Shares from HK\$0.32 to HK\$0.01 each by cancelling the paid-up capital to the extent of HK\$0.31 on each of the issued Consolidated Shares   |
| “Capital Reorganisation” | the proposed reorganisation of the share capital of the Company involving, inter alia, the Capital Reduction, the Reduction in Authorised Share Capital and the Increase in Authorised Share Capital, details of which are set out in the sub-section entitled “Capital Reorganisation” in this circular   |
| “CCASS”                  | the Central Clearing and Settlement System established and operated by HKSCC   |
| “Company”                | Sustainable Forest Holdings Limited, a company incorporated in Bermuda with limited liability, the issued Shares of which are listed on the Main Board of the Stock Exchange (Stock Code: 723)   |
| “Consolidated Shares”    | ordinary shares of HK\$0.32 each in the issued and unissued share capital of the Company immediately upon completion of the Share Consolidation  |

## DEFINITIONS

|  |  |
|--|--|
| “CPS(s)”                               | convertible preference shares of HK\$0.01 each in the share capital of the Company, carrying the rights for conversion into Shares at a ratio of one convertible preference share to 0.1875 Existing Share   |
| “CPS Holder(s)”                        | holder(s) of the CPS(s)  |
| “CPS Warrant(s)”                       | the CPS warrant(s) of the Company entitling the holders thereof to subscribe for fully paid CPS at the subscription price of HK\$0.0100125 each at any time between the date of issue and the date immediately preceding the date falling on the fifth anniversary of the date of issue of such warrants (both days inclusive) |
| “Director(s)”                          | director(s) of the Company   |
| “Existing Shares”                      | ordinary shares of HK\$ 0.0533 each in the issued and unissued share capital of the Company immediately prior to the completion of the Share Consolidation and the Capital Reorganisation  |
| “First Announcement”                   | the Company’s announcement dated 5 July 2013 relating to, among other things, the Share Consolidation  |
| “Group”                                | the Company and its subsidiaries   |
| “HKSCC”                                | Hong Kong Securities Clearing Company Limited  |
| “Hong Kong”                            | the Hong Kong Special Administrative Region of the PRC   |
| “Increase in Authorised Share Capital” | the increase in the authorised share capital of the Company to HK\$575,340,000 by the creation of an additional approximately 28,612,068,569 unissued ordinary shares of HK\$0.01 each   |
| “Latest Practicable Date”              | 3 September 2013, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information contained herein  |
| “Listing Committee”                    | has the meaning attributed to that term in the Listing Rules   |
| “Listing Rules”                        | the Rules Governing the Listing of Securities on the Stock Exchange  |
| “PRC”                                  | The People’s Republic of China which, for the purpose of this circular, excluding Hong Kong, Macau Special Administrative Region and Taiwan  |

## DEFINITIONS

|   |   |
|---|---|
| “Reduction in Authorised Share Capital” | the cancellation of all authorised but unissued Consolidated Shares of HK\$0.32 each immediately after the Capital Reduction becoming effective   |
| “Second Announcement”                   | the Company’s announcement dated 23 August 2013 relating to, among other things, the Capital Reorganisation, the Share Premium Cancellation and the Bye-laws Amendments   |
| “SGM”                                   | the special general meeting of the Company to be convened and held to consider and approve, among other things, the Share Consolidation, the Capital Reorganisation, the Share Premium Cancellation and the Bye-laws Amendments   |
| “Share(s)”                              | Existing Share(s) and/or Consolidated Share(s) and/or Adjusted Share(s), as the case may be   |
| “Share Consolidation”                   | the proposed consolidation of every six (6) Existing Shares of HK\$0.0533 each into one (1) Consolidated Share of HK\$0.32 each in the issued and unissued share capital of the Company   |
| “Share Options”                         | the outstanding options to subscribe for 169,156,926 new Existing Shares granted to the Directors, employees and consultants of the Group pursuant to the Share Option Scheme   |
| “Share Option Scheme”                   | the share option scheme of the Company adopted on 27 November 2009  |
| “Share Premium Cancellation”            | the proposed cancellation of all amounts standing to the credit of the share premium account of the Company   |
| “Share Registrar”                       | the branch share registrar of the Company in Hong Kong, being Tricor Tengis Limited, at 26th Floor, Tesbury Centre, 28 Queen’s Road East, Wanchai, Hong Kong  |
| “Share Warrants”                        | the share warrant(s) of the Company entitling the holders thereof to subscribe for fully paid Existing Shares at the subscription price of HK\$0.0534 each at any time between the date of issue and the date immediately preceding the date falling on the fifth anniversary of the date of issue of such warrants (both days inclusive) |
| “Shareholder(s)”                        | holder(s) of the Share(s)   |
| “Stock Exchange”                        | The Stock Exchange of Hong Kong Limited   |
| “HK\$”                                  | Hong Kong dollar, the lawful currency of Hong Kong  |
| “%” or “per cent.”                      | percentage or per centum  |

