

ISOBEL AUDIT CONSULTING

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Société d'Expertise Comptable inscrite au Tableau de l'ordre de la région Paris Ile de France

INDEPENDENT AUDITOR'S REPORT ON PRO FORMA CONSOLIDATED FINANCIAL STATEMENTS OF CHINA FOREST INDUSTRY HOLDING Ltd

To the shareholders of

China Forest Industry Holding Ltd
Room 1503, 15th floor, Top Glory Tower
262, Gloucester Road, Causeway Bay
Hong Kong

Introduction

On the occasion of the admission of China Forest Industry Holding Ltd ("CFI") we have reviewed the accompanying pro forma consolidated balance sheet of CFI as of December 31, 2006 and 2007, and the related pro forma consolidated financial statements of income, for the year then ended, and the summary of significant accounting policy and other explanatory pro forma notes. We have also made a limited review of the pro-forma consolidated financial interim statements as of 31 May 2008.

The management is responsible for the preparation and presentation of this pro forma consolidated information in accordance with International Financial Reporting Standards ("IFRS"). Our responsibility is to express a conclusion on those pro-forma consolidated financial information based on our review.

The purpose of the pro-forma consolidated financial information is to present the material effects of the transactions described in the pro-forma notes would have had on the historical consolidated financial statements if the group had existed in the structure created by the transactions throughout the entire reporting period. As the pro-forma consolidated financial information reflects a hypothetical situation, it is not entirely consistent with a presentation that would have resulted, had the relevant events actually occurred at the beginning of the reporting period.



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S.A.R.L. au capital de 31.709,40 € - R.C.S. Paris B 331.761.627. - Membre du groupe FNRC

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Scope of Review

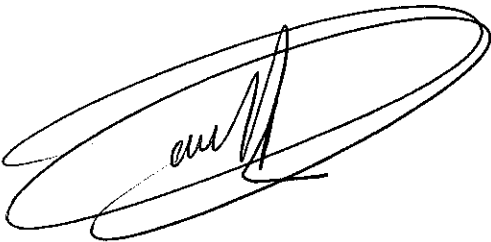
We conducted our review in accordance with the International Standards on Review Engagements 2400. Review of pro-forma consolidated financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedure. A review is substantially less in scope than an audit conducted in accordance with International 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 accompanying pro-forma consolidated financial information is not prepared, in all material respects, in accordance with IFRS.

Paris, september 5th 2008

ISOBEL AUDIT CONSULTING
Registered Auditors



Jean Fabrice Cauchy
Chairman



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Pro-forma consolidated accounts of China Forest Industry Holdings Ltd.

BALANCE SHEET

	2008.05.31	2007	2006
(Expressed in Euros)	€	€	€
ASSETS			
Fixed Assets			
- <i>Land and land use rights</i>	117,389	117,446	46,905
- <i>Construction In Progress</i>	250,838	103,798	0
- <i>Office furniture and equipment</i>	8,516	8,317	5,596
- <i>Vehicles</i>	18,685	19,837	15,372
Long term investment	0	0	0
Biological assets			
- <i>consumable & public beneficial timber assets</i>	9,211,640	7,364,669	5,339,726
- <i>Timber Holdings</i>	716,725	606,734	30,181
Other	0	0	104,687
Capital to be paid	0	2,230,279	3,170,067
Total Non-current assets	10,323,793	10,451,079	8,712,534
Current assets	0	0	
- <i>Inventories</i>	99,755	67,506	9,025
- <i>Trade and other receivables</i>	111,997	900,206	162,661
- <i>Banks</i>	241,762	13,999	131,567
- <i>Cash and cash equivalents</i>	2,205	5,886	2,996
- <i>Prepaid expenses</i>	10,752	0	1,453
Total Current assets	466,472	987,597	307,703
Total Assets	10,790,265	11,438,677	9,020,237

Pro-forma consolidated accounts of China Forest Industry Holdings Ltd.			
BALANCE SHEET			
	2008.05.31	2007	2006
LIABILITIES AND SHAREHOLDER'S EQUITY	€	€	€
Share capital (1)	5,212,858	5,212,858	5,212,858
- <i>Share issuing cost</i>	-608,167	-608,167	-608,167
Retained earning	803,274	476,398	-6,222
- <i>Profits b/f</i>	465,784	-5,482	0
- <i>profit for the year</i>	337,490	481,880	-6,222
Exchange reserve	-234,942	-240,078	191
other reserve	130,259	130,259	130,259
Shareholders' equity - Group share	5,303,283	4,971,271	4,728,919
Minority interests	311,083	293,515	280,983
Total shareholders' equity	5,614,366	5,264,786	5,009,904
	0	0	0
Long term debts	149,486	37,131	0
Accounts payable and accrued liabilities	4,859,165	5,518,816	3,845,144
- <i>Accounts payable</i>	1,256,175	2,250,554	1,328,046
- <i>Other payable</i>	2,994,216	2,658,827	784,448
<i>Including: Private borrowings (2)</i>	1,301,528	1,783,006	546,039
<i>Individual Bank loans</i>	1,154,003	722,842	115,354
<i>Others</i>	538,685	152,979	123,055
- <i>Advance from clients</i>	463	1,068	1,124,482
- <i>Other amount payable</i>	608,311	608,367	608,168
Tax payable	9,766	14,561	480
Bank indebtedness	157,482	603,383	164,710
Total liabilities	5,175,899	6,173,891	4,010,334
Shareholders's equity&Liabilities	10,790,265	11,438,677	9,020,237

(1) Share capital stays the same because of proforma 60 000 000 HK\$ stay at the same rate of HK\$ for €

(2) Private borrowings are loans taken by physical persons because of bank guarantee but paid and owed by the company

Pro-forma consolidated accounts of China Forest Industry Holdings Ltd.			
PROFIT AND LOSS			
	2008.05.31	2007	2006
PROFIT AND LOSS	€	€	€
<i>Revenue</i>	681,570	1,863,026	36,282
<i>Costs and expenses</i>	-92,723	-957,891	-22,950
GROSS PROFIT	588,846	905,135	13,332
<i>other income / expense</i>	0	9,650	0
<i>Indirect costs and expenses</i>	-105,966	-304,802	-6,971
EBITDA	482,881	609,983	6,361
<i>Depreciation and amortization</i>	-13,275	-8,223	-616
EBIT	469,606	601,760	5,745
<i>Financial result</i>	-83,782	-76,598	-4,540
<i>Non operating income/expense</i>	-30,245	-18,673	-6,983
<i>Net income before taxes</i>	355,341	506,488	-5,778
Deferred tax liability	0	-40	-444
Net income	355,341	506,448	-6,222
Less: Minority interest	-17,851	-24,568	0
NET INCOME	337,490	481,880	-6,222

The purpose of these pro-forma consolidated financial information is to present the material effects of the transactions described in the pro-forma notes would have had on the historical consolidated financial statements if the group had existed in the structure created by the transactions throughout the entire reporting period. As the pro-forma consolidated financial information reflects a hypothetical situation, it is not entirely consistent with a presentation that would have resulted, had the relevant events actually occurred at the beginning of the reporting period.

More precisely the pro-forma consolidated accounts of CFI are pro-forma because of :

1. The existence of the company at 31.12.2006
2. The minority interests 5% proforma at 31.12.2006 instead of 30% up till 31.05.2008

There is no difference of first consolidation (goodwill / badwill) because the subsidiaries were created in 2006 and therefore the pro-forma consolidation and transfer of shares had a very low non significant goodwill / badwill

Therefore the reader can refer to the annexes of STCI enclosed which are thus also relevant for CFI