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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)

Financial Adviser



YU MING INVESTMENT MANAGEMENT LIMITED
禹銘投資管理有限公司

SUSPENSION OF TRADING AND FIRST DELISTING STAGE

This announcement is made by Sustainable Forest Holdings Limited (the “**Company**”) pursuant to Rule 13.09 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”) and the Inside Information Provisions (as defined under the Listing Rules) under Part XIVA of the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong).

References are made to the announcements of the Company dated 9 February 2018, 21 February 2018, 5 July 2018, 13 July 2018, 21 September 2018 and 9 October 2018 (the “**Announcements**”) in relation to, among others, the Stock Exchange’s decision to place the Company into the first delisting stage. Unless otherwise specified, capitalised terms used in this announcement shall have the same meanings as those defined in the Announcements.

REVIEW COMMITTEE’S REASONS FOR THE PROPOSED DELISTING

The Listing (Review) Committee (“**Review Committee**”) stated in the Decision Letter that having considered carefully all information and submissions, it was of the view that the Company has failed to maintain a sufficient level of operations or have tangible assets of sufficient value and/or intangible assets for which a sufficient potential value can be demonstrated under Rule 13.24 of the Listing Rules to warrant the continued listing of the shares of the Company, for the following principal reasons:

Money Lending Business

1. A novel feature was that a large proportion of the Company's current and forecast operations and assets related to its recently expanded money lending business (the "**Money Lending Business**"). As at 31 August 2018, the Money Lending Business had a portfolio of 21 loans totaling HK\$194.1 million. This was an expansion of the portfolio as at 31 March 2018, when the portfolio comprised 10 loans totaling HK\$105.5 million.
2. A money lending business is different in nature from many other forms of business. The assets of a money lending business consist of loans, which are relatively short term and interest bearing and require financial capital. These differ in nature from physical assets deployed in industrial businesses (e.g. those that require property, plant and equipment) and human assets deployed in service businesses (e.g. those that require skilled labour). Quantitative measures for a money lending business can be incomplete because the metrics are easily affected by changes in the amount of financing, interest spread and loan impairment assumptions. For example, more financing means more loan assets which results in more interest income (i.e. higher assets and more revenue). It is therefore especially important to make a qualitative assessment of the operations and assets of any money lending business and not to only rely on numerical analysis or focus only on the size of assets.
3. The Review Committee was of the view that the scale of the Money Lending Business was small, the quality of the profits and its forecast for the Money Lending Business was poor and the business risk was high.
4. The Review Committee had a serious concern as to the sustainability and viability of the Money Lending Business. The scale and quality of the operations and assets of the Money Lending Business was low.

Forest-related Business

5. The Review Committee noted that the Company was making progress in developing its forest-related business (the "**Forest-related Business**"), including contracts signed in respect of the logging projects in Suriname and the Solomon Islands. However, the track record for the projects was short and the future prospects and profitability of the projects were unclear.
6. As submitted by the Company at the Review Hearing, the gross profit margin of the Forest-related Business was low, being as little as 3% for ordinary trading activities. The fact that the Company had recorded persistent net losses for five financial years (i.e. from the year ended 31 March 2013 to the year ended 31 March 2017) manifested substantial risks of the Forest-related Business.
7. The Review Committee therefore had a serious concern as to the sustainability and viability of the Forest-related Business. The scale and quality of the operations and assets of the Forest-related Business was low.

Comparisons to other issuers

8. The Review Committee noted that the Company had submitted findings of research comparing favourably the performance of the Company on quantitative measures with the performance of some other issuers. The Review Committee took this into account, however concluded that the assessment for the purposes of Rule 13.24 of the Listing Rules also required the Review Committee to make a qualitative assessment of the issuer's operations and assets to determine whether those operations and assets are such as to warrant continued listing, based on the specific facts and circumstances of the case. Quantitative comparisons were helpful to a point, but in the Company's case were outweighed by qualitative considerations.

The Company is disappointed with the decision of the Review Committee and is currently consulting its advisers for the options available to it. Further announcement(s) will be made by the Company as and when appropriate.

FIRST DELISTING STAGE

Pursuant to a letter from the Stock Exchange dated 11 October 2018, the Company has been placed in the first delisting stage under Practice Note 17 of the Listing Rules which will expire on 9 April 2019. The Company is required to submit a viable resumption proposal at least 10 business days (i.e. 25 March 2019) before the expiry of the first delisting stage to address the followings:

- (i) demonstrate its compliance with Rule 13.24 of the Listing Rules; and
- (ii) announce all material information for its shareholders and investors to appraise its position.

The Stock Exchange may modify or supplement the above resumption conditions if the Company's situation changes.

SUSPENSION OF TRADING

Trading in the shares of the Company has been suspended commencing from 9:00 a.m. on 10 October 2018.

For and on behalf of
Sustainable Forest Holdings Limited
Wang Jingyu
Chairlady

Hong Kong, 12 October 2018

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.

* *For identification purpose only*