|                           |
|---------------------------|
| <b>EXPECTED TIMETABLE</b> |
|---------------------------|

The expected timetable for the proposed Share Consolidation, the Capital Reorganisation and the Share Premium Cancellation are set out below:

|   |   |
|---|---|
| Despatch of circular with notice and proxy forms in relation to the SGM   | : Friday, 6 September 2013                  |
| Latest time for lodging transfers of Shares in order to qualify for attendance and voting at the SGM  | : 4:30 p.m. on Friday, 27 September 2013    |
| Latest time for return of proxy form of the SGM   | : 11:00 a.m. on Saturday, 28 September 2013 |
| Expected date and time of the SGM   | : 11:00 a.m. on Monday, 30 September 2013   |
| Announcement of poll results of the SGM   | : Monday, 30 September 2013                 |
| Expected effective date of the Share Consolidation, Share Premium Cancellation and the Capital Reorganisation   | : Wednesday, 2 October 2013                 |
| Dealings in Consolidated Shares/Adjusted Shares commence  | : 9:00 a.m. on Wednesday, 2 October 2013    |
| Original counter for trading in Existing Shares in board lots of 30,000 Shares temporarily closes   | : 9:00 a.m. on Wednesday, 2 October 2013    |
| Temporary counter for trading in Consolidated Shares/ Adjusted Shares in board lots of 5,000 Consolidated Shares/Adjusted Shares (in the form of existing share certificates in green) opens  | : 9:00 a.m. on Wednesday, 2 October 2013    |
| First day of free exchange of existing share certificates in green for new share certificates in orange for Consolidated Shares/Adjusted Shares   | : Wednesday, 2 October 2013                 |
| Original counter for trading in Consolidated Shares/ Adjusted Shares in board lots of 30,000 Consolidated Shares/Adjusted Shares (in the form of new share certificates in orange) reopens    | : 9:00 a.m. on Thursday, 17 October 2013    |
| Parallel trading in Consolidated Shares/Adjusted Shares (in the form of new share certificates in orange and existing share certificates in green) commences                                  | : 9:00 a.m. on Thursday, 17 October 2013    |
| Designated broker starts to stand in the market to purchase and sell odd lots of Consolidated Shares/Adjusted Shares  | : 9:00 a.m. on Thursday, 17 October 2013    |
| Temporary counter for trading in Consolidated Shares/ Adjusted Shares in board lots of 5,000 Consolidated Shares/Adjusted Shares (in the form of existing share certificates in green) closes | : 4:00 p.m. on Wednesday, 6 November 2013   |

|                           |
|---------------------------|
| <b>EXPECTED TIMETABLE</b> |
|---------------------------|

|   |  |
|---|--|
| Parallel trading in Consolidated Shares/Adjusted Shares<br>(in the form of new share certificates in orange and<br>existing share certificates in green) ends | : 4:00 p.m. on Wednesday,<br>6 November 2013 |
| Designated broker ceases to stand in the market to purchase<br>and sell odd lots of Consolidated Shares/Adjusted Shares                                       | : 4:00 p.m. on Wednesday,<br>6 November 2013 |
| Last day for free exchange of existing share certificates in<br>green for new share certificates in orange for<br>Consolidated Shares/Adjusted Shares         | : Friday, 8 November 2013                    |

All dates and times in this circular refer to Hong Kong local times and dates. Dates and deadlines specified in expected timetable above are indicative only and may be extended or varied by the Company. Any changes to the expected timetable will be published or notified to the Shareholders as and when appropriate.



**Sustainable Forest Holdings Limited**

**永保林業控股有限公司\***

*(incorporated in Bermuda with limited liability)*

**(Stock Code: 723)**

*Executive Directors:*

Ms. ZHOU Jing (*Chairman*)

Mr. MUNG Wai Ming

*Independent non-executive Directors:*

Mr. William Keith JACOBSEN

Mr. WU Wang Li

Mr. NG Wai Hung

*Registered office:*

Clarendon House

2 Church Street

Hamilton, HM 11

Bermuda

*Principal place of business  
in Hong Kong:*

4/F., Soho Tower

No. 110–118 Caine Road

Central

Hong Kong

6 September 2013

*To the Shareholders*

*and, for information only, the CPS Holders*

Dear Sir/Madam,

**(I) PROPOSED SHARE CONSOLIDATION  
(II) PROPOSED CAPITAL REORGANISATION  
AND SHARE PREMIUM CANCELLATION;**

**AND**

**(III) PROPOSED AMENDMENTS TO THE BYE-LAWS OF THE COMPANY**

**INTRODUCTION**

Reference is made to the First Announcement and Second Announcement in which the Board announced, among other things, (i) the Share Consolidation; (ii) the Capital Reorganisation and the Share Premium Cancellation; and (iii) the Bye-laws Amendments.

