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

Interim Report 2010

Contents

Corporate Information

BOARD OF DIRECTORS

Executive Directors

Mr. Li Kwok Cheong (Chairman)
Mr. Li Han Chun
(Chief Executive Officer)

Non-Executive Directors

Mr. Xiao Feng
Mr. Li Zhi Tong

Independent Non-Executive Directors

Mr. Wong Tak-jun
Mr. Wang Wei Ying
Mr. Liu Can

AUDIT COMMITTEE

Mr. Wong Tak-jun (Chairman)
Mr. Wang Wei Ying
Mr. Liu Can

REMUNERATION COMMITTEE

Mr. Wong Tak-jun (Chairman)
Mr. Wang Wei Ying
Mr. Xiao Feng

NOMINATION COMMITTEE

Mr. Li Han Chun (Chairman)
Mr. Wang Wei Ying
Mr. Liu Can

COMPANY SECRETARY

Mr. Tong Wai Kit, Raymond
(FCCA, FCPA)

AUTHORISED REPRESENTATIVES

Mr. Li Han Chun
Mr. Tong Wai Kit, Raymond
(FCCA, FCPA)

REGISTERED OFFICE

Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

HEADQUARTERS AND PRINCIPAL PLACE OF BUSINESS IN THE PRC

2301, 23rd Floor Tower B
Vantone Centre Jia 6 Chaowaidajie
Chaoyang District Beijing, PRC

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Room 2507, 25th Floor
Bank of America Tower
12 Harcourt Road
Hong Kong

Corporate Information *(Continued)*

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Butterfield Fulcrum Group
(Cayman) Limited
Butterfield House 68 Fort Street
P.O. Box 609 Grand Cayman
KY1-1107 Cayman Islands

HONG KONG SHARE REGISTRAR

Computershare Hong Kong
Investor Services Limited
Shops 1712–1716, 17th Floor
Hopewell Centre,
183 Queen's Road East
Wanchai Hong Kong

AUDITORS

KPMG
8/F, Prince's Building
10 Chater Road
Central, Hong Kong

LEGAL ADVISERS

as to Hong Kong law
Orrick, Herrington & Sutcliffe
43/F, Gloucester Tower
The Landmark
15 Queen's Road Central
Hong Kong

COMPLIANCE ADVISER

Taifook Capital Limited
26/F New World Tower
16–18 Queen's Road Central
Hong Kong

WEBSITE ADDRESS

www.chinaforestryholding.com

STOCK CODE

00930

SHARE INFORMATION

Board lot size: 2,000

Financial Highlights

- The Group's turnover amounted to RMB494.3 million for the six months ended 30 June 2010, representing an increase of RMB121.1 million, or approximately 32.4% as compared to RMB373.2 million for the same period in 2009.

- The Group's net profit for the six months ended 30 June 2010 was RMB429.3 million, representing a decrease of RMB2.8 million, or 0.6% as compared to RMB432.1 million for the same period in 2009.

- The Group's net profit (excluding changes in fair value of plantation assets less costs to sell and the reversal of fair value of the plantation assets upon logging and sales) for the six months ended 30 June 2010 was approximately RMB321.5 million, representing an increase of approximately RMB130.3 million or approximately 68.2% as compared to approximately RMB191.2 million for the same period in 2009.

- The basic earnings per share attributable to equity shareholders of the Company amounted to approximately RMB0.14 for the six months ended 30 June 2010.

Management Discussion and Analysis

BUSINESS REVIEW

For the six months ended 30 June 2010, the Group's turnover amounted to RMB494.3 million, representing an increase of 32.4% over that of the same period in 2009. Profit attributable to equity shareholders (excluding changes in fair value of plantation assets less costs to sell and the reversal of fair value of the plantation assets upon logging and sales) amounted to RMB318.5 million, up by 68.3% over the figure of the same period in 2009. This improvement was mainly attributable to the increase in average selling price and increase in logs sold. During the period, the Group's log sales and average selling prices were 349,100 cubic meters and RMB1,416 respectively, representing a growth of 8.4% and 22.1% as compared with the figures of the same period in 2009 respectively.

China's economy continued to thrive in the first half of 2010, in which the domestic economy jumped by more than 11% on a year-on-year basis. The booming economy has driven stronger market demand and higher selling prices for logs. Policy factors are also conducive to the development of the wood market in the PRC. The "Forestry Industry Revitalization Plan (2010-2012)" was jointly issued by five central ministries and commissions including the State Forestry Administration in 2009, and are being sequentially implemented in 2010. On the other hand, the reform of the collective forest rights system was put into place step-by-step to bring business vitality and foster industry development, thus flourishing the long-term development of private-sector forest operations.

As at 30 June 2010, the Group owned forestry rights in respect of approximately 171,780 hectares of forests and a total stock volume of about 35.0 million cubic meters. Forests owned by the Group are located in Sichuan Province and Yunnan Province, occupying an area of about 12,447 hectares and about 159,333 hectares respectively. For the six months ended 30 June 2010, the Group harvested 349,100 cubic meters with a harvesting rate of 1%.

We will seek to continue expanding our forest reserves by upholding our longstanding strategy of sustainable forest management. During the period under review, we actively sought opportunities to acquire high-quality forests. In February 2010, the Group signed agreements to acquire forest covering an area of 53,333 hectares in Ninglang County, Lijiang City, Yunnan Province for a period of 30 years at an aggregate cash consideration of RMB464.0 million. The acquisition reflects our commitment to the expansion of forest reserves in order to achieve rapid and sustainable growth. Processes and procedures relating to the acquisition are underway. Upon completion of the acquisition, the Group's forest reserves in Yunnan Province will increase by 33.5% to 212,666 hectares.

The size of the Ninglang forest is much larger than our previously acquired forest. It involves the jurisdiction of five counties. The application and approval procedures of acquisition are therefore extremely complicated, which has caused the acquisition of Ninglang forest to proceed at a much slower pace than our previous acquisitions. The approval procedures were not yet completed and the acquisition consideration has not been settled in the first half of 2010. We believe the acquisition consideration will be paid in the second half of the year and we will begin harvesting before the end of 2010.

At present, the Group has not yet harvested the forest in the Wenshan area. The delay of logging activities is mainly due to the traffic interruption of the main roads around the Wenshan area, because of the local government's plan to complete road construction in major districts and counties by 30 June 2011.

In May 2010, the People's Government of Zhong County, Chongqing City, concluded a non-binding memorandum and invited the Group to acquire the forest in their county. This testified widespread market recognition of the Group's operational strengths and philosophy of sustainable forest management, both of which are our major competitive advantages in securing forest reserves. This acquisition, if completed, will further improve the strategic position of the Group's forest reserves.

During the review period, the Group successfully expanded the long-term cooperation with state-owned enterprises, and continued its stable business growth. In June 2010, the Group formed a strategic partnership with China National Package Import & Export Corporation ("China National Package"). China National Package will procure a total of 1.5 million cubic meters of logs from the Group within five years for the manufacture of packaging products. This strategic partnership will help both parties boost their overall operational efficiency and synergies.

