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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)

PROFIT WARNING

This announcement is made pursuant to Rule 13.09 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

The board (the “**Board**”) of directors of Sustainable Forest Holdings Limited (the “**Company**”, together with its subsidiaries, the “**Group**”) wishes to inform the shareholders and potential investors of the Company that the Company expects to record a loss for the financial year ended 31 March 2012 as compared to a profit recorded by the Company for the financial year ended 31 March 2011. Some of the significant losses that have arisen are as follows. However, shareholders and potential investors of the Company should note that there might have been other losses in addition to the following. The potentially significant losses identified so far are as follows:

- (1) write-off of inventory arising from the Group’s clear cutting operations in Rondonia, Brazil and the related trade receivables, details of which were disclosed in the announcement dated 23 November 2011;
- (2) loss on revaluation of biological assets and impairment of goodwill on revaluation of biological assets arising from decreased in timber prices and the Group’s plan to defer its forest operations in Acre, Brazil due to the difficult, adverse and hostile operating environment caused by the threats, extortions and accusations by a Brazilian individual. Details of the threats and accusations were disclosed in the announcements dated 20 October 2011, 7 November 2011, 22 April 2012 and 23 April 2012;
- (3) significant decrease in sales due to poor market demands for timber and reduced inventory available for sale because of the write-off of inventory in Rondonia referred to in (1) above; and
- (4) write-offs of trade receivables related to sales cancellation.

* *For identification purposes only*

Please note that the information contained in this announcement is based on the preliminary assessment by the Board on the unaudited management accounts of the Group and currently available information, which have not been audited by the Company's auditors and that the Company might have incurred additional losses during the year ended 31 March 2012. A further announcement will be made if additional significant losses are identified.

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
Fletcher Yurk Nam, Sandy
Executive Director

Hong Kong, 26 June 2012

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