The purpose of this circular is to provide you with, among other things, further details about the Share Consolidation, the Capital Reorganisation, the Share Premium Cancellation, the Bye-laws Amendments and a notice convening the SGM.

\* *For identification purpose only*



## LETTER FROM THE BOARD

### SHARE CONSOLIDATION

The Share Consolidation will involve every six (6) Existing Shares of HK\$0.0533 each in the issued and unissued share capital of the Company being consolidated into one (1) Consolidated Share of HK\$0.32 each in the issued and unissued share capital of the Company. As at the Latest Practicable Date, there were 8,327,588,591 Existing Shares in issue and fully paid or credited as fully paid. Assuming no further Existing Shares will be issued or repurchased, no exercise of the Share Options, no conversion of the Share Warrants into Existing Shares and no conversion of the CPS into Existing Shares from the Latest Practicable Date up to the date of the Share Consolidation becoming effective, there will be 1,387,931,431 Consolidated Shares in issue and fully paid or credited as fully paid immediately following the Share Consolidation becoming effective.

Assuming full exercise of the Share Options, full conversion of the Share Warrants into Existing Shares, full conversion of CPS Warrants into CPS and full conversion of the CPS (including those CPS as a result of the conversion of the CPS Warrants) into Existing Shares on or before the date of Share Consolidation becoming effective, there will be 1,656,659,068 Consolidated Shares in issue and fully paid or credited as fully paid immediately following the Share Consolidation becoming effective.

As at the Latest Practicable Date, the authorised share capital of the Company was HK\$915,340,000 comprising 12,000,000,000 Existing Shares of HK\$0.0533 each, of which 8,327,588,591 Existing Shares are in issue, and 27,534,000,000 CPS of HK\$0.01 each, of which 1,508,676,131 CPS are in issue.

Upon the Share Consolidation becoming effective, the authorised share capital of the Company will become HK\$915,340,000 comprising of 2,000,000,000 Consolidated Shares of HK\$0.32 each and 27,534,000,000 CPS of HK\$0.01 each.

Based on the closing price of HK\$0.0360 per Existing Share on the Latest Practicable Date, the value of each board lot of 30,000 Consolidated Shares, assuming the Share Consolidation had already been effective, would be HK\$6,480.

### Conditions of the Share Consolidation

The implementation of the Share Consolidation is conditional upon:

1. the passing of the necessary ordinary resolution by the Shareholders at the SGM to approve the Share Consolidation;
2. the Listing Committee granting the listing of, and permission to deal in, the Consolidated Shares; and
3. compliance with the relevant procedures and requirements under Bermuda law and the Listing Rules to effect the Share Consolidation.

## LETTER FROM THE BOARD

Subject to the fulfillment of the above conditions, the Share Consolidation will become effective on the Business Day following the date of the SGM, which is expected to be Wednesday, 2 October 2013.

### **Reasons for and effect of the Share Consolidation**

The Board is aware that since 21 January 2013, the Existing Shares have been consistently trading at a price below HK\$0.10.

Based on the recent trading prices of the Existing Shares, there is a risk that the price of the Existing Shares may approach the extremity of HK\$0.01, being the trading limit under Rule 13.64 of the Listing Rules. The proposed Share Consolidation will increase the nominal value of the Existing Shares and reduce the total number of Existing Shares currently in issue, thereby minimizing the possibility that the price of the Existing Shares would approach such extremity. The Share Consolidation will also reduce the transaction costs for dealing in the Consolidated Shares as the board lot value would increase after the Share Consolidation becomes effective. Accordingly, the Board is of the view that the Share Consolidation is beneficial to the Company and Shareholders as a whole. Other than the expenses to be incurred by the Company in relation to the Share Consolidation, the implementation thereof will not, by itself, affect the underlying assets, business operations, management or financial position of the Group or the interests of Shareholders as a whole.