PROSPECTS

Looking ahead towards the second half of 2010, we expect the PRC economy to continue to grow. The stable economic environment of the forestry industry will help invigorate our business to a burst of sustained growth. The Group's two top priorities remain the expansion of forest reserves and the enhancement of harvesting volume. Our acquisition targets will be extended to high-quality forest resources in Yunnan, Guizhou and Chongqing provinces. We will also integrate the forestry resources in Sichuan province. The harvesting volume in the second half of the year is expected to be higher than that in the first half of the year.

In connection with internal management, the Group will continue to carry out its development plans. We will also expand our sales and marketing team, introduce management and technical experts, improve information system as well as strengthen our research and development of forest management, in order to create a strong foundation for future business growth.

FINANCIAL REVIEW

Revenue

During the six months ended 30 June 2010 (the "Current Period"), the Group recorded total revenue of RMB494.3 million, representing an increase of 32.4% over the same period in 2009. Such increase was primarily attributable to the increase in average selling price by 22.1% to RMB1,416 per cubic meter and an increase in sales volume of logs by 8.4% to 349,100 cubic meters.

The below table shows the volume, in cubic meter, of log sales from the tree species of logs we sold during the periods:

	Six months ended 30 June	
	2010	2009
	(m^3)	(m^3)
Chinese Fir – Sichuan	**55,500**	81,200
Chinese Fir – Yunnan	**22,000**	17,500
Yunnan Pine	**28,500**	20,400
Beech	**117,100**	88,330
Birch	**126,000**	114,500
Total logs sold	**349,100**	321,930

The table below shows the selling price (excluded VAT) of our tree species during the periods:

	Six months ended 30 June	
	2010	2009
	RMB	RMB
Chinese Fir – Sichuan	**856**	856
Chinese Fir – Yunnan	**839**	839
Yunnan Pine	**839**	839
Beech	**1,573**	1,284
Birch	**1,748**	1,384
Average Selling Price (Ex. VAT) (RMB per m^3)	**1,416**	1,159

Reversal of fair value of the plantation assets upon logging and sales

For the period ended 30 June 2010, the reversal of fair value of the plantation assets upon logging and sales was approximately RMB362.8 million (30 June 2009: RMB277.9 million), representing an increase of 30.6% as compared to the same period last year. Such increase was attributable to the increase in sales volume and the increase in average selling price.

Changes in fair value of plantation assets less cost to sell

Changes in fair value of plantation assets less costs to sell consist of unrealised gains or losses that are attributable to the revaluation of forests less costs to sell. IAS 41 on accounting for biological assets required us to account for the forest based on the fair value of the plantation assets less costs to sell at each balance sheet date. The aggregate gain or loss arising from the initial recognition of the forest and from the change in the fair value of the forest between the balance sheet date, less costs to sell, are recognised in the income statement as profit or loss.

For the period ended 30 June 2010, the change in fair value of plantation assets less costs to sell was approximately RMB470.6 million (30 June 2009: RMB518.9 million).

Operating expenses for logging activities

Operating expenses for logging activities consist of Cost of Harvesting and Forest Maintenance Fees associated with applying for logging permits, as illustrated below:

	Six months ended 30 June	
	2010	2009
	RMB	RMB
Cost of Harvesting	**115,247,500**	80,047,800
Forest Maintenance Fees	**16,264,500**	15,298,850
	131,512,000	95,346,650

During the Current Period, the Cost of Harvesting increased by 44.0% to RMB115.2 million (30 June 2009: RMB80.0 million) mainly due to the increase in Cost of Harvesting paid to the professional harvesting teams in Yunnan province. The Cost of Harvesting per unit increased by 32.5% to RMB330 per m^3 (30 June 2009: RMB249 per m^3).

During the Current Period, the Forest Maintenance Fees increased by 6.5% to RMB16.3 million (30 June 2009: RMB15.3 million) mainly due to the increase in harvesting volume of logs.

The table below illustrates the unit cost of logging activities:

	Six months ended 30 June	
	2010	2009
	RMB	RMB
Average Cost of Harvesting per unit (RMB per m^3)	**330**	249
– Sichuan	**225**	215
– Yunnan	**350**	260
Average Forest Maintenance Fees per unit (RMB per m^3)	**47**	48
– Sichuan	**55**	55
– Yunnan	**45**	45

Staff cost

Staff cost increased to RMB11.6 million for the period ended 30 June 2010 from RMB5.7 million over the same period last year mainly due to the increase in basic salary of Directors and senior management since December 2009.

Other operating expenses

The other operating expenses increased by 67.2% from RMB6.7 million for the period ended 30 June 2009 to RMB11.2 million for the period ended 30 June 2010, mainly due to the increase in education levy and urban education levy. The education levy and urban education levy were surcharges paid to the PRC government calculated at 3% and 7% of VAT paid and the increase was mainly due to the increase in turnover.

Financial expense

Financial expense for the period ended 30 June 2009 represents the deemed interest expenses for the forest acquisition in Yunnan in 2009. As the consideration for the forest acquisition was not scheduled to be paid up within one year following the acquisition date, the effect of discounting is considered. The payable is stated at the amortised cost at each period end and the amortisation for each period is recognised in the income statement as a deemed interest expense, payable to sellers of the forests acquired. As all outstanding balances of forest payments were paid up in 2009 and we did not acquire any plantation assets during this period, no interest expense was incurred for the Current Period.

Income tax expenses

Pursuant to section 27 of the Corporate Income Tax Law of the PRC and section 86 of the Implementation Regulations of the Corporate Income Tax Law, the income derived from our forestry business is exempt from income tax.

Profit for the year

Based on the foregoing reasons, our profit attributable to the equity Shareholders of the Company amounted to RMB426.3 million for the Current Period, representing a decrease in profit of RMB4.0 million compared to the same period last year.

Our net profit (excluding changes in fair value of plantation assets less costs to sell and the reversal of fair value of the plantation assets upon logging and sales) for the Current Period was RMB321.5 million (30 June 2009: RMB191.2 million), resulting in a corresponding net profit margin (excluding changes in fair value of plantation assets less costs to sell and the reversal of fair value of the plantation assets upon logging and sales) for the Current Period of 65.0% (30 June 2009: 51.2%).

SEGMENTAL INFORMATION

The Group operates in a single business and geographical segment as the revenue and profit are derived entirely from the sales of timber logs in the PRC. Accordingly, no segmental analysis has been presented.

LIQUIDITY AND FINANCIAL RESOURCES

As at 30 June 2010, the Group maintained cash and bank balances of approximately RMB1,534.7 million (31 December 2009: RMB1,706.6 million) with no bank borrowings outstanding (31 December 2009: Nil), the current ratio was 8.4 times (31 December 2009: 10.1 times). The Group re-evaluates its operational and investment status and opportunities with a view to optimize its cashflow while minimizing its financial risks. The Group will maintain a satisfactory financial position with its financial resources and liquidity position consistently monitored.

