GREENHEART GROUP LIMITED

綠森集團有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 94)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2013

The board (the "Board") of directors (the "Directors") of Greenheart Group Limited ("Greenheart" or the "Company") is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (the "Group") for the six months ended 30 June 2013 (the "Period"), together with the comparative figures for the corresponding period in 2012, as follows:

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

		For the six months ended 30 June	
		2013	2012
		(Unaudited)	(Unaudited)
	Notes	***HK$'000***	*HK$'000*
REVENUE	5	**318,978**	202,640
Cost of goods sold		**(172,217)**	(130,664)
Gross profit		**146,761**	71,976
Other income and gains	5	**5,941**	7,685
Fair value gain on plantation forest assets		**24,810**	42,731
Selling and distribution costs		**(95,768)**	(71,076)
Administrative expenses		**(41,266)**	(41,789)
Other operating expenses		**(37,089)**	(25,106)
Non-cash share option expenses		**(3,060)**	(371)
Finance costs	6	**(26,743)**	(19,450)
LOSS BEFORE TAX	7	**(26,414)**	(35,400)
Tax	8	**(20,311)**	(3,217)
LOSS FOR THE PERIOD		**(46,725)**	(38,617)

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (continued)

	Notes	For the six months ended 30 June 2013 (Unaudited) HK$'000	2012 (Unaudited) HK$'000
OTHER COMPREHENSIVE (LOSS)/INCOME			
Item that may be reclassified subsequently to profit or loss			
Exchange differences on translation of foreign operations		**(8,732)**	3,702
OTHER COMPREHENSIVE (LOSS)/INCOME FOR THE PERIOD, NET OF TAX OF NIL		**(8,732)**	3,702
TOTAL COMPREHENSIVE LOSS FOR THE PERIOD		**(55,457)**	(34,915)
LOSS FOR THE PERIOD ATTRIBUTABLE TO:			
Equity holders of the Company		**(24,858)**	(19,789)
Non-controlling interests		**(21,867)**	(18,828)
		(46,725)	(38,617)
TOTAL COMPREHENSIVE LOSS FOR THE PERIOD ATTRIBUTABLE TO:			
Equity holders of the Company		**(33,590)**	(16,087)
Non-controlling interests		**(21,867)**	(18,828)
		(55,457)	(34,915)
LOSS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY	9		
Basic and diluted		**HK$(0.032)**	HK$(0.025)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	**30 June 2013 (Unaudited) *HK$'000***	31 December 2012 (Audited) *HK$'000*
NON-CURRENT ASSETS			
Property, plant and equipment		**409,591**	407,489
Prepaid land lease payments		**14,907**	15,128
Goodwill		**7,624**	7,624
Timber concessions and cutting rights		**732,461**	738,128
Other intangible assets		**5,452**	3,409
Plantation forest assets		**485,027**	500,738
Prepayments, deposits and other receivables		**11,561**	11,663
Total non-current assets		**1,666,623**	1,684,179
CURRENT ASSETS			
Inventories		**65,553**	42,271
Trade receivables	10	**30,695**	35,263
Prepayments, deposits and other receivables		**108,639**	98,333
Tax recoverable		**1,784**	1,909
Cash and cash equivalents		**222,297**	144,285
Total current assets		**428,968**	322,061
CURRENT LIABILITIES			
Trade payables	11	**32,474**	31,961
Other payables and accruals		**16,708**	32,617
Finance lease payables		**7,774**	7,472
Loan from an intermediate holding company	13(a)(i)	**312,000**	–
Loan from the former ultimate holding company	13(a)(i)	**–**	312,000
Due to affiliated companies	13(b)(ii)	**1,081**	132
Deposit received from a fellow subsidiary	13(b)(i)	**22,565**	22,565
Convertible bonds	12	**150,825**	214,658
Tax payable		**18,257**	11,991
Total current liabilities		**561,684**	633,396
NET CURRENT LIABILITIES		**(132,716)**	(311,335)
TOTAL ASSETS LESS CURRENT LIABILITIES		**1,533,907**	1,372,844