### **CAPITAL REORGANISATION AND SHARE PREMIUM CANCELLATION**

#### **Capital Reorganisation**

The Company proposes to effect the reorganisation of the capital of the Company which involves the following:

- (i) immediately after the Share Consolidation becoming effective, the issued ordinary share capital of the Company will be reduced through a cancellation of paid up capital of the Company to the extent of HK\$0.31 on each of the issued Consolidated Shares such that the nominal value of each issued Consolidated Share will be reduced from HK\$0.32 to HK\$0.01;
- (ii) immediately after the Capital Reduction becoming effective, all of the authorised but unissued Consolidated Shares of HK\$0.32 each will be cancelled (for the avoidance of doubt, the authorised but unissued CPS will not be cancelled);
- (iii) immediately following the Reduction in Authorised Share Capital becoming effective, the authorised share capital of the Company will be increased to HK\$575,340,000 by the creation of an additional approximately 28,612,068,569 unissued ordinary shares of HK\$0.01 each so that the authorised share capital of the Company shall comprise a total of 30,000,000,000 Adjusted Shares of HK\$0.01 each and 27,534,000,000 CPS of HK\$0.01 each; and
- (iv) the transfer of the credit arising from the Capital Reduction to the contributed surplus account of the Company.

## LETTER FROM THE BOARD

### **Conditions of the Capital Reorganisation**

The Capital Reorganisation is subject to approval by way of a special resolution by the Shareholders, which will be proposed at the SGM. The Capital Reorganisation will not become effective until all the conditions to the Capital Reorganisation have been satisfied. The Capital Reorganisation is conditional upon:

- (a) the passing of the ordinary resolution to approve the Share Consolidation by way of poll at the SGM;
- (b) the passing of the special resolution to approve the Capital Reorganisation by way of poll at the SGM;
- (c) the Listing Committee granting the listing of, and permission to deal in, the Consolidated Shares/the Adjusted Shares in issue and to be issued upon the Share Consolidation/Capital Reorganisation; and
- (d) compliance with section 46 of the Companies Act 1981 of Bermuda to effect the Capital Reorganisation.

Subject to the fulfillment of the above conditions, the Capital Reorganisation will become effective on the Business Day following the date of the SGM, which is expected to be Wednesday, 2 October 2013.

### **Share Premium Cancellation**

In addition to the Capital Reorganisation, the Board further proposes to cancel all amounts standing to the credit of the share premium account of the Company and the transfer of the credit arising from the cancellation of all amounts standing to the credit of the share premium account of the Company to the contributed surplus account of the Company. As at the Latest Practicable Date, the Company has a credit balance of approximately HK\$2,470.4 million standing in its share premium account.

## **LETTER FROM THE BOARD**

### **Conditions of the Share Premium Cancellation**

The Share Premium Cancellation is subject to approval by way of a special resolution by the Shareholders, which will be proposed at the SGM. The Share Premium Cancellation will not become effective until all the conditions to the Share Premium Cancellation have been satisfied. The Share Premium Cancellation is conditional upon:

- (a) the passing of the special resolution to approve the Share Premium Cancellation by way of poll at the SGM; and
- (b) compliance with section 46 of the Companies Act 1981 of Bermuda to effect the Share Premium Cancellation.

Subject to the fulfillment of the above conditions, the Share Premium Cancellation will become effective on the Business Day following the date of the SGM, which is expected to be Wednesday, 2 October 2013.

### **Effect of the Capital Reorganisation and the Share Premium Cancellation**

Immediately following the Share Consolidation becoming effective and completion of the Capital Reorganisation, the authorised share capital of the Company will be HK\$575,340,000 comprising 30,000,000,000 Adjusted Shares of HK\$0.01 each, of which approximately 1,387,931,431 Adjusted Shares will be in issue, and 27,534,000,000 CPS of HK\$0.01 each, of which 1,508,676,131 CPS will be in issue (assuming no Existing Shares and CPS are issued or repurchased from the Latest Practicable Date until the effective date of the Share Consolidation and the Capital Reorganisation). Subject to the Share Premium Cancellation becoming unconditional, the credit currently standing in the share premium account of the Company and, subject to the completion of the Capital Reorganisation, the credit arising from the Capital Reduction, will be transferred to the Company's contributed surplus account and the Directors will be authorised to apply the amount standing to the credit of the contributed surplus account of the Company in any manner permitted by the laws of Bermuda and the Bye-laws, including but not limited to facilitating distributions to the Shareholders, as and when the Directors consider it appropriate in the future.

## LETTER FROM THE BOARD

Assuming no Existing Shares and CPS are issued or repurchased from the Latest Practicable Date until the effective date of the Share Consolidation and the Capital Reorganisation, set out below is the capital structure of the Company (i) as at the Latest Practicable Date; (ii) immediately following the Share Consolidation becoming effective but before the completion of the Capital Reorganisation; and (iii) immediately following both the Share Consolidation and the Capital Reorganisation becoming effective:

