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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)

LATEST DEVELOPMENT ON HARVESTING BUSINESS IN BRAZIL AND PROFIT WARNING

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

LATEST DEVELOPMENT ON HARVESTING BUSINESS IN BRAZIL

Reference is made to the interim report of the Company for the six months ended 30 September 2013. On 27 March 2012, the board (the “**Board**”) of directors of Sustainable Forest Holdings Limited (the “**Company**”, together with its subsidiaries, the “**Group**”) decided to suspend harvesting operations in Acre, Brazil until the operating environment for its Brazilian subsidiary improves. Up to the date of this announcement, the harvesting operations in Acre remain suspended. As the business environment continued to be difficult for the Group in Brazil, the Board considered the change in the operation model in Acre from own harvesting to leasing out the biological assets (the “**Change in Operation Model**”) so as to enhance the income stream of the Group. The Company is actively negotiating terms and conditions with potential lessees relating to the Company’s biological assets in Brazil. However, as at the date of this announcement, the Change in Operation Model has not been crystallized and no lease(s) relating to the Company’s biological assets in Brazil has been entered into by the Group.

* *For identification purpose only*

PROFIT WARNING

The Board wishes to inform the shareholders and potential investors of the Company that, based on a preliminary assessment by the Company's management according to the Group's latest unaudited consolidated management accounts and the information currently available to the Company, the annual results of the Group for the financial year ended 31 March 2014 is expected to record a loss, which would be mainly attributable to (i) the possible impairment loss on revaluation of the Group's biological assets in Brazil arising from the decrease in timber prices; and (ii) the possible provision for impairment on the Group's biological assets in Brazil for the financial year ended 31 March 2014 as a result of the Change in Operation Model (the "**Possible Provision for Impairment**").

The magnitude of the possible impairment loss on revaluation of the Group's biological assets in Brazil and/or the Possible Provision for Impairment will be subject to, among other things, details of the arrangement regarding the Change in Operation Model which, as at the date of this announcement, have not been crystallized. As at the date of this announcement, the amount of the revaluation impairment has not been finalised as the Company is in progress to discuss with the valuer and the auditors of the Company in respect of the amount and the accounting treatments of revaluation impairment taking into account of the decrease of timber prices and the Change in Operation Model. Accordingly, the amount of the Possible Provision for Impairment, and in turn, the possible impairment loss on the revaluation of the Group's biological assets in Brazil, cannot be determined as at the date of this announcement.

As at the date of this announcement, the Company is still in the process of finalizing the annual results of the Group for the financial year ended 31 March 2014. The information contained in this announcement is only based on the information currently available to the Company and such information has not been audited or reviewed by the Company's auditor or audit committee. Shareholders and potential investors are advised to read carefully the annual results announcement of the Company for the year ended 31 March 2014 which is expected to be published in late June 2014.

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

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

Hong Kong, 5 June 2014

As at the date of this announcement, 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.