CONTINGENT LIABILITIES

As at 30 June 2010, the Group did not have any material contingent liabilities or guarantees.

PLEDGE OF ASSETS

None of the Group's assets was pledged as at 30 June 2010 and 31 December 2009.

FOREIGN EXCHANGE EXPOSURE

The Group's businesses are located in the PRC and its operating transactions are conducted in Renminbi. Most of its assets and liabilities are denominated in Renminbi, Hong Kong dollars and US dollars. Since the Renminbi is not freely convertible, there is a risk that the PRC government may take actions affecting exchange rates which may have a material adverse effect on its net assets, earnings and any dividends it declares if such dividends are to be exchanged or converted into foreign exchange. Moreover, the Group has not hedged its foreign exchange rate risk.

INTEREST RATE RISK

The Group's income and operating cash flow are not substantially affected by changes in market interest rates. We have no significant interest-bearing assets, except for cash and cash equivalents and available-for-sale securities which comprised of interest-bearing instruments, nor any interest-bearing liabilities.

CAPITAL EXPENDITURE

The Group had capital expenditure totaling RMB192,870 during the period under review.

MATERIAL ACQUISITIONS OR DISPOSALS OF SUBSIDIARIES AND ASSOCIATED COMPANIES

The Group had no material acquisition or disposal of any subsidiaries and associated companies during the Current Period.

BORROWING AND GEARING RATIO

The Group's gearing ratio is net debt divided by total equity plus net debt. Net debt is defined as interest-bearing bank loans, net of cash and bank balance and it excludes liabilities incurred for working capital purpose. Equity includes equity attributable to the owners of the Company and minority interests.

As at 30 June 2010, the Group did not have any interest-bearing bank loans and borrowings. As such, the Group was at a net cash position and no gearing ratio as at 30 June 2010.

EMPLOYEE AND REMUNERATION POLICY

As at 30 June 2010, the Group had a total of 322 employees (31 December 2009: 420 employees).

The remuneration of employees was based on their performance, skills knowledge, experience and market trend. The Group reviews its remuneration policies and packages on a regular basis and will make necessary adjustment commensurate with the pay level in the industry. In addition to basic salaries, employees may be offered discretionary bonus and cash awards based on individual performance. The Group has also adopted a share option scheme for its employees, providing incentives and rewards to eligible participants with reference to their contribution to the Group.

The Directors hereby present their report and the interim financial report of the Group for the six months ended 30 June 2010.

INTERIM DIVIDEND

Despite the healthy financial position of the Group, the Board believes that it would be in the interest of the Group and the shareholders at this stage to retain funds for the Group's future expansion of its business. In this respect, the Board did not recommend the payment of an interim dividend for the six months ended 30 June 2010 (30 June 2009: Nil).

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 30 June 2010, the interests and short positions of the Directors and chief executives of the Company in the Shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which (a) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO) or (b) were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein or (c) were required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange, were as follows:

(a) Long positions in Shares

Long Positions in our Company

Name of Director	Capacity/Nature of interest	Number of Shares	Approximate percentage of interest in our Company
Li Kwok Cheong[1]	Interest of a controlled corporation	1,534,950,000	50.15%
	Security interest	75,000,023	2.45%
Li Han Chun[2]	Interest of a controlled corporation	194,175,000	6.34%
Wong Tak-jun	Beneficial owner	68,000	0.002%

Notes:

(1) Kingfly Capital Limited ("Kingfly Capital") is wholly-owned and controlled by Mr. Li Kwok Cheong and Mr. Li Kwok Cheong is therefore deemed to be interested in the Shares held by Kingfly Capital. Kingfly Capital has a security interest over 75,000,023 Shares, representing approximately 2.45% of the interest in the Company held by Top Wisdom Overseas Holdings Limited ("Top Wisdom").

(2) Top Wisdom is wholly-owned and controlled by Mr. Li Han Chun and Mr. Li Han Chun is therefore deemed to be interested in the Shares held by Top Wisdom.

Save as disclosed above, as at 30 June 2010, so far as is known to any Directors or chief executives of the Company, none of the Directors or chief executives of the Company had any interests or short positions in the Shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which (a) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO) or (b) were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein or (c) were required, pursuant to the Model Code to be notified to the Company and the Stock Exchange.

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS IN SHARES AND UNDERLYING SHARES

So far as is known to any Directors or chief executives of the Company, as at 30 June 2010, Shareholders (other than the Directors or chief executives of the Company) who had interests or short positions in the Shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO were as follows:

Long positions:

Name	Note	Capacity/Nature of interest	Number of Shares	Approximate percentage of shareholding
Kingfly Capital	1	Beneficial Owner	1,534,950,000	50.15%
		Security Interest	75,000,023	2.45%
Mr. Li Kwok Cheong	1	Interest in controlled corporation	1,534,950,000	50.15%
		Security Interest	75,000,023	2.45%
CAGP	2	Beneficial owner	322,650,000	10.54%
CAGP General Partner, L.P.	2	Interest in controlled corporation	335,475,000	10.96%
CAGP Ltd.	2	Interest in controlled corporation	335,475,000	10.96%
TC Group Cayman Investment Holdings, L.P.	2	Interest in controlled corporation	335,475,000	10.96%
TCG Holdings Cayman II, L.P	2	Interest in controlled corporation	335,475,000	10.96%
Carlyle Offshore Partners II, Limited	2	Interest in controlled corporation	335,475,000	10.96%
Top Wisdom	3	Beneficial owner	194,175,000	6.34%
Mr. Li Han Chun	3	Interest in controlled corporation	194,175,000	6.34%
Partners Group AG	4	Investment Manager	165,150,000	5.40%
Partners Group Holding AG	5	Interest in controlled company	165,150,000	5.40%

Notes:

1. Kingfly Capital is wholly-owned and controlled by Mr. Li Kwok Cheong and Mr. Li Kwok Cheong is therefore deemed to be interested in the Shares held by Kingfly Capital. Kingfly Capital, as the chargee in respect of a charge made by Top Wisdom as the chargor over 75,000,023 Shares representing approximately 2.45% of the issued share capital of the Company, has a security interest over such Shares.

2. CAGP General Partner, L.P. is the general partner of CAGP and CAGP Coinvestment which collectively are interested in 10.96% of the total issued share capital of the Company. CAGP General Partner, L.P. itself acts by its general partner, CAGP Ltd., which in turn is 100% owned, controlled and managed by TC Group Cayman Investment Holdings, L.P., the general partner of which is, TCG Holdings Cayman, L.P.. Carlyle Offshore Partners II, Limited is the general partner of TCG Holdings Cayman II, L.P.. Each of CAGP General Partner, L.P., CAGP Ltd., TC Group Cayman Investment Holdings, L.P., TCG Holdings Cayman II, L.P. and Carlyle Offshore Partners II is deemed to be interested in the Shares held by CAGP and CAGP Coinvestment.

