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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)**

### **VOLUNTARY ANNOUNCEMENT**

This is a voluntary announcement made by Sustainable Forest Holdings Limited (“**Company**”, together with its subsidiaries, the “**Group**”).

The board of directors of the Company (the “**Board**”) wishes to inform that on 10 October 2011, the Brazilian subsidiary of the Company, namely, Universal Timber Resources Do Brasil Participacao LTDA (“**UTRB**”) filed a police report with the Policia Civil do Estado de Sao Paulo (Sao Paulo State Police Department) of Brazil in connection with possible threats and extortion against the Group.

After the failure to materialize a proposed business cooperation with a proposed counterparty (“**Proposed Counterparty**”) in Brazil for commercial reasons, since early 2010, UTRB and some of our senior officers have been receiving threatening emails and phone calls from the Proposed Counterparty extorting money. The Board also believes that the Proposed Counterparty has published or has procured the publication on internet, articles posing serious accusations against the Group regarding its integrity and manner of doing business (collectively referred to the “**Events**”).

The Events were also recorded with the Hong Kong Police Force on 20 October 2011.

The Board believes that, notwithstanding denial and clarification by the Group, the alleged accusations against the Group and its business have adversely affected the reputation, business and operation of the Group in Brazil, as illustrated below. The Group has been receiving from customers and business partners in Brazil, enquiries in connection with the alleged accusations and requests to solve the matters, we have also been rejected on several occasions potential business projects and opportunities, receiving from counterparties questions about our integrity and ability to perform the relevant projects.

Further, the Group has, before occurrence of the Events, been engaged by an associated party (“**Working Party**”) of the Proposed Counterparty to provide felling service in the hydroelectric power plant area in the state of Rondonia, Brazil. Our relationship with the

\* For identification purpose only

Working Party deteriorated since occurrence of the Events and our operating staff and officers were rejected access to the hydropower plant to provide the services for the power plant. As such the Group is unable to provide the tree felling service for the hydropower plant. Our operation in the power plant is still completely halted as the disputes with the Working Party and the hydropower plant operator remain unresolved.

The Group is consulting legal counsels for the possible civil legal actions against the Proposed Counterparty and/or the Working Party in relation to the Events and the blockage on the Group to operate in the hydropower plant.

Taking into consideration of the above matters which may adversely affect our operations and prospects in Brazil, the Company has adopted a prudent approach to fully provide for the assets, including logs inventory and account receivables related to sales of logs of UTRB in a total sum of approximately HK\$355 million.

Notwithstanding the above provision, the Board considers that the overall operation of the Group remains sound and intact. The Board is assessing the impact of such provision on the financial position of the Group. Further announcement(s) in relation to the progress and/or result of the police investigation on the case, other possible legal actions against the relevant parties and/or the financial position of the Group may be made by the Company as and when appropriate in compliance with the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

**Shareholders and potential investors are advised to exercise caution when dealing in the securities of the Company.**

By order of the Board  
**Sustainable Forest Holdings Limited**  
**LOH Jiah Yee Katherine**  
*Chairman*

Hong Kong, 20 October 2011

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