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)

	Notes	30 June 2013 (Unaudited) HK$'000	31 December 2012 (Audited) HK$'000
NON-CURRENT LIABILITIES			
Loans from the immediate holding company	13(a)(ii)	**66,495**	62,400
Interest-bearing bank borrowing		**195,000**	–
Finance lease payables		**20,000**	23,669
Deferred tax liabilities		**106,819**	93,878
Total non-current liabilities		**388,314**	179,947
NET ASSETS		**1,145,593**	1,192,897
EQUITY			
Equity attributable to equity holders of the Company			
Issued capital		**7,899**	7,797
Reserves		**974,799**	1,000,338
		982,698	1,008,135
Non-controlling interests		**162,895**	184,762
TOTAL EQUITY		**1,145,593**	1,192,897

Notes:

1. CORPORATE INFORMATION

Greenheart Group Limited is a limited liability company incorporated in Bermuda and the issued shares of which are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

During the Period, on 30 January 2013, Sino-Forest Corporation ("Sino-Forest" or "Former Ultimate Holding Company") announced that it has implemented its plan of compromise and reorganization as approved by the creditors of Sino-Forest on 3 December 2012 and sanctioned by the Ontario Superior Court of Justice on 10 December 2012 pursuant to the Companies' Creditors Arrangement Act (the "Plan") and under which, among other things, all of the shares held by Sino-Forest in its directly owned subsidiaries, including the entire issued share capital of Sino-Capital Global Inc. ("Sino-Capital" or "Immediate Holding Company") were transferred to Emerald Plantation Group Limited ("EPGL" or "Intermediate Holding Company"), a newly formed entity which is ultimately owned by Emerald Plantation Holdings Limited ("EPHL" or "Ultimate Holding Company"), a company incorporated in the Cayman Islands with limited liability.

As at 30 June 2013, the immediate holding company of the Company was Sino-Capital, which is incorporated in the British Virgin Islands ("BVI") and held 496,189,028 shares, representing approximately 62.82% of the issued share capital of the Company, and the ultimate holding company of the Company was EPHL.

2. BASIS OF PREPARATION AND PRESENTATION

These unaudited condensed consolidated interim financial statements have been prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34 *Interim Financial Reporting* issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") and the disclosure requirements of Appendix 16 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"). These interim financial statements have been prepared under the historical cost convention, except for plantation forest assets and forestry land which are measured at fair value less costs to sell and fair value, respectively. These interim financial statements are presented in Hong Kong dollar and all values are rounded to the nearest thousand except when otherwise indicated.

The Group had net current liabilities of approximately HK$132,716,000 as at 30 June 2013, of which HK$312,000,000 represented a loan from EPGL, which is repayable on 17 November 2013 pursuant to the supplemental letter signed on 28 June 2013 ("Holding Company Loan"). Notwithstanding the foregoing and up to the date of this announcement, the Group is still in discussion with the Ultimate Holding Company, the parent company of EPGL, for the extension of the repayment date of the Holding Company Loan, in the opinion of the Directors, the Group will have sufficient working capital to finance its operations and to meet its financial obligations as and when they fall due in the foreseeable future, based on the cash flow projections of the Group and after taking into consideration of the following:

(i) On 28 June 2013, a loan agreement was signed with Sino-Capital, which agreed to provide a three-year term loan of US$3,500,000 to Greenheart Resources Holdings Limited ("Greenheart Resources"), a non-wholly-owned subsidiary of the Company which is owned as to 60.39% by the Group and as to 39.61% by Sino-Capital, to finance the Group's capital investments in West Suriname. As at 30 June 2013, the Group had drawn US$525,000 from this loan facility and the unutilized amount was US$2,975,000 (equivalent to HK$23,205,000);

(ii) As at 30 June 2013, the Group had an unutilized banking facility of US$5,000,000 (equivalent to HK$39,000,000) from the Bank of New Zealand;

(iii) the Group has prioritized its funding and efforts to focus on the operation of its new sawmill in West Suriname which the Directors expect can generate adequate returns to the Group upon its full scale operation;

(iv) the Group is actively exploring different options to obtain alternative sources of funding, in particular to finance the Group's capital expenditure by way of leases and long term loans;

(v) the Group may consider to sell off certain of its non-current assets to meet its financial obligations; and

(vi) various cost control measures have been taken by the Group to tighten the costs of operations and various general and administrative expenses.