3. Top Wisdom is wholly-owned and controlled by Mr. Li Han Chun and Mr. Li Han Chun is therefore deemed to be interested in the Shares held by Top Wisdom. Top Wisdom, as the chargor, has created a charge in favour of Kingfly Capital, as the chargee, over 75,000,023 Shares representing approximately 2.45% of the issued share capital of the Company.

4. Partners Group Management (Scotland) Limited, the general partner of Partners Group Access, which is interested in 4.68% of the total issued share capital of the Company, is accustomed to act in accordance with the direction of Partners Group AG. In addition, Partners Group AG has discretion to make decisions regarding the exercise of the voting rights attributable to the 0.72% interest in the Company held by International Fund on account of IFM-Invest: 2 PrivateEquity. Partners Group AG is therefore, deemed to be interested in 5.40% of the total issued share capital of the Company.

5. Partners Group AG is a wholly-owned subsidiary of Partners Group Holding AG, which is, therefore, deemed to be interested in 5.40% of the total issued share capital of the Company.

Save as disclosed above, as at 30 June 2010, the Company had not been notified by any persons (other than the Directors or chief executives of the Company) who had interests or short positions in the Shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO.

CORPORATE GOVERNANCE

The Group has adopted the Corporate Governance ("CG") Code as its own code of corporate governance. The Group has complied with the code provisions of the CG Code as set out in Appendix 14 of the Listing Rules throughout the Current Period and up to the date of the publication of this report.

Pursuant to Rule 13.51B(1) of the Listing Rules, the Company advises that Mr. Li Kwok Cheong, the chairman and an executive Director of the Company, and Mr. Li Han Chun, our chief executive officer and an executive Director, have been appointed as directors of 雲南兆能木業投資有限公司 (Yunan Zhaoneng Timber Investment Co., Ltd.) and 滿洲里億尚林業資源開發有限公司 (Manzhouli Yishang Forestry Resource Development Co., Ltd.) which are indirect subsidiaries of our Company established during the Current Period.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

Throughout the Current Period, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

MODEL CODE SET OUT IN APPENDIX 10 OF THE LISTING RULES

The Company has adopted the Model Code for Securities Transactions by Directors of the Listed Issuers as set out in Appendix 10 of the Listing Rules (the "Model Code") as its own code of conduct for dealing in securities of the Company by the Directors. Having made specific enquiry to all the Directors of the Group, all the Directors confirmed that they have complied with the required standard of dealings as set out in the Model Code.

REVIEW OF INTERIM REPORT BY AUDIT COMMITTEE

The audit committee of the Group currently comprises three independent non-executive directors, namely Mr. Wong Tak-jun (Chairman of the Audit Committee), Mr. Wang Wei Ying and Mr. Liu Can. All members of the audit committee have reviewed the interim financial report of the Group for the six months ended 30 June 2010 and have discussed with the Group's management regarding auditing, internal control and other important matters.

APPRECIATION

I would like to take this opportunity to thank my fellow directors, our staff and all our stakeholders for their continued support.

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

Hong Kong, 26 August 2010

Consolidated Income Statement

for the six months ended 30 June 2010

	Note	Six months ended 30 June 2010 RMB (Unaudited)	2009 RMB (Audited)
Turnover	4	**494,257,281**	373,247,913
Other operating income	5	**568,197**	489,381
Amortisation of insurance premium		**(10,426,576)**	(9,736,915)
Amortisation of lease prepayments		**(3,861,236)**	(3,861,236)
Auditor's remuneration		**(774,620)**	(43,000)
Changes in fair value of plantation assets less costs to sell	12		
– changes during the period		**470,616,665**	518,868,021
Consultancy fees		**(2,062,108)**	(3,715,494)
Depreciation		**(2,214,218)**	(129,629)
Loss on disposal of fixed assets		**(29,286)**	–
Foreign exchange gain		**2,223,218**	164,837
Operating expenses for logging activities		**(131,512,000)**	(95,346,650)
Other operating expenses		**(11,235,158)**	(6,723,880)
Rental expenses of properties		**(1,200,564)**	(943,550)
Reversal of fair value of plantation assets upon logging and sales of the plantation assets		**(362,809,535)**	(277,949,785)
Staff costs	7	**(11,595,446)**	(5,650,510)
Travelling expenses		**(1,637,756)**	(796,003)
Profit from operations		**428,306,858**	487,873,500
Financing income		**987,878**	176,309
Financing expenses		**–**	(55,979,169)
Net financing income/(costs)	6	**987,878**	(55,802,860)
Profit before taxation		**429,294,736**	432,070,640
Income tax	8	**–**	–
Profit for the period		**429,294,736**	432,070,640
Attributable to:			
Equity shareholders of the Company		**429,294,736**	432,070,640
Earnings per share	10		
Basic and diluted		**0.14**	0.19

The notes on pages 25 to 45 form part of this interim financial report. Details of dividends payable to equity shareholders of the Company attributable to the profit for the period are set out in note 18.

Consolidated Statement of Comprehensive Income

for the six months ended 30 June 2010

	Note	Six months ended 30 June 2010 RMB (Unaudited)	2009 RMB (Audited)
Profit for the period		**429,294,736**	432,070,640
Other comprehensive income for the period	*9(a)*		
Exchange differences of translation of financial statements of subsidiaries incorporated outside the PRC		**(3,646,749)**	(1,778,500)
Available-for-sale securities: net movement in fair value reserve	*9(b)*	**613,725**	–
Total comprehensive income for the period		**426,261,712**	430,292,140
Attributable to:			
Equity shareholders of the Company		**426,261,712**	430,292,140

The notes on pages 25 to 45 form part of this interim financial report.

Consolidated Balance Sheet

at 30 June 2010

	Note	As at 30 June 2010 RMB (Unaudited)	As at 31 December 2009 RMB (Audited)
Non-current assets			
Property, plant and equipment, net	*11*	**23,812,704**	22,121,973
Lease prepayments		**214,243,072**	218,104,308
Plantation assets	*12*	**7,875,000,000**	7,767,000,000
Prepayment for forest acquisition	*13*	**190,338,500**	–
Total non-current assets		**8,303,394,276**	8,007,226,281
Current assets			
Inventories		**130,017**	–
Other receivables	*14*	**54,927,634**	55,321,994
Cash and cash equivalents	*15*	**1,534,694,611**	1,706,636,428
Other financial assets	*16*	**179,996,014**	–
Total current assets		**1,769,748,276**	1,761,958,422
Current liabilities			
Other payables	*17*	**(210,332,693)**	(174,725,496)
Total current liabilities		**(210,332,693)**	(174,725,496)
Net current assets		**1,559,415,583**	1,587,232,926
Total assets less current liabilities		**9,862,809,859**	9,594,459,207
Net assets		**9,862,809,859**	9,594,459,207
Capital and reserves			
Share capital		**20,797,400**	20,797,400
Reserves		**9,842,012,459**	9,573,661,807
Total equity attributable to equity shareholders of the Company		**9,862,809,859**	9,594,459,207

Approved and authorised for issue by the board of directors on 26 August 2010.

