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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

PROFIT ALERT AND RULE 13.24 REVIEW PROGRESS

A. PROFIT ALERT

This announcement is made by the Company pursuant to Rule 13.09(2) of the Listing Rules and the Inside Information Provisions under Part XIVA of the SFO.

The Board is pleased to inform the Shareholders and potential investors that the Group expects to record an over 94 times increase in revenue and a turnaround from operating loss to operating profit for the six months ending 30 September 2018 as compared to the corresponding period in 2017. Information contained in this announcement is only based on a preliminary assessment by the Board according to the unaudited management accounts of the Group for the five months ended 31 August 2018 and the unaudited operational statistics of the Group for the month of September 2018.

Further details of the Group's financial results and performance will be disclosed in the interim results announcement of the Company for the six months ended 30 September 2018 which is expected to be announced before the end of October 2018.

B. RULE 13.24 REVIEW PROGRESS

On 5 July 2018, the Listing Committee upheld the Listing Department's decision that the Company failed to comply with Rule 13.24 of the Listing Rules because of its failure 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 to warrant the continued listing of its shares. In order to demonstrate to the Stock Exchange that the Company maintains a high level of sustainable business activities, the Company prepared the Profit Forecast, which had been reviewed by Crowe (HK) CPA Limited, the auditor of the Company, and Yu Ming Investment Management Limited, the financial adviser of the Company, to address the concerns of the Listing Committee.

On 13 July 2018, the Company submitted a written request to the Listing (Review) Committee for a review of the Listing Committee Decision, and on 10 September 2018, the Company made the Review Submission to the Listing (Review) Committee, which set out, inter alia, the Profit Forecast, details of the significant business development of the Group contributed by the Incumbent Directors and the substantial improvement of the Group's financial performance since October 2017. The Review Hearing is scheduled to be held on 3 October 2018.

C. BUSINESS UPDATE

Timber Trading Business

For the five months ended 31 August 2018, the Group's Timber Trading Business recorded a revenue of approximately HK\$160.8 million, and a further revenue of HK\$217.4 million is expected to be recognised in the coming months supported by signed sales contracts. The total of HK\$378.2 million accounts for 76% of the forecasted revenue for FY2019 of HK\$496.4 million, representing an increase of 29 times over the same recorded for FY2018 of HK\$16.2 million.

Money Lending Business

As at 31 August 2018, the Money Lending Business had a loan and finance lease portfolio of approximately HK\$194.1 million, increased significantly from the loan portfolio of approximately HK\$105.5 million as at 31 March 2018.

For the five months ended 31 August 2018, the Group's Money Lending Business recorded a revenue of HK\$7.2 million, and a further revenue of HK\$8.6 million is expected to be recognised in the coming months supported by signed loan and finance lease agreements. The total of HK\$15.8 million accounts for 73% of the forecasted revenue for FY2019 of HK\$21.6 million, representing an increase of 315% over the same recorded for FY2018 of HK\$5.2 million.

New Project

In addition to carrying on the existing businesses, the Group has been exploring organic growth and vertical expansion opportunities. On 6 September 2018, a wholly owned subsidiary of the Company entered into the Suriname Logging Agreement in respect of a forest located in the Republic of Suriname. The Suriname Forest has a site area of approximately 400 km² and is estimated to have timber resources of approximately 17,200,000 m³. The Suriname Forest is planned for a clear cut to prepare the site for a palm oil plantation for the owner after logging the existing timbers.

Details of the development of the Timber Trading Business and the Money Lending Business are set out in this announcement below.

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

This announcement is made by the Company pursuant to Rule 13.09(2) of the Listing Rules and the Inside Information Provisions under Part XIVA of the SFO.