|  | As at<br>the Latest<br>Practicable Date<br>(approximate figures)<br><i>HK\$</i> | Immediately<br>following the Share<br>Consolidation<br>becoming effective<br>but before the<br>completion<br>of the Capital<br>Reorganisation<br>(approximate figures)<br><i>HK\$</i> | Immediately<br>following both the<br>Share Consolidation<br>and the Capital<br>Reorganisation<br>becoming effective<br>(approximate figures)<br><i>HK\$</i> |
|--|---|---|---|
| <b>Nominal value of each Share<br/>in issue</b>                                  | 0.0533  | 0.3200  | 0.0100  |
| <b>Nominal value of each CPS<br/>in issue</b>                                    | 0.0100  | 0.0100  | 0.0100  |
| <b>Authorised share capital:</b>   |   |   |   |
|  | <i>HK\$</i>   | <i>HK\$</i>   | <i>HK\$</i>   |
| Shares   | 640,000,000   | 640,000,000   | 300,000,000   |
| CPS  | <u>275,340,000</u>  | <u>275,340,000</u>  | <u>275,340,000</u>  |
| <b>Total</b>   | <b><u><u>915,340,000</u></u></b>  | <b><u><u>915,340,000</u></u></b>  | <b><u><u>575,340,000</u></u></b>  |
| <b>Issued share capital:</b>   |   |   |   |
|  | <b>Existing Shares</b>  | <b>Consolidated Shares</b>  | <b>Adjusted Shares</b>  |
| Number of Shares in issue  | 8,327,588,591   | 1,387,931,431   | 1,387,931,431   |
| Issued and fully paid-up ordinary share<br>capital ( <i>HK\$</i> )               | 444,138,058   | 444,138,058   | 13,879,314  |
|  | <b>CPS</b>  | <b>CPS</b>  | <b>CPS</b>  |
| Number of CPS in issue   | 1,508,676,131   | 1,508,676,131   | 1,508,676,131   |
| Issued and fully paid-up convertible<br>preference share capital ( <i>HK\$</i> ) | 15,086,761  | 15,086,761  | 15,086,761  |

## **LETTER FROM THE BOARD**

Implementation of the Capital Reorganisation and the Share Premium Cancellation will not, of itself, alter the underlying assets, business operations, management or financial position of the Company or the proportionate interests of the Shareholders (except for the payment of related expenses). The Directors believe that the Capital Reorganisation and the Share Premium Cancellation will not have any adverse effect on the financial position of the Company or the Group.

### **Reasons for the Capital Reorganisation and the Share Premium Cancellation**

The Board considers that the Capital Reorganisation will give greater flexibility to the Company to raise funds through the issue of new Shares in the future and the credit in the contributed surplus account arising from the Capital Reduction and Share Premium Cancellation may be applied in the future for distributions to the Shareholders as and when the Board considers appropriate. As such, the Board is of the view that the Capital Reorganisation and the Share Premium Cancellation are in the interest of the Company and the Shareholders as a whole.

### **TRADING ARRANGEMENT RELATING TO THE SHARE CONSOLIDATION AND THE CAPITAL REORGANISATION**

#### **Listing application**

Application will be made to the Listing Committee for the listing of, and permission to deal in, the Consolidated Shares/the Adjusted Shares (as the case may be). Subject to the granting of the listing of, and permission to deal in, the Consolidated Shares/the Adjusted Shares (as the case may be) on the Stock Exchange, the Consolidated Shares/the Adjusted Shares (as the case may be) will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the commencement date of dealings in the Consolidated Shares/the Adjusted Shares (as the case may be) on the Stock Exchange or such other date as determined by HKSCC. Settlement of transactions between participants of the Stock Exchange on any trading day is required to take place in CCASS on the second trading day thereafter. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

No part of the share capital or any other securities of the Company is listed or dealt in on any stock exchange other than the Stock Exchange and no application is being made or is currently proposed or sought for the Shares or any other securities of the Company to be listed or dealt in on any other stock exchange.

#### **Board Lot Size**

The Consolidated Shares/Adjusted Shares (as the case may be) will remain traded in board lot of 30,000 Consolidated Shares/Adjusted Shares (as the case may be).

## LETTER FROM THE BOARD

### **Status of the Consolidated Shares/Adjusted Shares**

The Consolidated Shares/the Adjusted Shares (as the case may be) will be identical and rank pari passu in all respects with each other respectively as to all future dividends and distributions which are declared, made or paid. The Capital Reorganisation will not result in any change in the relative rights of the Shareholders. Fractional Consolidated Shares/Adjusted Shares (as the case may be) will not be issued by the Company to Shareholders. Any fractional entitlement to the Consolidated Shares/the Adjusted Shares (as the case may be) will be aggregated, sold and retained for the benefit of the Company.