Li Kwok Cheong
Director

Li Han Chun
Director

The notes on pages 25 to 45 form part of this interim financial report.

Consolidated Statement of Changes in Equity

for the six months ended 30 June 2010

	Attributable to equity shareholders of the Company							
	Share capital RMB	Share premium RMB	Statutory surplus reserve RMB	Capital reserve RMB	Exchange reserve RMB	Fair value reserve RMB	Retained earnings RMB	Total equity RMB
Balance at 1 January 2009	232,245	247,886,109	170,865,000	88,556,933	(273,221)	–	6,928,083,175	7,435,350,241
(Audited) Changes in equity for the six months ended 30 June 2009:								
Shares issued	24,361	280,120,409	–	–	–	–	–	280,144,770
Total comprehensive income for the period	–	–	–	–	(1,778,500)	–	432,070,640	430,292,140
Balance at 30 June 2009 and 1 July 2009	256,606	528,006,518	170,865,000	88,556,933	(2,051,721)	–	7,360,153,815	8,145,787,151
(Audited) Changes in equity for the six months ended 31 December 2009:								
Capitalisation issue	15,037,670	(15,037,670)	–	–	–	–	–	–
Issuance of shares for placing and public offering	5,503,124	1,472,301,084	–	–	–	–	–	1,477,804,208
Share issuing cost	–	(109,410,235)	–	–	–	–	–	(109,410,235)
Total comprehensive income for the period	–	–	–	–	718,310	–	79,559,773	80,278,083
Balance at 31 December 2009 and 1 January 2010	20,797,400	1,875,859,697	170,865,000	88,556,933	(1,333,411)	–	7,439,713,588	9,594,459,207
Balance at 1 January 2010	20,797,400	1,875,859,697	170,865,000	88,556,933	(1,333,411)	–	7,439,713,588	9,594,459,207
(Unaudited) Changes in equity for 2010:								
Dividend approved in respect of the previous year	–	(157,911,060)	–	–	–	–	–	(157,911,060)
Total comprehensive income for the period	–	–	–	–	(3,646,749)	613,725	429,294,736	426,261,712
Balance at 30 June 2010	20,797,400	1,717,948,637	170,865,000	88,556,933	(4,980,160)	613,725	7,869,008,324	9,862,809,859

The notes on pages 25 to 45 form part of this interim financial report.

Condensed Consolidated Cash Flow Statement

for the six months ended 30 June 2010

	Note	Six months ended 30 June 2010 RMB (Unaudited)	2009 RMB (Audited)
Cash generated from operations		**362,283,138**	284,887,561
Tax paid		**–**	–
Net cash generated from operating activities		**362,283,138**	284,887,561
Net cash used in investing activities		**(376,313,895)**	(287,586,028)
Net cash (used in)/generated from financing activities		**(157,911,060)**	280,144,770
Net (decrease)/increase in cash and cash equivalents		**(171,941,817)**	277,446,303
Cash and cash equivalents at 1 January 2010/2009	*15*	**1,706,636,428**	104,530,763
Cash and cash equivalents at 30 June 2010/2009	*15*	**1,534,694,611**	381,977,066

The notes on pages 25 to 45 form part of this interim financial report.

Notes to the Interim Financial Report

for the six months ended 30 June 2010

1 GENERAL INFORMATION

China Forestry Holdings Co., Ltd. (the "Company") was incorporated in the Cayman Islands on 21 December 2007 as an exempted company with limited liability under the Companies Law, Chapter 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. The Company's shares were listed on the Main Board of The Stock Exchange of Hong Kong ("Stock Exchange") on 3 December 2009.

The condensed consolidated interim financial report of the Company as at and for the six months ended 30 June 2010 comprises the Company and its subsidiaries (collectively referred to as the "Group").

2 BASIS OF PREPARATION

The interim financial report has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange, including compliance with International Accounting Standard ("IAS") 34, Interim financial reporting, issued by the International Accounting Standard Board ("IASB"). It was authorised for issue on 26 August 2010.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2009 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2010 annual financial statements. Details of these changes in accounting policies are set out in note 3.

The preparation of an interim financial report in conformity with IAS 34 requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates.

This interim financial report contains condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the 2009 annual financial statements. The condensed consolidated interim financial statements and notes thereon do not include all of the information required for full set of financial statements prepared in accordance with International Financial Reporting Standards ("IFRS").

2 BASIS OF PREPARATION (Continued)

The interim financial report is unaudited, but has been reviewed by KPMG in accordance with Hong Kong Standard on Review Engagements 2410, *Review of interim financial information performed by the independent auditor of the entity*, issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). KPMG's independent review report to the Board of Directors is included on pages 46.

The financial information relating to the financial year ended 31 December 2009 that is included in the interim financial report as being previously reported information does not constitute the Company's statutory financial statements for that financial year but is derived from those financial statements. Statutory financial statements for the year ended 31 December 2009 are available from the Company's registered office. The auditors have expressed an unqualified opinion on those financial statements in their report dated 26 April 2010.

3 CHANGES IN ACCOUNTING POLICIES

The IASB has issued two revised IFRSs, a number of amendments to IFRSs and one new Interpretation that are first effective for the current accounting period of the Group. Of these, the following developments are relevant to the Group's financial statements:

– IFRS 3 (revised 2008), *Business combinations*
– Amendments to IAS 27, *Consolidated and separate financial statements*
– Amendments to IFRS 5, *Non-current assets held for sale and discontinued operations – plan to sell the controlling interest in a subsidiary*
– Improvements to IFRSs (2009)
– IFRIC 17, *Distributions of non-cash assets to owners*

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

The developments resulted in changes in accounting policy but none of these changes in policy have a material impact on the current or comparative periods, for the following reasons.

3 CHANGES IN ACCOUNTING POLICIES (Continued)

- The impact of the majority of the revisions to IFRS 3, IAS 27, IFRS 5 and IFRIC 17 have not yet had a material effect on the Group's financial statements as these changes will first be effective as and when the Group enters into a relevant transaction (for example, a business combination, a disposal of a subsidiary or a non-cash distribution) and there is no requirement to restate the amounts recorded in respect of previous such transactions.

- The impact of the amendments to IFRS 3 (in respect of recognition of acquiree's deferred tax assets) and IAS 27 (in respect of allocation of losses to non-controlling interests (previously known as minority interests) in excess of their equity interest) have had no material impact as there is no requirement to restate amounts recorded in previous periods and no such deferred tax assets or losses arose in the current period.

Further details of these changes in accounting policies are as follows:

- As a result of the adoption of IFRS 3 (revised 2008), any business combination acquired on or after 1 January 2010 will be recognised in accordance with the new requirements and detailed guidance contained in IFRS 3 (revised 2008). These include the following changes in accounting policies:

  – Transaction costs that the Group incurs in connection with a business combination, such as finder's fees, legal fees, due diligence fees, and other professional and consulting fees, will be expensed as incurred, whereas previously they were accounted for as part of the cost of the business combination and therefore impacted the amount of goodwill recognised.