Accordingly, these unaudited condensed consolidated interim financial statements have been prepared on the going concern basis.

Should the Group be unable to continue as a going concern, adjustments would have to be made to restate the values of assets to their recoverable amounts, to provide for any further liabilities which might arise and to reclassify non-current assets and liabilities as current assets and liabilities, respectively. The effects of these adjustments have not been reflected in these unaudited condensed consolidated interim financial statements.

3. IMPACT OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

The accounting policies and basis of preparation adopted in the preparation of these unaudited condensed consolidated interim financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2012, except for the adoption of the following new and revised Hong Kong Financial Reporting Standards ("HKFRSs", which also include HKASs and Interpretations) effective from 1 January 2013, noted below.

HKFRS 1 Amendments	Amendments to HKFRS 1 *First Time Adoption of Hong Kong Financial Reporting Standards – Government Loan*
HKFRS 7 Amendments	Amendments to HKFRS 7 *Financial instruments: Disclosures – Offsetting Financial Assets and Financial Liabilities*
HKFRS 10	*Consolidated Financial Statements*
HKFRS 11	*Joint Arrangements*
HKFRS 12	*Disclosure of Interests in Other Entities*
HKFRS 10, HKFRS 11 and HKFRS 12 Amendments	Amendments to HKFRS 10, HKFRS 11 and HKFRS 12 – *Transition Guidance*
HKFRS 13	*Fair Value Measurement*
HKAS 1 Amendments	Amendments to HKAS 1 *Presentation of Financial Statements – Presentation of Items of Other Comprehensive Income*
HKAS 19 (2011)	*Employee Benefits*
HKAS 27 (2011)	*Separate Financial Statements*
HKAS 28 (2011)	*Investments in Associates and Joint Ventures*
HK(IFRIC)-Int 20	*Stripping Costs in the Production Phase of a Surface Mine*
Annual improvements 2009-2011 Cycle	Amendments to a number of HKFRSs issued in June 2012

The adoption of the above new and revised HKFRSs has had no significant financial impact on these unaudited condensed consolidated interim financial statements.

4. OPERATING SEGMENT INFORMATION

The Group has adopted HKFRS 8 *Operating Segments* which requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker in order to allocate resources to segments and to assess their performance.

The Group manages its businesses by geographic location and the chief operating decision maker (i.e. the Directors) also review the segment information by this category to allocate resources to segments and to assess their performance. The Group has presented the following three reportable segments:

Suriname:	Engaging in hardwood log harvesting, lumber processing, marketing and sale of logs and lumber products
New Zealand:	Engaging in softwood log harvesting, marketing and sale of logs
Elsewhere:	Engaging in trading of logs and lumber products

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on reportable segment profit/(loss), which is a measure of earning/(loss) before finance costs, tax, depreciation, forest depletion costs as a result of harvesting and amortization (the "EBITDA"). The EBITDA is further adjusted to exclude fair value gain on plantation forest assets, government grant, interest income, impairment losses/reversal and non-cash share option expenses (the "Adjusted EBITDA"), which is also a measure evaluated by management.