### **Odd lot matching services**

To alleviate the difficulties in trading odd lots of the Shares arising from the Share Consolidation, the Company has appointed South China Securities Limited as an agent to provide matching services to the Shareholders who wish to top up or sell their holdings of odd lots of the Consolidated Shares/the Adjusted Shares (as the case may be), on a best effort basis, during period from 9:00 a.m. on Thursday, 17 October 2013 to 4:00 p.m. on Wednesday, 6 November 2013 (both days inclusive). Holders of the Consolidated Shares/the Adjusted Shares (as the case may be) in odd lots represented by the existing share certificates for the Shares who wish to take advantage of this facility either to dispose of their odd lots of the Shares or to top up their odd lots to a full new board lot may directly or through their broker contact Ms. Michelle Lee of South China Securities Limited at 28/F., Bank of China Tower, No. 1 Garden Road, Central, Hong Kong (telephone: (852) 3196 6237 and facsimile: (852) 3101 9200) during such period. Holders of the Shares in odd lots should note that successful matching of the sale and purchase of odd lots of the Consolidated Shares/the Adjusted Shares (as the case may be) is not guaranteed. The Shareholders are recommended to consult their professional advisers if they are in doubt about the above facility.

### **Exchange of Share Certificates**

Subject to the Share Consolidation and, if applicable, the Capital Reorganisation, becoming effective, which is currently expected to be Wednesday, 2 October 2013, being the Business Day immediately after the date of the SGM, Shareholders may, between Wednesday, 2 October 2013 and Friday, 8 November 2013 (both days inclusive and during office hours), submit their share certificates in green for the Existing Shares to the Share Registrar for exchange for share certificates in orange for the Consolidated Shares/the Adjusted Shares (as the case may be) at the expense of the Company. Shareholders should note that after the prescribed time for free exchange of share certificates, a fee of HK\$2.50 (or such higher amount as may from time to time be allowed by the Stock Exchange) per certificate issued or cancelled, whichever is higher, will be payable by the Shareholders to the Share Registrar for exchange of share certificates. With effect from 4:00 p.m. on Wednesday, 6 November 2013, trading will only be in Consolidated Shares/Adjusted Shares (as the case may be). Share certificates in green for the Existing Shares will cease to be valid for trading and settlement purpose, but will remain valid and effective as documents of title.

## LETTER FROM THE BOARD

### WARNING OF THE RISKS OF DEALING IN THE SHARES

Each of the Share Consolidation, the Capital Reorganisation and the Share Premium Cancellation is conditional upon satisfaction of the conditions precedent set out in the paragraphs headed “Conditions of the Share Consolidation”, “Conditions of the Capital Reorganisation” and “Conditions of the Share Premium Cancellation” above respectively, and therefore may or may not proceed. Shareholders and potential investors are advised to exercise caution when dealing in the Shares, and if they are in any doubt about their position, they should consult their professional advisers.

### PROPOSED AMENDMENTS TO THE BYE-LAWS OF THE COMPANY

The Bye-laws only permit, inter alia, capitalisation of reserves of the Company to pay up in full unissued Shares and CPS to be allotted and distributed credited as fully paid up to and amongst members of the Company in the same proportion. To provide greater flexibility for the Company in fund raising activities to capture future investment and business opportunities, it is proposed that the Bye-laws be amended to permit capitalisation of reserves of the Company to pay up in full any unissued shares or securities of the Company to be issued to all or some of the members of the Company in the same proportion or in such other proportion as approved by the Shareholders.

In view of the above, it is proposed that the Bye-laws be amended by the inserting the words “or in such other manner as may be approved by Members” immediately after “the words distributed by way of dividend and in the same proportions” to Bye-law 148 as set out below:

- “148. The Company may, upon the recommendation of the Board, at any time and from time to time pass an ordinary resolution to the effect that it is desirable to capitalise all or any part of any amount for the time being standing to the credit of any reserve or fund (including the profit and loss account) whether or not the same is available for distribution and accordingly that such amount be set free for distribution among the Members or any class of members who would be entitled thereto if it were distributed by way of dividend and in the same proportions **or in such other manner as may be approved by Members**, on the footing that the same is not paid in cash but is applied either in or towards paying up the amounts for the time being unpaid on any shares in the Company held by such Members respectively or in paying up in full unissued shares, debentures or other obligations of the Company, to be allotted and distributed credited as fully paid up among such members, or partly in one way and partly in the other, and the Board shall give effect to such resolution provided that, for the purposes of this Bye-law, a share premium account and any reserve or fund representing unrealised profits, may be applied only in paying up in full unissued shares of the Company to be allotted to such Members credited as fully paid. In carrying sums to reserve and in applying the same the Board shall comply with the provisions of the Act.”

A special resolution will be proposed to the Shareholders at the SGM to approve by way of poll the Bye-laws Amendments, details of which are set out in resolution numbered 4 in the notice of the SGM.