  – If the Group holds interests in the acquiree immediately prior to obtaining control, these interests will be treated as if disposed of and re-acquired at fair value on the date of obtaining control. Previously, the step-up approach would have been applied, whereby goodwill was computed as if accumulated at each stage of the acquisition.

3 CHANGES IN ACCOUNTING POLICIES (Continued)

- Contingent consideration will be measured at fair value at the acquisition date. Any subsequent changes in the measurement of that contingent consideration will be recognised in profit or loss, unless they arise from obtaining additional information about facts and circumstances that existed at the acquisition date within 12 months from the date of acquisition (in which case they will be recognised as an adjustment to the cost of the business combination). Previously, contingent consideration was recognised at the acquisition date only if payment of the contingent consideration was probable and it could be measured reliably. All subsequent changes in the measurement of contingent consideration and from its settlement were previously recognised as an adjustment to the cost of the business combination and therefore impacted the amount of goodwill recognised.

- If the acquiree has accumulated tax losses or other temporary deductible differences and these fail to meet the recognition criteria for deferred tax assets at the date of acquisition, then any subsequent recognition of these assets will be recognised in profit or loss, rather than as an adjustment to goodwill as was previously the policy.

- In addition to the Group's existing policy of measuring the non-controlling interests (previously known as the "minority interests") in the acquiree at the non-controlling interest's proportionate share of the acquiree's net identifiable assets, in future the Group may elect, on a transaction by transaction basis, to measure the non-controlling interest at fair value.

In accordance with the transitional provisions in IFRS 3 (revised 2008), these new accounting policies will be applied prospectively to any business combinations in the current or future periods. The new policy in respect of recognition in the movement of deferred tax assets will also be applied prospectively to accumulated tax losses and other temporary deductible differences acquired in previous business combinations. No adjustments have been made to the carrying values of assets and liabilities that arose from business combinations whose acquisition dates preceded the application of this revised standard.

3 CHANGES IN ACCOUNTING POLICIES (Continued)

- As a result of the adoption of IAS 27 (amended 2008), the following changes in policies will be applied as from 1 January 2010:

  – If the Group acquires an additional interest in a non-wholly owned subsidiary, the transaction will be accounted for as a transaction with equity shareholders (the non-controlling interests) in their capacity as owners and therefore no goodwill will be recognised as a result of such transactions. Similarly, if the Group disposes of part of its interest in a subsidiary but still retains control, this transaction will also be accounted for as a transaction with equity shareholders (the non-controlling interests) in their capacity as owners and therefore no profit or loss will be recognised as a result of such transactions. Previously the Group treated such transactions as step-up transactions and partial disposals, respectively.

  – If the Group loses control of a subsidiary, the transaction will be accounted for as a disposal of the entire interest in that subsidiary, with any remaining interest retained by the Group being recognised at fair value as if reacquired. In addition, as a result of the adoption of the amendment to IFRS 5, if at the balance sheet date the Group has the intention to dispose of a controlling interest in a subsidiary, the entire interest in that subsidiary will be classified as held for sale (assuming that the held for sale criteria in IFRS 5 are met) irrespective of the extent to which the Group will retain an interest. Previously such transactions were treated as partial disposals.

  – Any losses incurred by a non-wholly owned subsidiary will be allocated between the controlling and non-controlling interests in proportion to their interests in that entity, even if this results in a deficit balance within consolidated equity being attributed to the non-controlling interests. Previously, if the allocation of losses to the non-controlling interests would have resulted in a deficit balance, the losses were only allocated to the non-controlling interests if the non-controlling interests were under a binding obligation to make good the losses.

  In accordance with the transitional provisions in IAS 27, these new accounting policies will be applied prospectively to transactions in current or future periods and therefore previous periods have not been restated.

3 CHANGES IN ACCOUNTING POLICIES (Continued)

- IFRIC 17 requires distributions of non-cash assets to owners to be measured as the fair value of the assets distributed. This will result in a gain or loss being recognised in profit or loss to the extent that the fair value of the assets is different from their carrying value. Previously the Group measured such distributions at the carrying value of the assets distributed. In accordance with the transitional provisions in IFRIC 17, this new accounting policy will be applied prospectively to distributions in current or future periods and therefore previous periods have not been restated.

- As a result of the amendment to IAS 17, Leases, arising from the "*Improvements to IFRSs (2009)*" omnibus standard, the Group has re-evaluated the classification of its interests in leasehold land as to whether, in the Group's judgement, the lease transfers significantly all the risks and rewards of ownership of the land such that the Group is in a position economically similar to that of a purchaser. The Group has concluded that the classification of such lease as operating leases continues to be appropriate.

4 TURNOVER AND SEGMENT INFORMATION

The principal activities of the Group are the management of forests and sale of timber logs in the PRC.

Turnover represents the sales value of goods supplied to customers less value added tax, returns and trade discounts. The applicable value added tax rate for the Group is 13% according to Cai Shui [1994] No. 4 issued by the Ministry of Finance and the State Administration of Taxation of the PRC.

The directors consider that the Group operates in a single business and geographical segment as the revenue and profit are derived entirely from the sales of timber logs in the PRC. Accordingly, no segmental analysis has been presented.

5 OTHER OPERATING INCOME

	Six months ended 30 June	
	2010	2009
	RMB	RMB
	(Unaudited)	(Audited)
Government grants	**192,870**	489,381
Other trading income	**282,600**	–
Others	**92,727**	–
	568,197	489,381

A subsidiary, Kunming Ultra Big Forestry Resource Development Co., Ltd ("Kunming Ultra Big"), received unconditional government grants in the form of free saplings from Sichuan and Yunnan Forestry Bureau. Government grants were recognised as other operating income in profit or loss when they become receivable.

6 NET FINANCING INCOME/(COSTS)

	Six months ended 30 June	
	2010	2009
	RMB	RMB
	(Unaudited)	(Audited)
Interest income earned from deposits with banks	**987,878**	176,309
Interest paid on payable for forest acquisition	**–**	(55,979,169)
	987,878	(55,802,860)

7 STAFF COSTS

	Six months ended 30 June	
	2010	2009
	RMB	RMB
	(Unaudited)	(Audited)
Salaries, wages and other benefits	**10,619,409**	4,862,583
Contributions to defined contribution retirement schemes	**976,037**	787,927
	11,595,446	5,650,510

Pursuant to the relevant labour rules and regulations in the PRC, the Group participates in defined contribution retirement schemes ("the Schemes") organised by the PRC municipal government authorities whereby the Group is required to make contributions to the Schemes at a rate of 20% (2009: 20%) of the standard wages determined by the relevant authorities during the six months ended 30 June 2010. Contributions to the Schemes vest immediately.

