

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



CHINA FORESTRY HOLDINGS CO., LTD.

中國森林控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 930)

CLARIFICATION OF NEWS

The board (the “**Board**”) of directors (the “**Directors**”) of China Forestry Holdings Co., Ltd. (the “**Company**”, together with its subsidiaries, the “**Group**”) wishes to clarify certain information about the Company as reported in a press article (the “**24 May 2013 Article**”) appearing on 24 May 2013 issue of the Hong Kong Economic Journal. Reference is made to the announcement (the “**Announcement**”) of the Company dated 23 May 2013. Unless otherwise stated, terms defined in the Announcement shall have the same meanings when used in this announcement.

Alleged internal communication regarding RMB43 million of funds

In the 24 May 2013 Article, it was alleged that (i) in August 2012, the accountant of a subsidiary of the Company has informed the Chairman in writing that the independent auditor of the Company, Crowe Horwath (HK) CPA Limited (the “**Auditor**”), was checking RMB43 million of the Group’s funds that “had disappeared”; and (ii) during the period between August 2012 and September 2012, a staff of a subsidiary of the Company, Yichun Jingfeng Forestry Development Co., Ltd.* (伊春景豐林業開發有限公司) (“**Yichun Jingfeng**”), namely, Ms. Zhang Shu Fen (張淑芬) (“**Ms. Zhang**”) “was crying for help” from several senior management of the Company, including the Chairman, in relation to the enquiry from certain bank regarding RMB43 million of funds (the “**Alleged Funds**”) “being sought” by the Auditor and the Yichun Branch of the State Administration of Foreign Exchange of the PRC.

The Board would like to inform its shareholders and the investment public that, to the best of its knowledge after all reasonable enquiry, the matters in relation to the above allegations have been investigated in the course of the investigation and forensic review conducted by the independent board committee (with the assistance of a major accounting firm and other professionals) in 2011 and 2012 as disclosed in the announcements of the Company dated 29 April 2011, 14 October 2011 and 27 April 2012.

As disclosed in the 2011 Annual Report, the balance of certain prepayments for purchase of timber logs of RMB125,562,000 in aggregate (the “**Impairment on Prepayment**”) was fully impaired and charged to the consolidated income statement of the Company for the year ended 31 December 2011. The Board clarifies that to the best of its knowledge after all reasonable enquiry, the Alleged Funds was part of the Impairment on Prepayment and the impact of the impairment has been full reflected in the Company’s consolidated financial statements for the years ended 31 December 2011 as set out in the 2011 Annual Report.

The Company confirmed that the content as set out in the rectangular box located at the bottom right-hand corner of the 24 May 2013 Article which sets out a letter from Ms. Zhang to the Chairman in relation to, among other things, certain prepayments made by the Group for purchases of timber logs is the same as the content of a letter from Ms. Zhang, who is an employee of Yichun Jingfeng, to the Chairman dated 9 August 2012 (the “**Letter**”). However, the Company wishes to clarify that, as set out in the Letter, Ms. Zhang was writing to seek instruction from the Chairman regarding the recovery of the Alleged Funds in August 2012. The Board would like to point out that, contrary to what the 24 May 2013 Article represented, the Letter did not mention that the Alleged Funds had “disappeared” or that Ms. Zhang was “crying for help” from the senior management of the Company and that the use of such words in the press might have misinterpreted the content of the Letter.

Other than the Letter and save as disclosed above, the Company did not identify any other internal correspondences or electronic mails which Hong Kong Economic Journal claimed to have obtained in the 24 May 2013 Article and hence is not in a position to confirm the existence or accuracy of any allegations contained in the 24 May 2013 Article which Hong Kong Economic Journal claimed to be reflected by any such internal correspondences or electronic mails.

The Company would like to inform its shareholders and the investment public that although the Impairment on Prepayment has already been made on the consolidated financial statements of the Company, the Group is continuing its efforts to recover the relevant prepayments. The Board apologizes for any confusion or misunderstanding caused by the 24 May 2013 Article.

By the order of the Board
China Forestry Holdings Co., Ltd.
Mr. Li Kwok Cheong
Chairman

** denotes English translation of the name of a Chinese company or entity or vice versa and is provided for identification purposes only.*

Hong Kong, 28 May 2013

As at the date of this announcement, the executive directors of the Company are Mr. Li Kwok Cheong and Mr. Lin Pu, the non-executive directors of the Company are Mr. Xiao Feng, Mr. Li Zhi Tong and Mr. Meng Fanzhi, and the independent non-executive directors of the Company are Mr. Liu Can, Dr. Liu Yongping and Ms. Hsu Wai Man, Helen.