The following tables present revenue and profit/(loss) information regarding the Group's operating segments for the six months ended 30 June 2013:

For the six months ended 30 June 2013

	Suriname^	New Zealand^	Elsewhere^	Unallocated	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
SEGMENT REVENUE	**28,624**	**289,819**	**535**	**–**	**318,978**
SEGMENT RESULTS ("Adjusted EBITDA")	**(25,782)**	**91,087**	**125**	**(22,666)**	**42,764**
Reconciliation of the segment results:					
Items other than finance costs, tax, forest depletion costs as a result of harvesting, depreciation and amortization					
Fair value gain on plantation forest assets	**–**	**24,810**	**–**	**–**	**24,810**
Government grant of carbon credits	**–**	**3,164**	**–**	**–**	**3,164**
Interest income	**1,123**	**2**	**–**	**147**	**1,272**
Impairment of other intangible assets	**–**	**(748)**	**–**	**–**	**(748)**
Impairment of trade receivables	**(74)**	**–**	**–**	**–**	**(74)**
Write back of inventories	**1,104**	**–**	**–**	**–**	**1,104**
Non-cash share options expenses	**–**	**–**	**–**	**(3,060)**	**(3,060)**
SEGMENT RESULTS ("EBITDA")	**(23,629)**	**118,315**	**125**	**(25,579)**	**69,232**
Finance costs	**(2,715)**	**(9,657)**	**–**	**(14,371)**	**(26,743)**
Forest depletion cost as a result of harvesting	**–**	**(44,917)**	**–**	**–**	**(44,917)**
Depreciation	**(11,112)**	**(876)**	**–**	**(1,252)**	**(13,240)**
Amortization of harvest roading	**–**	**(7,717)**	**–**	**–**	**(7,717)**
Amortization of timber concession and cutting rights	**(2,673)**	**–**	**–**	**–**	**(2,673)**
Amortization of prepaid land lease payments	**(222)**	**–**	**–**	**–**	**(222)**
Amortization of other intangible assets	**(134)**	**–**	**–**	**–**	**(134)**
LOSS BEFORE TAX					**(26,414)**

^ Reportable Segments

For the six months ended 30 June 2012

	Suriname^	New Zealand^	Elsewhere^	Unallocated	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
SEGMENT REVENUE	15,048	185,135	2,457	–	202,640
SEGMENT RESULTS ("Adjusted EBITDA")	(32,856)	32,622	519	(17,805)	(17,520)
Reconciliation of the segment results:					
Items other than finance costs, tax, forest depletion costs as a result of harvesting, depreciation and amortization					
Fair value gain on plantation forest assets	–	42,731	–	–	42,731
Government grant of carbon credits	–	5,840	–	–	5,840
Interest income	1,068	28	–	242	1,338
Write back of inventories	1,231	–	–	–	1,231
Non-cash share options expenses	–	–	–	(371)	(371)
SEGMENT RESULTS ("EBITDA")	(30,557)	81,221	519	(17,934)	33,249
Finance costs	(1,874)	(6,344)	–	(11,232)	(19,450)
Forest depletion cost as a result of harvesting	–	(36,503)	–	–	(36,503)
Amortization of harvest roading	–	(3,831)	–	–	(3,831)
Amortization of timber concession and cutting rights	(2,513)	–	–	–	(2,513)
Amortization of prepaid land lease payments	(223)	–	–	–	(223)
Depreciation	(4,331)	(603)	–	(1,195)	(6,129)
LOSS BEFORE TAX					(35,400)

^ Reportable Segments

Geographical information

Revenue is attributed to the following geographical regions:

	For the six months ended 30 June	
	2013	2012
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Mainland China	**229,293**	152,477
India	**51,292**	28,592
New Zealand	**15,993**	12,938
Netherlands	**10,466**	2,045
Suriname	**8,052**	4,649
Belgium	**1,844**	–
Hong Kong	**1,792**	1,491
Singapore	**246**	448
	318,978	202,640

Information about major customers

During the six months ended 30 June 2013, the Group had transactions with 3 (2012: 2) customers who each contributed over 10% of the Group's total gross revenue before export tax for the Period. A summary of revenue earned from each of these major customers is set out below:

	For the six months ended 30 June	
	2013	2012
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Customer 1	**57,821**	N/A*
Customer 2	**48,234**	N/A*
Customer 3	**43,136**	20,967
Customer 4	**N/A***	45,818
	149,191	66,785

* The corresponding revenue of the related customers did not contribute over 10% of the Group's total gross revenue before export tax.