## **LETTER FROM THE BOARD**

### **ADJUSTMENTS TO THE CPS, THE SHARE OPTIONS AND THE SHARE WARRANTS**

The Share Consolidation will cause adjustments to the conversion price of the CPS and the exercise prices and numbers of the outstanding Share Options and the Share Warrants pursuant to the relevant terms of the CPS, the Share Option Scheme and the Share Warrants. Further announcement will be made by the Company in respect of such adjustments as and when appropriate.

### **GENERAL**

In accordance with the Bye-laws, the Share Consolidation, the Capital Reorganisation, the Share Premium Cancellation and the Bye-laws Amendments will be subject to the approval of the Shareholders at the SGM and no Shareholder is required to abstain from voting on the respective resolutions in these regards under the Listing Rules.

### **NOTICE OF THE SGM**

Set out on pages N-1 to N-4 of this circular is a notice of the SGM to be held on Monday, 30 September 2013 at Units 3-5, 21/F, No. 9 Queen's Road Central, Central, Hong Kong at 11:00 a.m. at which resolutions will be proposed to approve, among other things, the Share Consolidation, the Capital Reorganisation, the Share Premium Cancellation and the Bye-laws Amendments. Whether or not you are able to attend the SGM, you are requested to complete the enclosed form of proxy in accordance with the instructions printed thereon and return to the Share Registrar as soon as practicable and in any event not later than 48 hours before the time appointed for the holding of the SGM or any adjournment thereof (as the case may be). Completion and return of the form of proxy will not preclude you from attending and voting in person at the SGM or any adjournment thereof (as the case may be) should you so wish and in such case, the form of proxy shall be deemed to be revoked.

Voting at the SGM will be taken by poll, the results of which will be announced after the SGM.

### **RECOMMENDATION**

The Directors consider that the terms of the Share Consolidation, the Capital Reorganisation, the Share Premium Cancellation and the Bye-laws Amendments are fair and reasonable and in the interests of the Company and the Shareholders as a whole. Accordingly, the Directors recommend the Shareholders to vote in favour of the relevant resolutions to be proposed at the SGM.

## LETTER FROM THE BOARD

### RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

By order of the Board  
**Sustainable Forest Holdings Limited**  
**Zhou Jing**  
*Chairman*



**Sustainable Forest Holdings Limited**

**永保林業控股有限公司\***

*(incorporated in Bermuda with limited liability)*

**(Stock Code: 723)**

**NOTICE OF SPECIAL GENERAL MEETING**

**NOTICE IS HEREBY GIVEN THAT** a special general meeting (“**SGM**”) of Sustainable Forest Holdings Limited (“**Company**”) will be held at Units 3–5, 21/F, No. 9 Queen’s Road Central, Central, Hong Kong on Monday, 30 September 2013 at 11:00 a.m. (or an adjournment thereof) for the purpose of considering and, if thought fit, passing, with or without modification, the following resolutions as ordinary resolutions:

**ORDINARY RESOLUTION**

1. **“THAT:**

- (a) conditional upon, inter alia, the Listing Committee of The Stock Exchange of Hong Kong Limited (“**Stock Exchange**”) granting the listing of, and permission to deal in, the Consolidated Shares (as hereinafter defined) and with effect from the Effective Date (as hereinafter defined), every six (6) shares with par value of HK\$0.0533 each in the issued share capital of the Company be consolidated (the “**Share Consolidation**”) into one (1) consolidated share with par value of HK\$0.32 (“**Consolidated Share**”), and all of the Consolidated Shares resulting from the consolidation of shares in the share capital of the Company in this resolution shall, when allotted, issued and fully paid, rank pari passu in all respects with each other; and
- (b) for the purpose of this resolution, “**Effective Date**” means the business day (as defined in the Rules Governing the Listing of Securities on the Stock Exchange) in Hong Kong immediately after the date on which this resolution is passed by the shareholders of the Company.”

**SPECIAL RESOLUTIONS**

2. **“THAT:**

- (a) immediately following the Share Consolidation, the par value of each issued Consolidated Share be reduced (the “**Capital Reduction**”) such that each issued Consolidated Share in the capital of the Company shall have a par value of HK\$0.01 and all authorised unissued shares (and for the avoidance of doubt, excluding the authorised unissued convertible preference shares) shall be

\* For identification purpose only

## NOTICE OF SGM

cancelled and the authorised share capital thereafter be increased to HK\$575,340,000 by the creation of an additional approximately 28,612,068,569 unissued ordinary shares of HK\$0.01 each (the “**Change in Authorised Share Capital**”) so that the authorised share capital of the Company shall comprise a total of 30,000,000,000 issued and unissued ordinary shares of HK\$0.01 each (the “**Adjusted Shares**”) and 27,534,000,000 convertible preference shares of HK\$0.01 each;

