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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)

SUPPLEMENTAL ANNOUNCEMENT IN RELATION TO THE ANNUAL RESULTS OF THE COMPANY FOR THE YEAR ENDED 31 MARCH 2017

Reference is made to the announcement of Sustainable Forest Holdings Limited (the “Company”) dated 28 June 2017 (the “Announcement”) for the annual results of the Company for the year ended 31 March 2017. Unless otherwise defined, the capitalised terms used herein shall have the same meaning as those defined in the Announcement.

- A. Reference is made to the section of the Announcement headed “EXTRACTS FROM INDEPENDENT AUDITOR’S REPORT”, the Company would like to provide further information in relation to the disclaimer opinion made by the independent auditors to the Company’s financial statements.

* *For identification purpose only*

I. Disclaimer opinion

As appeared in the disclaimer of opinion extracted from the auditor's report on pages 21 of the Announcement, the auditors stated that ".....whether the sustainable forest management segment could generate future economic benefits to the Group is dependent on the feasibility of the future business plan provided by the management. The future business plan is prepared by the management based on the historical data and management experience. However, as the business on leasing just commenced recently and the management still experiences certain difficulties in exercising the business plan to achieve their targeted level and under the circumstances of limited comparable information, we were unable to verify the reasonableness of the assumptions and the feasibility of the business plan." The critical point of the disclaimer of opinion is the feasibility of the future business plan and how the management of the Company (the "Management") to achieve the business plan.

During the financial year ended 31 March 2017, the Group leased out approximately 3,400 hectares of the forest areas to independent third parties and subsequent to the balance sheet date, the Group entered into several leasing agreements with independent sawmill owners for terms of two to three years. Currently, the Group anticipated an aggregate of approximately 14,000 hectares of the forest areas will be leased out in coming two years. In accordance with the business plan of the Group, the Group targets to lease out a total of up to 22,000 hectares of the forest areas (the "Target"), representing approximately 50% of the total forest area, by 31 March 2018. The Management will use their best efforts to achieve the Target in the coming financial year so as to enhance the feasibility of the business plan. The audit committee will closely monitor the progress of the leasing and timely liaise with the auditors on the achievement of the business plan such that the auditors will be able to satisfy themselves on the feasibility of the business plan to remove the disclaimer of opinion in the Company's consolidated financial statements in next year.

II. Review by the Audit Committee

The Audit Committee has critically reviewed the major judgemental areas on the impairment assessment of the biological assets, freehold land and intangible assets of the Company as at 31 March 2017 and there was no disagreement by the Audit Committee with the position of the Management.

- B. Reference is also made to the section headed “Consolidated Statement of Financial Position” on page 5 of the Announcement. The Company would like to further provide information in relation to the cash and cash equivalents of approximately HK\$116.2 million as at 31 March 2017. The significant increase in the balance of cash and cash equivalent by 96% as compared to that of 31 March 2016 was mainly due to net repayment of loan and borrowings of approximately HK\$58.8 million from customers in relation to the money lending business of the Group during the current financial year. The cash and cash equivalents are intended to be used as follows:

	<i>HK\$'M</i>
Expansion of the money lending business	60.0
Settlement of loans and borrowings	23.3
General working capital	<u>32.9</u>
	<u><u>116.2</u></u>

By order of the Board
Sustainable Forest Holdings Limited
Yeung Sau Chung
Chairman

Hong Kong, 20 July 2017

As at the date of this announcement, the Board comprises Mr. Yeung Sau Chung, Mr. Mung Wai Ming and Mr. Liu Shun Chuen as executive Directors; and Mr. William Keith Jacobsen, Mr. Wu Wang Li and Mr. Ng Wai Hung as independent non-executive Directors.