5. REVENUE, OTHER INCOME AND GAINS

	For the six months ended 30 June	
	2013	2012
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Revenue		
Sales of logs and lumber products	**318,978**	202,640
Other income and gains		
Bank interest income	**188**	295
Other interest income	**1,084**	1,043
Rental income for the lease of plant and machinery	**1,104**	449
Government grant of carbon credits	**3,164**	5,840
Others	**401**	58
	5,941	7,685

6. FINANCE COSTS

	For the six months ended 30 June	
	2013	2012
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Interest on convertible bonds	**9,275**	11,232
Interest on a loan from the Intermediate Holding Company	**5,953**	–
Interest on a loan from the Former Ultimate Holding Company	**–**	6,344
Interest on loans from the Immediate Holding Company	**1,548**	434
Interest on finance leases	**1,167**	1,440
Interest on an interest-bearing bank borrowing	**3,705**	–
Loss on partial early redemption of convertible bonds *(note 12)*	**5,095**	–
	26,743	19,450

7. LOSS BEFORE TAX

The Group's loss before tax is arrived at after charging/(crediting):

	For the six months ended 30 June	
	2013	2012
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Forest harvested as agricultural produce	**45,847**	38,970
Less: Amount capitalized in inventories	**(930)**	(2,467)
Forest depletion cost as a result of harvesting#	**44,917**	36,503
Amortization of timber concessions and cutting rights	**5,667**	3,307
Less: Amount capitalized in inventories	**(2,994)**	(794)
Current period expenditure charged to cost of goods sold#	**2,673**	2,513

Included in "Cost of goods sold" disclosed in the condensed consolidated statement of comprehensive income.

8. TAX

Hong Kong profits tax has been provided at the rate of 16.5% (2012: 16.5%) on the estimated assessable profits arising in Hong Kong during the Period.

No overseas income tax has been provided during the Period as the subsidiaries operating in overseas countries has available tax losses brought forward to offset the assessable profits arising during the Period based on existing legislation, interpretations and practices in respect thereof. No overseas income tax has been provided during the period ended 30 June 2012 as the subsidiaries operating in overseas countries did not generate any assessable profits during that period based on existing legislation, interpretations and practices in respect thereof.

Subsidiaries established in Suriname and New Zealand are subject to relevant tax rules and regulations of Suriname and New Zealand at the statutory tax rate of 36% and 28%, respectively. One of the Company's major subsidiaries in Suriname is currently enjoying a local income tax exemption for an original period of nine years from 2007 to 2016, which, subject to the approval by the Suriname authority, may be renewable or extended for a further period upon expiry.

	For the six months ended 30 June	
	2013	2012
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Current – Hong Kong		
Charge for the Period	**6,266**	4,398
Current – Elsewhere	**–**	–
Foreign exchange difference on income tax recoverable	**55**	(9)
Deferred	**14,998**	(1,701)
Foreign exchange difference on deferred tax liabilities	**(2,058)**	529
Withholding	**1,050**	–
	20,311	3,217

9. LOSS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

The calculation of basic loss per share amount is based on the loss for the Period attributable to equity holders of the Company, and the weighted average of 785,763,382 (2012: 779,724,104) ordinary shares in issue during the Period.

In respect of the diluted loss per share amounts presented, no adjustment has been made to the basic loss per share amounts presented for the six months ended 30 June 2013 and 2012 as the impact of the share options and convertible bonds outstanding during these periods had either no dilutive effect or had an anti-dilutive effect on the basic loss per share amounts presented.