A. PROFIT ALERT

Based on a preliminary review by the Company's management on the unaudited management accounts of the Group for the five months ended 31 August 2018 and the unaudited operational statistics of the Group for the month of September 2018, the Board is pleased to inform the Shareholders and potential investors that the Group expects to record an over 94 times increase in revenue and a turnaround from operating loss to operating profit for the six months ending 30 September 2018 as compared to the corresponding period in 2017. Such expected increase in the Group's revenue and turnaround in operating results are mainly due to (i) the tremendous growth in number of transactions and transacted amount of the sales of timber and wooden products operation during the period and (ii) the continuous expansion of the loan and finance lease portfolio and the number of clients of the money lending operation. Nevertheless, owing to the absence of the one-off and non-cash net gain of approximately HK\$21.5 million in relation to the change in fair value of financial liabilities previously recognised for the six months ended 30 September 2017, the Net Profit of the Group for the six months ending 30 September 2018 will decrease as compared with the corresponding period in 2017 in spite of the significant increase in the Group's revenue and reporting operating profit for the current period.

The Company is in the process of preparing the interim results of the Group for the six months ending 30 September 2018. Information contained in this announcement is only based on a preliminary assessment by the Board according to the unaudited management accounts of the Group for the five months ended 31 August 2018 and the unaudited operational statistics of the Group for the month of September 2018.

Further details of the Group's financial results and performance will be disclosed in the interim results announcement of the Company for the six months ended 30 September 2018 which is expected to be announced before the end of October 2018.

B. RULE 13.24 REVIEW PROGRESS

In view of the questions that may be raised by the Shareholders in relation to the Review Hearing at the forthcoming annual general meeting to be held on 28 September 2018, the Company is of the view that equal dissemination of background information and an update to all Shareholders on the review progress and the significant business development and substantial improvement of the financial performance of the Group is appropriate.

On 31 July 2017, the Company received the first letter (the "First Letter") from the Listing Department expressing its concerns about the Company's compliance with Rule 13.24 of the Listing Rules which requires an issuer to carry out, directly or indirectly, 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 to the Stock Exchange to warrant the continued listing of the issuer's securities.

On 6 September 2017, the Company submitted its reply to the Stock Exchange in response to the First Letter.

On 16 October 2017 and thereafter, the Incumbent Directors have been appointed by the Company subsequent to Champion Alliance becoming a substantial Shareholder on 12 October 2017.

On 24 October 2017, the Company received the second letter (the "Second Letter") from the Listing Department inviting the Company to submit detailed written submission as to why the Stock Exchange should not suspend trading in the Company's shares and commence the delisting procedure against the Company under the Listing Rules.

On 22 November 2017, the Company submitted its reply to the Stock Exchange in response to the Second Letter and various correspondence between the Stock Exchange and the Company had been exchanged thereafter.

On 9 February 2018, the Company received the Listing Department's decision that the Company has failed to fulfil Rule 13.24 of the Listing Rules and it will suspend trading in the shares of the Company under Rule 6.01(3) of the Listing Rules and place the Company in the first delisting stage under Practice Note 17 of the Listing Rules (the "Listing Department Decision").

On 21 February 2018, the Company submitted a written request to the Listing Committee for a review of the Listing Department Decision.

On 5 July 2018, the Listing Committee upheld the Listing Department Decision. In response to the Listing Committee Decision, the Company had prepared the Profit Forecast, had it reviewed by Crowe (HK) CPA Limited, the auditor of the Company, and Yu Ming Investment Management Limited, the financial adviser of the Company, to address the concerns of the Listing Committee (the text of the letters from Crowe (HK) CPA Limited and Yu Ming Investment Management Limited are accompanying this announcement below).

On 13 July 2018, the Company submitted a written request to the Listing (Review) Committee for a review of the Listing Committee Decision, and on 10 September 2018, the Company made the Review Submission to the Listing (Review) Committee, which set out, inter alia, the Profit Forecast, details of the significant business development of the Group contributed by the Incumbent Directors and the substantial improvement of the Group's financial performance since October 2017. The Review Hearing is scheduled to be held on 3 October 2018.

The key points of the Review Submission are summarised below:

1. Profit Forecast

The management of the Group has used its best endeavour improving the businesses of the Group and the Group has achieved noticeable improvement in its financial performance. Based on the unaudited management accounts of the Group for the five months ended 31 August 2018, the Group reported a revenue, Net Profit and Adjusted Net Profit of approximately HK\$169.3 million, HK\$5 million and HK\$7.8 million respectively, compared to the consecutive losses recorded in the five financial years ended 31 March 2017 under the previous management.