The Group operates a Mandatory Provident Fund Scheme ("the MPF scheme") under the Hong Kong Mandatory Provident Fund Schemes Ordinance for employees employed under the jurisdiction of the Hong Kong Employment Ordinance. The MPF scheme is a defined contribution retirement scheme administrated by independent trustees. Under the MPF scheme, the Group and its employees are each required to make contributions to the plan at 5% of the employees' relevant income, subject to a cap of monthly relevant income of HK$20,000. Contributions to the MPF scheme vest immediately.

Save for the above schemes, the Group has no other material obligation for the payment of retirement benefits beyond the contributions described above.

8 INCOME TAX

(a) Pursuant to the rules and regulations of the Cayman Islands and the British Virgin Islands ("BVI"), the Group is not subject to any income tax in the Cayman Islands and the BVI.

(b) No provision for Hong Kong Profits Tax has been made as the Group did not have assessable profits subject to Hong Kong Profits Tax during the six months ended 30 June 2010 and 2009.

(c) Pursuant to section 27 of the Corporate Income Tax Law of the PRC ("PRC tax law") and section 86 of the Implementation Regulations of the PRC tax law, the entity's income derived from forestry business is exempt from income tax.

Under the PRC tax law, the Corporate Income Tax rate of the PRC was 25% for the six months ended 30 June 2010 (six months ended 30 June 2009: 25%).

Under the PRC tax law, from 1 January 2008 onwards, non-resident enterprises without an establishment or place of business in the PRC or which have an establishment or place of business but the relevant income is not effectively connected with the establishment or a place of business in the PRC, will be subject to withholding tax at the rate of 5% or 10% on various types of passive income such as dividends derived from sources in the PRC. Distributions of the pre-2008 earnings are exempt from the above-mentioned withholding tax. Dividends receivable by the Group from its PRC subsidiaries in respect of its profits earned since 1 January 2008 are subject to the above-mentioned withholding tax. Accordingly, deferred tax would be recognised for undistributed retained earnings of the PRC subsidiaries to the extent that the earnings would be distributed in the foreseeable future. The aggregate amounts of temporary differences associated with undistributed retained earnings and the related deferred tax liabilities which were not recognised because distribution of earnings was not expected in the foreseeable future amounted to RMB7,994,548,775 and RMB399,727,439 respectively as at 30 June 2010 (the year ended 31 December 2009: RMB7,559,680,090 and RMB377,984,005 respectively).

9 OTHER COMPREHENSIVE INCOME

(a) The components of other comprehensive income do not have any significant tax effect for the six months ended 30 June 2010 and 2009.

(b) Available-for-sale securities

	Six months ended 30 June	
	2010	2009
	RMB	RMB
	(Unaudited)	(Audited)
Changes in fair value recognised during the period	**613,725**	–
Net movement in the fair value reserve during the period recognised in other comprehensive income	**613,725**	–

10 EARNINGS PER SHARE

The calculation of basic earnings per share for the six months ended 30 June 2010 is based on the profit attributable to equity shareholders of the Company of RMB429,294,736 (six months ended 30 June 2009: RMB432,070,640) and 3,060,452,000 ordinary shares (six months ended 30 June 2009: 2,250,000,000 ordinary shares, after adjusting for the capitalisation issue in November 2009) in issue during the interim period.

There were no potential dilutive ordinary shares during the six months ended 30 June 2009 and 2010. Therefore, the diluted earnings per share is the same as the basic earnings per share.

11 PROPERTY, PLANT AND EQUIPMENT, NET

During the six months ended 30 June 2010, the Group acquired fixed assets with an aggregate cost of RMB3,968,961 (six months ended 30 June 2009: RMB1,970,047). Items of fixed assets with a net book value of RMB64,012 were disposed of during the six months ended 30 June 2010 (six months ended 30 June 2009: Nil), resulting in a loss on disposal of RMB29,286 (six months ended 30 June 2009: Nil).

12 PLANTATION ASSETS

	As at 30 June 2010 RMB (Unaudited)	As at 31 December 2009 RMB (Audited)
At 1 January 2010/2009	**7,767,000,000**	7,693,000,000
Additions (note (a))	**192,870**	655,897
Harvested timber transferred to inventories	**(362,809,535)**	(607,994,691)
Changes in fair value less costs to sell (note (b))	**470,616,665**	681,338,794
At 30 June 2010/31 December 2009	**7,875,000,000**	7,767,000,000

At 30 June 2010, plantation assets represent standing timber acquired, planted and managed by the Group and comprise approximately 171,780 hectares of tree plantations (31 December 2009: 171,780 hectares) which range from 20 to 24 years old. During the six months ended 30 June 2010, the Group harvested approximately 349,100 cubic meters of wood (six months ended 30 June 2009: 356,730 cubic meters), which had a fair value less costs to sell of RMB362,809,535 at the date of harvest (six months ended 30 June 2009: RMB277,949,785).

12 PLANTATION ASSETS (continued)

(a) Additions

During the six months ended 30 June 2010, the Group planted tree saplings with a value of RMB192,870 (six months ended 30 June 2009: RMB489,249). No new forests were acquired during the six months ended 30 June 2010.

(b) Changes in fair value less costs to sell

The changes in fair value less costs to sell during the period/year represent the aggregate of the difference between the value of the existing plantation assets as of the beginning and end of the financial period/year and the difference between the value of the new plantation assets as of the second day of acquisition and end of the financial period/year.

The Group's plantation assets in the PRC were independently valued by Chandler Fraser Keating Limited ("CFK"). CFK is a privately owned specialist forest consulting firm headquartered in New Zealand. In view of the non-availability of market value for trees in the PRC, CFK has applied the net present value approach whereby projected future net cash flows, based on its assessment of current timber log prices, were discounted at the rates of 9% to 13% (2009: 9% to 13%) for plantation assets for the period and applied to pre-tax cash flows to provide a current market value of the plantation assets.

The principal valuation methodology and assumptions adopted are as follows:

– Stands are scheduled to be harvested at or near their optimum economic rotation age;

– The cash flows are those arising from the current rotation of trees only. No account was taken of revenues or costs from re-establishment following harvest, or of land not yet planted;

– The cash flows do not take into account income tax and finance costs;

12 PLANTATION ASSETS (continued)

(b) Changes in fair value less costs to sell (continued)

- The cash flows have been prepared in real terms and have not therefore included inflationary effects;

- The impact of any planned future activity of the business that may impact the pricing of the logs harvested from the forest is not taken into account; and

- Costs are current average costs. No allowance has been made for cost improvements in future operations.

13 PREPAYMENT FOR FOREST ACQUISITION

On 16 March 2010, the Group entered into a memorandum of intent to acquire a forest in Guizhou Province, the PRC and RMB190,338,500 was paid by the Group as a deposit.