10. TRADE RECEIVABLES

	30 June	31 December
	2013	2012
	(Unaudited)	(Audited)
	HK$'000	*HK$'000*
Trade receivables	**30,769**	35,263
Less: impairment	**(74)**	–
At the end of Period/year	**30,695**	35,263

The Group's trading terms with its customers are mainly letters of credit at sight or on open accounts with credit terms of 30 days to 45 days, where 20% to 40% deposit is normally required. Each customer has a maximum credit limit. The Group seeks to maintain strict control over its outstanding receivables so as to minimize credit risk. Overdue balances are reviewed regularly by senior management. Trade receivables are non-interest-bearing.

An aged analysis of the trade receivables of the Group as at the end of the reporting period, based on the invoice date and net of impairment, is as follows:

	30 June 2013	31 December 2012
	(Unaudited)	(Audited)
	HK$'000	*HK$'000*
Within 1 month	**28,308**	32,496
1 to 3 months	**1,535**	2,267
Over 3 months	**852**	500
	30,695	35,263

11. TRADE PAYABLES

An aged analysis of the trade payables of the Group as at the end of the reporting period, based on the invoice date, is as follows:

	30 June 2013	31 December 2012
	(Unaudited)	(Audited)
	HK$'000	*HK$'000*
Within 1 month	**30,709**	30,746
1 to 3 months	**870**	795
Over 3 months	**895**	420
	32,474	31,961

The trade payables are non-interest-bearing and are normally settled on 30-day terms.

12. CONVERTIBLE BONDS

In August 2010, the Company issued US dollar denominated convertible notes with an aggregate principal amount of US$25,000,000 ("CN") with a maturity date of 17 August 2015 to Greater Sino Holdings Limited (the "Noteholder"), a company in which a director of the Company has an indirect interest, for a total cash consideration of US$24,750,000. The Noteholder has the right to convert the whole or part of the principal amount of the CN into ordinary shares of the Company at HK$2.002 each from time to time and may require the Company to redeem all or part of the CN on each of the dates falling on the third anniversary (i.e. 17 August 2013) and on the fourth anniversary (i.e. 17 August 2014) of the issuance date of the CN at the redemption amount as defined in the terms and conditions of the CN. In addition, the Noteholder may require the Company to redeem in whole or in part of the CN following the occurrence of a "Change of Control".

The implementation of the Plan mentioned in note 1 to this interim results announcement has triggered the "Change of Control" provisions of the CN. Accordingly, the Noteholder had become entitled to require the Company to redeem the CN in whole or in part and on 20 February 2013, the Company redeemed US$8,000,000 (equivalent to approximately HK$62,400,000) of the principal amount of the CN at a redemption amount of approximately US$9,542,000 (equivalent to approximately HK$74,426,000) upon the partial exercise by the Noteholder of its redemption right following the occurrence of a "Change of Control". Accordingly, the difference between the redemption amount allocated to the liability component of the CN and the carrying amount of the liability component as at the redemption date of approximately US$653,000 (equivalent to approximately HK$5,095,000) was recognized as loss on partial early redemption of convertible bonds and was charged to the income statement during the Period.

Following the early redemption as mentioned above and as at 30 June 2013, the outstanding principal amount of the CN was reduced to US$17,000,000 (equivalent to approximately HK$132,600,000). Under the terms and conditions of the CN, the Noteholder may subsequently exercise its redemption right (in whole or in part of its outstanding CN), by giving an exercise notice of at least 30 days prior to such further redemption, at any time prior to the maturity of the CN. Accordingly, the entire outstanding liability component of CN was classified as current liabilities as at 30 June 2013.

As at the date of this announcement, the Group has not received any further notice from the Noteholder with regard to its intention over the remaining outstanding principal amount of the CN of US$17,000,000.

