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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)

ANNOUNCEMENT RESIGNATION OF AUDITORS

The board of directors (the “**Board**”) of China Forestry Holdings Co., Ltd. (the “**Company**”, together with its subsidiaries, the “**Group**”) hereby announces that the Board was notified by KPMG by way of a letter dated 30 December 2011 (the “**1st KPMG Letter**”) that KPMG would not stand for re-appointment as the auditors of the Company upon the expiry of its term of office at the Company’s forthcoming annual general meeting. In order to facilitate the change of auditors and in turn, the commencement of work of the incoming auditors for the financial year ended 31 December 2011, at the request of the Company, KPMG resigned as the auditors of the Company with effect from 5 January 2012 by way of a letter dated 5 January 2012 (the “**2nd KPMG Letter**”, together with the “**1st KPMG Letter**”, the “**KPMG Letters**”). The Board will fill the vacancy of KPMG as the auditors of the Company as soon as practicable and will make an announcement in this regard.

In the KPMG Letters, KPMG set out the circumstances leading to their cessation as the auditors of the Company, which are extracted as follows:

“As detailed in our auditor’s report dated 29 April 2011, we issued a disclaimer of opinion in respect of the Group’s financial statements for the year ended 31 December 2010. This was due to the irregularities we identified during our audit and limitation in the scope of our work as described under the heading of “Basis for disclaimer of opinion” in our auditor’s report. Evidence obtained by us during the course of our audit for the year ended 31 December 2010 indicated irregularities with respect to the Group’s accounting records and the transactions recorded therein. We reported our concerns to the Company’s directors and audit committee. An independent board committee of the Company was established, whose findings cast serious doubt over the authenticity and reliability of records and documents of the Group and over the reliability of information and explanations provided to us by members of management as well as by parties external to the Group.”

In response to the irregularities identified, we requested the Company to extend the scope of investigations to identify all irregularities that may have occurred and all management and officers involved in the irregularities, trace where the Group spent the proceeds from the initial public offering and reconcile the details of recorded plantation assets. We are still awaiting the results of the investigations up to the date of this letter.

We have also advised the Company that a number of other matters will need to be resolved as soon as possible for the 2011 financial year. These are in respect of verifying ownership and valuation of the Group's plantation assets; valuation of lease prepayments; valuation and ownership of the Group's inventories of logs and related sales and purchase transactions; estimation of payables for plantation assets and taxation matters.

Notwithstanding our resignation with immediate effect, we are willing to attend the forthcoming annual general meeting, if necessary."

Other than the foregoing, KPMG stated in the 2nd KPMG Letter that there are no matters in connection with their resignation as the auditors of the Company that they consider need to be brought to the attention of the Shareholders or creditors of the Company.

Save as disclosed above, the Board is not aware of any other matters in connection with the resignation of KPMG as the auditors of the Company that need to be brought to the attention of the Shareholders or creditors of the Company.

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

Hong Kong, 5 January 2012

As at the date of this announcement, the executive directors of the Company are Mr. Li Kwok Cheong, Mr. Li Han Chun (duties suspended) 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 and Ms. Hsu Wai Man, Helen.