The following table summarises the Profit Forecast of the Group for the financial year ending 31 March 2019 and actual financial figures of the Group for the five months ended 31 August 2018:

	<u>Forecast</u>	<u>Actual</u>		
	For the year ending 31 March 2019	For the five months ended 31 August 2018	Secured revenue	Actual and secured revenue
	<i>HK\$'million</i>	<i>HK\$'million</i>	<i>HK\$'million</i>	
Revenue	522.4	169.3	229.1	76%
Net Profit	21.6	5.0		
Adjusted Net Profit (<i>Note i</i>)	25.8	7.8		
Total assets	414.0	375.8		
Net assets (<i>Note ii</i>)	161.5	144.9		

Notes:

- (i) The Adjusted Net Profit represents the Net Profit as adjusted by excluding non-operating items, such as legal and professional fee for responding to the Stock Exchange's enquiries in relation to the Company's compliance with Rule 13.24 of the Listing Rules and change in fair value of financial liabilities and investment properties.
- (ii) Subject to approval of the Open Offer (defined hereinafter) by the Stock Exchange, the net assets of the Group upon completion of the Open Offer is expected to be approximately HK\$512 million as at 31 March 2019, which if excluded, would be HK\$161.5 million.

Based on the financial forecast for FY2019, the Group is expected to record revenue, Net Profit, Adjusted Net Profit and total assets of approximately HK\$522.4 million, HK\$21.6 million, HK\$25.8 million and HK\$414 million respectively.

For the five months ended 31 August 2018, the Group recorded revenue of approximately HK\$169.3 million, together with a further approximately HK\$229.1 million of revenue to be recognised which is being secured by contracts, a total of approximately HK\$398.4 million of revenue is either recognised or secured which represents 76% of the forecasted revenue for FY2019. Thus, the Company is confident that the Group's forecasted Net Profit of HK\$21.6 million or the Adjusted Net Profit of HK\$25.8 million is achievable. The auditor of the Company has reviewed the Profit Forecast of the Company. As such, the Company is of the view that the Profit Forecast of the Company is as credible and reliable as any forecast accepted in a new listing application by the Stock Exchange, and should give support that the Company is in compliance with Rule 13.24 of the Listing Rules.

The forecasted financial results of the Group for FY2019 in terms of revenue, profit and total assets are better than a large number of listed companies. Set out below is the summary of the Company's research on the operation and assets of Issuers on the Main Board of Stock Exchange based on Bloomberg:

Financial Criteria	Number of Issuers
Revenue less than HK\$500 million	586
Total assets less than HK\$400 million	216
Net profit less than HK\$20 million	616
Fulfils all three criteria above	162

2. Listing (Review) Committee should overturn the Listing Committee Decision

In the Review Submission, the Company urges the Listing (Review) Committee to overturn the Listing Committee Decision for the following reasons:

- (i) for the five months ended 31 August 2018, the Group already reported a revenue, Net Profit and Adjusted Net Profit of approximately HK\$169.3 million, HK\$5 million and HK\$7.8 million respectively. As at 31 August 2018, the Group had total assets of approximately HK\$375.8 million;
- (ii) approximately 76% or HK\$398.4 million of the total forecasted revenue of HK\$522.4 million for FY2019 is either recognised or secured by contracts. Pursuant to the financial forecast for FY2019, Net Profit and Adjusted Net Profit will be approximately HK\$21.6 million and HK\$25.8 million respectively, and total assets would amount to approximately HK\$414 million. The financial forecast has been reviewed by the auditor of the Company, and the Company considers it credible and reliable;
- (iii) the Group's Net Profit for FY2019 is more than the profit requirement for the most recent year in the case of a new listing application under Rule 8.05(1)(a) of the Listing Rules. It would be a set bar too high for a company which can meet the new listing requirement under the Listing Rules but cannot fulfil requirement of sufficient operation under Rule 13.24 of the Listing Rules;
- (iv) the forecasted results of the Group for FY2019 outperformed 162 to 616 of the Issuers, depending on the criterion used;
- (v) the Listing Department and Listing Committee have shown concerns on the Money Lending Business that it is operating under a small scale. As at 31 August 2018, the Money Lending Business had a loan and finance lease portfolio amounting to approximately HK\$194.1 million which increased significantly by 84% compared with the loan portfolio of approximately HK\$105.5 million as at 31 March 2018. The interest income for the five months ended 31 August 2018 amounted to approximately HK\$7.2 million which also increased significantly compared with the interest income of approximately HK\$5.2 million recorded for the year ended 31 March 2018. The forecasted interest income of the money lending operation for FY2019 is HK\$21.6 million, which represents 315% increase over the same recorded for the year ended 31 March 2018.

