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## **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)**

### **SUSPENSION OF TRADING PRICE SENSITIVE INFORMATION**

Reference is made to the announcement (the “**Announcement**”) of the China Forestry Holdings Co., Ltd. (the “**Company**”, and together with its subsidiaries, the “**Group**”) dated 31 January 2011. Terms defined in the Announcement have the same meanings when used here unless otherwise stated.

#### **INDEPENDENT BOARD COMMITTEE INQUIRY**

In connection with the inquiry, which is on-going, being conducted by the independent board committee as disclosed in the Announcement, the Board would like to inform the shareholders of the Company (the “**Shareholders**”) that:–

- (1) as at 25 February 2011, the Group has approximately RMB99.1 million and US\$143.5 million in cash and bank balances in the PRC and approximately HK\$2.7 million and US\$204.1 million in cash and bank balances in Hong Kong, which totalled approximately RMB2.38 billion;
- (2) the Company is in the process of ascertaining its current liabilities position as at 25 February 2011 and an announcement will be published by the Company in this regard to inform the Shareholders in due course; to the best knowledge of the Company, the two major current liabilities of the Company as at the date of this announcement are (i) the 7.75% Senior Notes of US\$300 million due 2015 issued by the Company; and (ii) other payables and accrued expenses of approximately RMB275 million which mainly represented the value-added tax payable and the Group believes that it has sufficient financial resources to pay off all existing loans and payables, expenses and carry on its operations;

- (3) in addition to the removal of Mr. Li Han Chun as the chief executive officer, and the appointment of Mr. Li Jian as the acting chief executive officer of the Company as disclosed in the announcement of Company dated 18 February 2011, several persons (including Mr. Li Han Chun) who are suspected to be involved in the matters concerned in the inquiry have been removed from their positions in the Group;
- (4) in addition to the appointment of Mr. Li Jian as the acting chief executive officer of the Company, several appointments were made and certain professionals have been engaged to assist the Company in carrying on its business and conducting the inquiry, including the following:
- (a) Mr. Lin Pu (林普), an executive Director, has been appointed as a vice president of the Company, responsible for acquisition of forests and local business operations of the Group in Yunnan, Guizhou and Sichuan. Please refer to the announcement of the Company dated 3 January 2011 for a summary of his qualifications and experience;
  - (b) Mr. Michael Cheung (張文宇) has been appointed as a vice president of the Company responsible for the financial management, investor relationships and financial reporting of the Company and assisting the chief executive officer in formulating the Group's strategy. He has over 13 years of experience in financial management and financial services. Prior to joining the Group, he was employed at the audit department of Ernst & Young, an international accounting firm, between 2000 and 2004, he has been a vice president (or director) at the respective investment banking division of BNP Paribas Capital (Asia Pacific) Limited, UBS AG and J.P. Morgan since 2004; and
  - (c) An independent professional accounting service firm has been engaged to assist the Company in its internal accounting related matters.
- (5) (a) the Company is in the course of implementing the following policies and actions, among others, to control and safeguard the cash of the Company:
- (i) signatories for the Group's bank accounts in mainland China have been changed to Mr. Lin Pu or Mr. Li Kwok Cheong with one member of the independent board committee as a joint signatory for any payment in excess of RMB1,000,000;
  - (ii) signatories for the Group's bank accounts in Hong Kong will be changed to Mr. Li Kwok Cheong and a member of the audit committee or a member of the independent board committee as a joint signatory for any payment in excess of RMB1,000,000;
- (b) the Company has implemented the following policies and actions, among others, to control and safeguard the cash of the Company:
- (i) any cash payment, transfer of funds or other payments over RMB100,000 will require the written approval by the relevant authorized signatory and the approval by Mr. Li Kwok Cheong;

- (ii) any cash payment, transfer of funds or other payments over RMB1,000,000 will further require the approval by Mr. Xiao Feng and notification to the Board;
  - (iii) any use of the bank balance of approximately US\$204 million maintained in the Group's bank account in Hong Kong is prohibited except for running the Group's day-to-day operations and payment of fees to professional service providers;
  - (iv) the Company's bank balances of the Company and each of its subsidiaries as confirmed in bank statements are reviewed and analyzed each week;
- (6) the Company has become aware that Mr. Li Han Chun, a Director and the former chief executive officer of the Company, has been detained by the public security bureau of Guizhou Province, the PRC on 24 February 2011 for embezzlement of funds of approximately RMB30 million; and
- (7) the Company has noted that Mr. Li Han Chun had taken away certain documents of the Company's subsidiaries which consist of mainly the sales documents of Kunming Ultra Big Forestry Resources Development Co., Ltd. The Company is in the process of ascertaining the extent of documents taken away by Mr. Li Han Chun and is seeking legal advice as to recovery of such documents. Further announcement will be made to keep the Shareholders and the investing public informed. Despite the absence of the documents, the Company still targets to release its results for the year ended 31 December 2010 no later than 31 March 2011 and will publish an announcement to inform the Shareholders if it becomes aware that the absence of those documents or any incident is likely to delay the release of the results.

Trading in the shares of the Company on the Main Board of the Stock Exchange of Hong Kong Limited will remain suspended. Further announcement will be made to keep the Shareholders and the investing public informed.

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

Hong Kong, 2 March 2011

*As at the date of this announcement, the executive directors of the Company are Mr. Li Kwok Cheong, Mr. Li Han Chun 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. Wong Tak-jun, Mr. Liu Can and Mr. Zhu Demiao.*

\* *The English names of PRC companies and the like are translations of their Chinese names and are included for identification purposes only. In the event of any inconsistency, the Chinese name prevails.*