14 OTHER RECEIVABLES

	As at 30 June 2010 RMB (Unaudited)	As at 31 December 2009 RMB (Audited)
Other receivables	**4,038,448**	1,800,767
Prepaid insurance premium	**13,176,261**	17,479,682
Other prepayments and deposits	**37,712,925**	36,041,545
	54,927,634	55,321,994

The Group enters into a number of insurance policies for its plantation assets and these policies typically run for a period of 1 year to 4 years. The amount of the Group's prepaid insurance premium expected to be expensed after more than one year is RMB1,793,789 (31 December 2009: RMB3,637,953). The prepaid insurance premium is amortised on a systematic basis over the insurance term. Except for the above, all of other receivables are expected to be recovered or recognised as expense within one year.

15 CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise:

	As at 30 June 2010 RMB (Unaudited)	As at 31 December 2009 RMB (Audited)
Cash at bank and in hand	**1,534,694,611**	1,706,636,428

The Group's cash and cash equivalents include cash at bank and in hand of RMB1,047,673,733 which were held in the PRC as at 30 June 2010 (31 December 2009: RMB376,123,689). The conversion of RMB denominated balance into foreign currencies and the remittance of such foreign currencies denominated bank balances and cash out of the PRC are subject to the relevant rules and regulations of foreign exchange control promulgated by the PRC government.

16 OTHER FINANCIAL ASSETS

	As at 30 June 2010 RMB (Unaudited)	As at 31 December 2009 RMB (Audited)
Available-for-sale securities		
– Unlisted	**111,553,916**	–
– Listed in Hong Kong	**68,442,098**	–
	179,996,014	–

At 30 June 2010, none of the Group's available-for-sale securities were individually determined to be impaired.

17 OTHER PAYABLES

	As at 30 June 2010 RMB (Unaudited)	As at 31 December 2009 RMB (Audited)
Other payables and accrued expenses	**210,014,648**	174,497,904
Payable to the Director	**318,045**	227,592
	210,332,693	174,725,496

Other payables and accrued expenses include salary and staff welfare payables, VAT payables and other miscellaneous payables.

17 OTHER PAYABLES (continued)

The Group obtained a non-binding credit facility of not more than RMB1,000 million from Shenzhen Development Bank. Drawdown of the facility is subject to the bank's assessment and approval. The facility is valid during the period from September 2008 to September 2011. Up to the balance sheet date, the Group has not drawn down any loans on the facility.

18 DIVIDENDS

Dividends payable to equity shareholders attributable to the previous financial year, approved and paid during the interim period

	Six months ended 30 June	
	2010	2009
	RMB	RMB
	(Unaudited)	(Audited)
Final dividend in respect of the previous financial year, approved and paid during the following interim period, of HK$5.86 cents (RMB5.16 cents) per ordinary share (six months ended 30 June 2009: Nil)	**157,911,060**	–

19 COMMITMENTS AND CONTINGENT LIABILITIES

(a) Capital commitments outstanding as at 30 June 2010 not provided for in the interim financial report are as follows:

	As at 30 June 2010 RMB (Unaudited)	As at 31 December 2009 RMB (Audited)
Authorised and contracted for:		
– acquisition of forests	**464,000,000**	–
– acquisition of fixed assets	**2,275,385**	2,275,385
	466,275,385	2,275,385
Authorised but not contracted for:		
– acquisition of forests	**3,764,296,500**	1,400,000,000
– acquisition of fixed assets	**–**	32,001,270
– other projects	**6,000,000**	30,000,000
	3,770,296,500	1,462,001,270
Total capital commitments	**4,236,571,885**	1,464,276,655

19 COMMITMENTS AND CONTINGENT LIABILITIES (continued)

(b) As at 30 June 2010, the total future minimum lease payments under non-cancellable operating leases are payables as follows:

	As at 30 June 2010 RMB (Unaudited)	As at 31 December 2009 RMB (Audited)
Within 1 year	**2,868,971**	1,423,017
After 1 year but within 5 years	**1,948,739**	167,350
	4,817,710	1,590,367

The Group is the lessee in respect of a number of properties held under operating leases. The leases typically run for an initial period of one to eight years (31 December 2009: one to three years), with no option to renew the leases. None of the leases includes contingent rentals.

19 COMMITMENTS AND CONTINGENT LIABILITIES (continued)

(c) Contingent liabilities

Environmental contingencies

The Group's operations are regulated by various laws and regulations. Laws and regulations protecting the environment and wild life have generally become more stringent in recent years and could become more stringent in the future. Some of these laws and regulations could impose significant costs, expenses, penalties and liabilities on the Group for violations whether or not caused or known by the Group. The financial position of the Group may be adversely affected by any environmental liabilities which may be imposed under such new environmental laws and regulations. The directors are not aware of any environmental liabilities as at 30 June 2010 and 31 December 2009.

Obligation to replant

The Group is obligated to replant at least 100% of the crops harvested. During the six months ended 30 June 2010 and the year ended 31 December 2009, the saplings were provided by local forestry authorities free of charge. The Group is obligated to replant the tree crops even if the forestry authorities do not provide the saplings. In such case, there will be a potential cost incurred by the Group.

20 MATERIAL RELATED PARTY TRANSACTIONS

(a) Key management personnel remuneration

Remuneration for key management personnel of the Group are as follows:

	Six months ended 30 June	
	2010	2009
	RMB	RMB
	(Unaudited)	(Audited)
Short-term employee benefits	**6,203,970**	1,398,395
Post-employment benefits	**52,621**	55,150
	6,256,591	1,453,545

(b) Financing arrangements

		As at	As at
		30 June	31 December
	Note	**2010**	2009
		RMB	RMB
		(Unaudited)	(Audited)
Advances from directors	*(i)*	**318,045**	328,315
Advance to a director	*(ii)*	**1,457,670**	1,012,279

Notes:

(i) The advances from directors are unsecured, interest free and have no fixed repayment term.

(ii) The advance to a director is unsecured, interest free and repayable on demand.

Review report to the board of directors of China Forestry Holdings Co., Ltd.

(Incorporated in the Cayman Islands with limited liability)

INTRODUCTION

We have reviewed the interim financial report set out on pages 20 to 45 which comprises the consolidated balance sheet of China Forestry Holdings Co., Ltd. as of 30 June 2010 and the related consolidated income statement, statement of comprehensive income and statement of changes in equity and condensed consolidated cash flow statement for the six month period then ended and explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of an interim financial report to be in compliance with the relevant provisions thereof and International Accounting Standard 34 "Interim financial reporting" issued by the International Accounting Standards Board. The directors are responsible for the preparation and presentation of the interim financial report in accordance with International Accounting Standard 34.

Our responsibility is to form a conclusion, based on our review, on the interim financial report and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410, "Review of interim financial information performed by the independent auditor of the entity" issued by the Hong Kong Institute of Certified Public Accountants. A review of the interim financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly we do not express an audit opinion.

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the interim financial report as at 30 June 2010 is not prepared, in all material respects, in accordance with International Accounting Standard 34 "Interim financial reporting".

KPMG
Certified Public Accountants
8th Floor, Prince's Building
10 Chater Road
Central, Hong Kong

26 August 2010