- (vi) the Listing Department has also expressed its concerns on the interest free shareholder's loan advanced by Champion Alliance to the Company as the Group is deemed to be highly dependent on the substantial shareholder. As of the date of this announcement, Champion Alliance has advanced HK\$196 million to the Company. The Company plans to conduct an open offer to raise fund of approximately HK\$350 million (the "Open Offer") to repay the shareholder's loan from Champion Alliance with the remaining proceeds to be applied as working capital for the development and expansion of the Timber Trading Business and Money Lending Business.

The Review Submission provides the Listing (Review) Committee the recent development, a detailed business plan and a profit projection together with information demonstrating that the Group maintains a sufficient level of operations and the assets and funding to achieve its business plan and the expected level of operations.

C. BUSINESS UPDATE

Timber Trading Business

For the five months ended 31 August 2018, the Group's Timber Trading Business recorded a revenue of approximately HK\$160.8 million, and a further revenue of HK\$217.4 million is expected to be recognised in the coming months supported by signed sales contracts. The total of HK\$378.2 million accounts for 76% of the forecasted revenue for FY2019 of HK\$496.4 million, representing an increase of 29 times over the same recorded for FY2018 of HK\$16.2 million.

Money Lending Business

As at 31 August 2018, the Money Lending Business had a loan and finance lease portfolio of approximately HK\$194.1 million, increased significantly from the loan portfolio of approximately HK\$105.5 million as at 31 March 2018.

For the five months ended 31 August 2018, the Group's Money Lending Business recorded a revenue of HK\$7.2 million, and a further revenue of HK\$8.6 million is expected to be recognised in the coming months supported by signed loan and finance lease agreements. The total of HK\$15.8 million accounts for 73% of the forecasted revenue for FY2019 of HK\$21.6 million, representing an increase of 315% over the same recorded for FY2018 of HK\$5.2 million.

New Project

In addition to carrying on the existing businesses, the Group has been exploring organic growth and vertical expansion opportunities. On 6 September 2018, a wholly owned subsidiary of the Company entered into the Suriname Logging Agreement in respect of a forest located in the Republic of Suriname. The Suriname Forest has a site area of approximately 400 km² and is estimated to have timber resources of approximately 17,200,000 m³. The Suriname Forest is planned for a clear cut to prepare the site for a palm oil plantation for the owner after logging the existing timbers.

Each of the ultimate beneficial owners of the Suriname Forest is an Independent Third Party.

Major terms of the agreement are as follows:

Pursuant to the Suriname Logging Agreement, parties agreed to cooperate for (i) logging timbers in the Suriname Forest for sale; and (ii) transforming smaller size timber logs into raw materials for the production of biocoal.

Under the Suriname Logging Agreement, the Company will be responsible for (i) providing working capital, (ii) deploying human resources and equipment for logging activities, (iii) arranging logistics for transporting cut timbers and (iv) selling cut timbers from the Suriname Forest. For smaller timbers to be used as raw materials for the production of biocoal, the Company will be responsible for the construction of production facility, purchase of machinery and equipment and operating costs of the plant. The owner of the Suriname Forest is responsible to provide the logging license right and assistance in exporting timbers (including coordination with local government and community) to the Company.

The Company will be entitled to an agreed portion of the net sales (after deducting the direct operating costs, shipment and logistic costs, taxation levies etc) of the timber logs and biocoal while the owner of the Suriname Forest will receive the remaining portion of the net sales as royalties. The amount of the net sales will be calculated and settled every two months.

Pursuant to the Suriname Logging Agreement, 150,000 m³ of timber is expected to be logged during the first year of full-scale logging activities. It is estimated that the Company will be able to generate a revenue of approximately HK\$250 million for the first year of logging activities. Trial sales for small lot of timber from the Suriname Forest are anticipated to commence in October 2018 and the logging activities are anticipated to commence in December 2018.