- (b) all of the Adjusted Shares resulting from the Capital Reduction and Change in Authorised Share Capital shall, when allotted, issued and fully paid, rank pari passu in all respects with each other;
  - (c) the credit arising from the Capital Reduction be transferred to the contributed surplus account of the Company and the directors of the Company be and are hereby authorised to apply the amount in the contributed surplus account of the Company in any manner permitted by the laws of Bermuda and the bye-laws of the Company, including, but not limited to, facilitating distributions to the Shareholders of the Company; and
  - (d) the directors of the Company (“**Directors**”) be and are authorised generally to sign and execute such documents and take any and all steps, and to do and/or procure to be done any and all acts and things which in their opinion may be necessary, desirable or expedient to implement and carry into effect the Share Consolidation, Capital Reduction and Change in Authorised Share Capital, including the aggregation of all the fractional entitlements that may arise from the Share Consolidation and sale of these entitlements by a person appointed by the board of directors of the Company in accordance with the terms and conditions set out in the circular of the Company dated Friday, 6 September 2013 (“**Circular**”) despatched to the shareholders of the Company.”
3. “**THAT**, conditional on compliance with the requirements of section 46(2) of the Companies Act 1981 of Bermuda to effect the Share Premium Cancellation (as defined below), with effect from the business day (as defined in the Rules Governing the Listing of Securities on the Stock Exchange) in Hong Kong immediately after the date on which this resolution is passed by shareholders of the Company (the “**Effective Date of Share Premium Cancellation**”):
- (a) all amounts standing to the credit of the share premium account of the Company as at the Effective Date of Share Premium Cancellation be cancelled (“**Share Premium Cancellation**”);
  - (b) the credit arising from the Share Premium Cancellation be transferred to the contributed surplus account of the Company and the directors of the Company be and are hereby authorised to apply the amount in the contributed surplus account of the Company in any manner permitted by the laws of Bermuda and the bye-laws of the Company, including, but not limited to, facilitating distributions to the shareholders of the Company; and

## NOTICE OF SGM

- (c) the board of directors of the Company be and is hereby authorised to take all actions in connection with the Share Premium Cancellation as the board of directors of the Company shall think necessary or desirable including, without limiting, the generality of the foregoing (i) approving the execution and delivery of any instruments or agreements and the issue of any documents for and on behalf of the Company in connection with or for the purpose of giving effect to the Share Premium Cancellation; and (ii) exercising all the powers of the Company to give effect to the Share Premium Cancellation.”
4. “**THAT** bye-law 148 of the bye-laws of the Company be amended by inserting the words “or in such other manner as may be approved by Members” immediately after the words “distributed by way of dividend and in the same proportions”
5. “**THAT** subject to the passing of special resolution numbered 4 as set out in the Notice, the new bye-laws of the Company in the form of the document marked “C” and produced to this meeting and for the purpose of identification signed by the chairman of this meeting, which consolidates all of the proposed amendments referred to in resolution numbered 4 as set out in the Notice and all previous amendments made pursuant to resolutions passed by the members of the Company at general meetings be approved and adopted as the new bye-laws of the Company in substitution for and to the exclusion of the existing bye-laws of the Company with immediate effect.”

By Order of the Board  
**Sustainable Forest Holdings Limited**  
**ZHOU Jing**  
*Chairman*

Hong Kong, 6 September 2013

*Notes:*

- (1) A member of the Company entitled to attend and vote at the SGM may appoint one or more than one proxy to attend and to vote in his stead. A proxy need not be a shareholder of the Company.
- (2) Where there are joint registered holders of any Share, any one of such persons may vote at the SGM, either personally or by proxy, in respect of such Share as if he were solely entitled thereto; but if more than one of such joint holders be present at the SGM personally or by proxy, that one of the said persons so present whose name stands first on the register of members of the Company in respect of such Shares shall alone be entitled to vote in respect thereof.
- (3) In order to be valid, the form of proxy duly completed and signed in accordance with the instructions printed thereon together with the power of attorney or other authority, if any, under which it is signed or a notarially certified copy thereof must be delivered to the office of the Company’s Hong Kong branch share registrar, Tricor Tengis Limited, at 26th Floor, Tesbury Centre, 28 Queen’s Road East, Wanchai, Hong Kong, as soon as possible but in any event not less than 48 hours before the time appointed for holding the SGM or any adjournment thereof.
- (4) The instrument appointing a proxy shall be in writing under the hand of the appointor or of his/her attorney duly authorized in writing or, if the appointor is a corporation, either under its seal or under the hand of an officer, attorney or other person authorized to sign the same.

## NOTICE OF SGM

- (5) As at the date of this notice, the Board comprises Ms. ZHOU Jing and Mr. MUNG Wai Ming as executive directors; and Mr. William Keith JACOBSEN, Mr. WU Wang Li and Mr. NG Wai Hung as independent non-executive directors.