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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
FINAL RESULTS ANNOUNCEMENT
FOR THE YEAR ENDED 31 MARCH 2018**

Reference is made to the announcement of Sustainable Forest Holdings Limited (the “**Company**”) dated 11 May 2018 (the “**Announcement**”) for the final results of the Company for the year ended 31 March 2018. The defined terms used herein shall have the same meanings as those defined in the Announcement unless otherwise specified.

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 of opinion issued by the independent auditor of the Company (the “**Auditor**”) on the Group’s audited consolidated financial statements for FY2018.

Disclaimer of opinion

As stated in page 20 of the Announcement, the “Basis for disclaimer of opinion, Scope limitation – Opening balance and corresponding figures” extracted from the independent auditor’s report of the Auditor, the Auditor stated that “*Our audit opinion dated 28 June 2017 on the Group’s financial statements for the year ended 31 March 2017 was disclaimed, as we were unable to obtain sufficient information and appropriate audit evidence or perform alternative audit procedures for us to ascertain the feasibility of the Group’s future business plan Any adjustments that might have been found to be necessary in respect of the above matters would have material consequential effects on the net assets of the Group and the Company as at 31 March 2017 and 1 April 2017, and the Group’s loss and cash flows for the years then ended and the related disclosures in the consolidated financial statements.*”

* For identification purpose only

As mentioned above, the disclaimer of opinion on the Group's consolidated financial statements for FY2018 is solely related to the opening balance and corresponding figures which is a consequential effect resulting from the disclaimer of opinion on the Group's consolidated financial statements for the year ended 31 March 2017 ("FY2017") in relation to certain matters expressed by the Auditor.

Reference is made to the announcement issued by the Company dated 20 July 2017 in relation to the disclaimer of opinion on the Group's consolidated financial statements for FY2017, it stated that the critical point of the disclaimer of opinion on the Group's consolidated financial statements for FY2017 was the feasibility of the future business plan of leasing the Group's forest assets (the "Forest Assets") in Brazil and how the management of the Company could achieve the business plan. As the leasing activities of the Forest Assets were just recently commenced at that time, the Auditor was unable to verify the reasonableness of the assumptions and the feasibility of the business plan during their audit of the Group's consolidated financial statements for FY2017, as a result, the Auditor issued a disclaimer of opinion on the Group's consolidated financial statements for FY2017 in relation to certain matters, including the carrying amount of intangible assets of HK\$9,841,000, which representing the value of harvesting rights of the Forest Assets. During FY2018, owing to the successful efforts of the Group's management in implementing the business plan, up to 31 March 2018, the Group has successfully leased out a total area of approximately 23,000 hectares of its Forest Assets, which representing over 50% of the area of its Forest Assets. The result of the leasing activities achieved is in line with the Group's business plan and thus demonstrated its feasibility. Accordingly, the Auditor is satisfied with the implementation of the business plan of the leasing activities of the Forest Assets and there is no qualification on the carrying amount of intangible assets (i.e. the harvesting rights of the Forest Assets) of HK\$7,978,000 as at 31 March 2018. However, as the disclaimer of opinion on the Group's consolidated financial statements for FY2017 in relation to certain matters has a consequential effect on the opening balance and corresponding figures of the Group's consolidated financial statements for FY2018, accordingly, a disclaimer of opinion was issued by the Auditor on the Group's consolidated financial statements for FY2018 in relation to the opening balance and corresponding figures.

As the disclaimer of opinion on the Group's consolidated financial statements for FY2018 is related to the opening balance and corresponding figures which is a consequential effect resulting from the disclaimer of opinion on the Group's consolidated financial statements for FY2017, the Board understands, after discussion with the Auditor, the possible consequential effect on the Group's consolidated financial statements for FY2019, resulting from the disclaimer opinion on the Group's consolidated financial statements for FY2018, according to Hong Kong Standard on Auditing 710 Comparative Information – Corresponding Figures and Comparative Financial Statements, would possibly be a modified opinion on the corresponding figures (i.e. figures for FY2018) of the Group's consolidated financial statements for FY2019.

The Audit Committee of the Company had critically reviewed the major judgemental areas relating to the disclaimer of opinion on the Group's audited consolidated financial statements for FY2018 and there was no disagreement between the Audit Committee and the management of the Company.

By Order of the Board
Sustainable Forest Holdings Limited
Wang Jingyu
Chairlady

Hong Kong, 21 May 2018

As at the date of this announcement, the Board comprises Ms. Wang Jingyu (Chairlady), Mr. Lai Ming Wai (Chief Executive Officer), Ms. Lai Yin Ling 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.