The whole project is expected to be completed within eight years. The financial benefits to be derived from the Suriname Logging Agreement, such as revenue and profits, have not been factored into the Profit Forecast for FY2019.

D. BASES AND ASSUMPTIONS TO THE PROFIT FORECAST

The Profit Forecast has been prepared on the basis of accounting policies consistent in all material respects with the International Financial Reporting Standards and accounting policies adopted by the Company as set out in its annual report for the year ended 31 March 2018, and inter alia, on the following assumptions and bases:

- (i) the revenue from the Timber Trading Business for FY2019 is approximately HK\$496.4 million, of which HK\$378.2 million or 76% is either recognised or secured by signed sales contracts;
- (ii) the revenue from the Money Lending Business for FY2019 is approximately HK\$21.6 million, of which HK\$15.8 million or 73% is either earned or secured by signed loan and finance lease agreements;
- (iii) the forecasted income from harvesting rights is based on the contractual agreements signed with tenants which cover the Forecast Period;
- (iv) the forecasted income from property leasing is based on signed tenancy agreements;
- (v) there will be no material changes in the existing political, legal, fiscal, foreign trade or economic conditions in Hong Kong and Brazil or other countries in which the Group operates or intends to operate or where its subsidiaries are incorporated;
- (vi) there will be no changes in legislation, regulations or rules in Hong Kong or Brazil or any other countries or territories in which the Group operates or with which the Group has arrangements or agreements, which may materially adversely affect the Group's business or operations;
- (vii) there will be no significant changes in the principal activities, key management personnel, management structure and accounting policies currently adopted by the Group during the Forecast Period;
- (viii) there will be no material change in the credit policies offered to customers and granted by suppliers of the Group;
- (ix) there will be no material changes in the bases or rates of taxation in those countries which the Group operates or intends to operate or where its subsidiaries are incorporated;
- (x) there will be no interruption of the Group's operations that will adversely affect the trading, financial and prospects of the Group as a result of any other circumstances beyond management control;

- (xi) there will be no major industrial disputes, major doubtful debts and economic changes or any abnormal circumstances, which would adversely affect the operations of the Group during the Forecast Period;
- (xii) there will be no other unforeseen circumstances, including but not limited to the occurrence of natural disasters or catastrophes (such as floods and typhoons), epidemics or serious accidents, beyond the control of the Group which will have a material adverse effect on the results of operations of the Group;
- (xiii) there will be no material changes in inflation, interest rates or foreign currency exchange rates from those currently prevailing in those countries which the Group operates or intends to operate or where its subsidiaries are incorporated. During the Forecast Period, the average exchange rate is assumed to be HK\$7.8 = US\$1;
- (xiv) to the best knowledge of the Directors of the Company, the Group does not have any contingent liabilities or lawsuits and there are no outstanding claims or litigation whatsoever against the Group; and
- (xv) the Group will not incur any material capital expenditure during the Forecast Period.

E. EXPERTS AND CONSENTS

The qualifications of the experts who have given their statements in this announcement are as follows:

Name	Qualification
Crowe (HK) CPA Limited	Certified Public Accountants
Yu Ming Investment Management Limited	a licensed corporation permitted to carry out type 1 (dealing in securities), type 4 (advising on securities), type 6 (advising on corporate finance) and type 9 (asset management) regulated activities under the SFO

To the best of the Directors' knowledge, information and belief and after having made all reasonable enquiries, each of Yu Ming Investment Management Limited and Crowe (HK) CPA Limited is a third party independent of the Group and is not a connected person of the Group. As at the date of this announcement, neither Yu Ming Investment Management Limited nor Crowe (HK) CPA Limited has any shareholding in any member of the Group or any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

Each of Yu Ming Investment Management Limited and Crowe (HK) CPA Limited has given and has not withdrawn its respective written consent to the issue of this announcement with inclusion of its name, statements and all references to its name (including its qualification) in the form and context in which they are included.

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

F. DEFINITIONS

In this announcement, unless the context otherwise requires, the following expressions shall have the following meanings:

“Adjusted Net Profit”	Net Profit of the Company excluding (i) the income or loss of the Company generated by activities outside the ordinary and usual course of its business; (ii) the legal and professional expenses incurred for responding to the Stock Exchange’s enquiries in relation to the Company’s compliance with Rule 13.24 of the Listing Rules; and (iii) the fair value change in financial liabilities and investment properties
“Board”	the board of Directors of the Company
“Champion Alliance”	Champion Alliance Enterprises Limited, a substantial shareholder holding 2,444,359,944 Shares as at the date of this announcement
“Company”	Sustainable Forest Holdings Limited, a company incorporated in Bermuda with limited liability and the shares of which are listed on the Main Board of the Stock Exchange (Stock Code: 723)
“Director(s)”	director(s) of the Company from time to time
“Forecast Period”	financial forecast for the year ending 31 March 2019
“FY2018”	financial year of the Company for the year ended 31 March 2018
“FY2019”	financial year of the Company for the year ending 31 March 2019
“Group”	the Company and its subsidiaries

“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	Hong Kong Special Administrative Region of the PRC
“Incumbent Directors”	incumbent Directors appointed since October 2017
“Independent Third Party(ies)”	independent third parties to the Company and its connected persons
“Issuer(s)”	company(ies) listed on the Main Board of the Stock Exchange
“Listing Committee”	listing sub-committee of the board of the Stock Exchange
“Listing Committee Decision”	the Listing Committee’s decision on 5 July 2018 to suspend the trading of the Shares and put the Company into the first delisting stage
“Listing Department”	Listing Department of the Stock Exchange
“Listing (Review) Committee”	committee of the Stock Exchange that reviews decisions of the Listing Committee under chapter 2B of the Listing Rules
“Listing Rules”	Rules Governing the Listing of Securities on the Stock Exchange
“Loan Facility”	interest free loan facility of HK\$200 million provided by Champion Alliance
“Main Board”	stock market in Hong Kong operated by the Stock Exchange other than the Growth Enterprise Market
“Money Lending Business”	the money lending business of the Company
“Net Profit”	consolidated profit attributable to equity holders of the Company

“PRC”	People’s Republic of China
“Profit Forecast”	financial forecast of the Company for the financial year ending 31 March 2019
“Review Hearing”	review hearing to be conducted by the Listing (Review) Committee
“Review Submission”	the written submission made by the Company to the Listing (Review) Committee
“SFO”	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Share(s)”	ordinary share(s) of HK\$0.01 each in the issued share capital of the Company
“Shareholder(s)”	holder(s) of the Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Suriname Forest”	a forest located at the Republic of Suriname with a site area of approximately 400 km ² and is estimated to have timber resources of 17,200,000 m ³
“Suriname Logging Agreement”	a logging cooperation agreement the Company entered into on 6 September 2018 in respect of logging in the Suriname Forest
“Timber Trading Business”	timber trading business of the Company including the trading of timber logs and wooden products
“US\$”	United States dollar(s), the lawful currency of the United States of America
“Yu Ming”	Yu Ming Investment Management Limited, a company incorporated in Hong Kong with limited liability and a licensed corporation under the Securities and Futures Ordinance to carry out type 1 (dealing in securities), type 4 (advising on securities), type 6 (advising on corporate finance) and type 9 (asset management) regulated activities

“%”

per cent.

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

Hong Kong, 27 September 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*

LETTER FROM THE REPORTING ACCOUNTANTS ON PROFIT FORECAST

The following is the text of a letter, prepared for inclusion in this announcement, received by the Board of Directors from Crowe (HK) CPA Limited in connection with the profit forecast of the Company for the year ending 31 March 2019.



國富浩華（香港）會計師事務所有限公司
Crowe (HK) CPA Limited
香港 銅鑼灣 禮頓道77號 禮頓中心9樓
9/F Leighton Centre,
77 Leighton Road,
Causeway Bay, Hong Kong

Private and Confidential

27 September 2018

The Board of Directors
Sustainable Forest Holdings Limited
Room 2902A, 29th Floor
China Resources Building
26 Harbour Road
Wanchai
Hong Kong

Dear Sirs

Sustainable Forest Holdings Limited (the “Company”) Profit Forecast for the year ending 31 March 2019

We refer to the forecast of the consolidated profit attributable to equity holders of the Company for the year ending 31 March 2019 (the “Profit Forecast”) as set out in the announcement of the Company dated 27 September 2018 (the “Announcement”).

Responsibilities

The Profit Forecast has been prepared by the directors of the Company (the “Board”) based on the unaudited consolidated results of the Company and its subsidiaries (collectively referred to as the “Group”) for the 5 months ended 31 August 2018, and a forecast of the consolidated results of the Group for the remaining 7 months ending 31 March 2019.

The Board is solely responsible for the Profit Forecast.

Our Independence and Quality Control

We have complied with the independence and other ethical requirements of the Code of Ethics for Professional Accountants issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”), which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

The firm applies Hong Kong Standard on Quality Control 1 and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting Accountants’ Responsibilities

Our responsibility is to express an opinion on the accounting policies and calculations of the Profit Forecast based on our procedures.

We conducted our engagement in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 500, *Reporting on Profit Forecasts, Statements of Sufficiency of Working Capital and Statements of Indebtedness* and with reference to Hong Kong Standard on Assurance Engagements 3000 (Revised), *Assurance Engagements Other Than Audits or Reviews of Historical Financial Information* issued by the HKICPA. Those standards require that we plan and perform our work to obtain reasonable assurance as to whether, so far as the accounting policies and calculations are concerned, the Board has properly compiled the Profit Forecast in accordance with the bases and assumptions adopted by the directors and as to whether the Profit Forecast is presented on a basis consistent in all material respects with the accounting policies normally adopted by the Group. Our work is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing issued by the HKICPA. Accordingly, we do not express an audit opinion.

Opinion

In our opinion, so far as the accounting policies and calculations are concerned, the Profit Forecast has been properly compiled in accordance with the bases and assumptions adopted by the Board and is presented on a basis consistent in all material respects with the accounting policies normally adopted by the Group.

Yours faithfully

For and on behalf of

Crowe (HK) CPA Limited

Alvin Yeung

Director

LETTER FROM YU MING INVESTMENT MANAGEMENT LIMITED

The following is the text of a letter, prepared for inclusion in this announcement, received by the Board of Directors from Yu Ming Investment Management Limited in connection with the profit forecast of the Company for the year ending 31 March 2019.



27 September 2018

The Board of Directors
Sustainable Forest Holdings Limited
Room 2902A, 29th Floor
China Resources Building
26 Harbour Road
Wanchai
Hong Kong

Dear Sirs,

We refer to (i) the profit forecast of Sustainable Forest Holdings Limited (the “Company” together with its subsidiaries, the “Group”) for the year ending 31 March 2019 (the “Profit Forecast”), prepared by the directors of the Company (the “Directors”) as set out in the announcement of the Company dated 27 September 2018 (the “Announcement”). Unless otherwise defined herein, terms used in this letter shall have the same meanings as defined in the Announcement.

We have (i) discussed with the senior management of the Company, who assisted you to prepare the Profit Forecast, regarding the bases and assumptions adopted in the preparation of the Profit Forecast; and (ii) reviewed the unaudited management accounts of the Group for the five months ended 31 August 2018.

We have also considered the letter dated 27 September 2018 addressed to you from Crowe (HK) CPA Limited (“Crowe”), the auditor of the Company, in relation to their review of the accounting policies and calculations upon which the Profit Forecast has been prepared.

On the basis of the foregoing and in the absence of unforeseeable circumstances, we are of the opinion that the Profit Forecast, for which you as the Directors are solely responsible, has been made with due care and consideration.

For the purpose of this letter, we have relied on and assumed the accuracy and completeness of all information provided to us and/or discussed with Crowe. We have not assumed any responsibility for independently verifying the accuracy and completeness of such information or undertaken any independent evaluation or appraisal of any of the assets or liabilities of the Group. Save as provided in this letter, we do not express any other opinion or views on the Profit Forecast.

Our opinion has been given for the sole purpose of compliance with Rule 14.62(3) of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and for no other purpose.

Yours faithfully,
For and on behalf of
Yu Ming Investment Management Limited

Warren Lee
Managing Director