13. RELATED PARTY DISCLOSURES

(a) In addition to the transactions detailed elsewhere in this interim results announcement, the Group entered into the following material transactions with related parties during the Period:

			For the six months ended 30 June	
			2013	2012
Name of related party	**Nature of transaction**		**(Unaudited)**	(Unaudited)
		Notes	***HK$'000***	*HK$'000*
The Intermediate Holding Company	Interest expenses paid and payable on a loan	(i)	**5,953**	–
The Former Ultimate Holding Company	Interest expenses paid and payable on a loan	(i)	**–**	6,344
The Immediate Holding Company	Interest expenses paid and payable on loans	(ii)	**1,548**	434
Noteholder	Interest expenses paid and payable on the CN	(iii)	**9,275**	11,232
Fellow subsidiary	Reimbursements	(iv)	**1,961**	–

Notes:

(i) On 30 January 2013, the Former Ultimate Holding Company assigned all of its rights and benefits under the Holding Company Loan to the Intermediate Holding Company pursuant to the Plan.

The interest expenses on the Holding Company Loan were charged based on the London Interbank Offered Rate plus 3.5% per annum, which is unsecured and repayable on 17 November 2013.

(ii) The interest expenses were charged based on the Hong Kong Prime Rate on a loan with principal amount of HK$62,400,000 (i.e. US$8,000,000) and a loan with principal amount of HK$27,300,000 (i.e. US$3,500,000) of which HK$4,095,000 (i.e. US$525,000) was drawn down as at 30 June 2013. The loans are unsecured and repayable on 26 March 2015 and 28 June 2016, respectively.

(iii) The amount disclosed above represents the imputed interest expenses charged to the income statement for accounting purpose for the CN. The actual coupon calculated based on the coupon rate of 5% per annum as set out in the terms and conditions of the CN is HK$3,777,000 (2012: HK$9,718,000).

(iv) The reimbursements were recharged by a fellow subsidiary with reference to the actual costs incurred and paid on behalf of the Group in relation to the remuneration and out of pocket expenses of a director of the Company.

(b) Outstanding balances with related parties

(i) The deposit received from a fellow subsidiary is trade in nature, which is unsecured and interest-free.

(ii) The amounts due to affiliated companies are unsecured, interest-free and repayable within one year.

(c) Other transaction with related party

During the Period, the Company redeemed US$8,000,000 (equivalent to HK$62,400,000) of the principal amount of the CN at a redemption amount of approximately US$9,542,000 (equivalent to approximately HK$74,426,000). Details of which are set out in note 12 to this announcement and the Company's announcement dated 20 February 2013.

(d) Compensation of key management personnel of the Group

	For the six months ended 30 June	
	2013	2012
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Short-term employee benefits	**9,442**	7,324
Equity-settled share option	**1,732**	222
Pension scheme contribution	**23**	13
	11,197	7,559

14. COMPARATIVE AMOUNTS

Certain comparative amounts have been reclassified to conform to the presentation of the current Period.

15. EXTRACTS FROM INDEPENDENT AUDITOR'S REVIEW REPORT

The following is an extract of independent auditor's review report on the Group unaudited condensed consolidated interim financial statements for the six-month period ended 30 June 2013:

Emphasis of matter

"Without qualifying our conclusion, we draw attention to note 2[#] to the condensed consolidated interim financial statements which indicates that the Group incurred a consolidated net loss attributable to the equity shareholders of the Company of HK$24,858,000 for the six-month period ended 30 June 2013 and, as of that date, the Group's current liabilities exceeded its current assets by HK$132,716,000. These conditions indicate the existence of a material uncertainty that may cast significant doubt about the Group's ability to continue as a going concern. As further detailed in note 2[#] to the condensed consolidated interim financial statements, the Group is still in the process of seeking agreement to extend the repayment date of the loan from an intermediate holding company in the amount of HK$312,000,000 beyond the existing repayment date of 17 November 2013. The condensed consolidated interim financial statements have been prepared on a going concern basis, the validity of which is dependent on the Group extending the repayment date of the loan from an intermediate holding company or obtaining other financial resources as detailed in note 2[#] to the condensed consolidated interim financial statements. The condensed consolidated interim financial statements do not include any adjustments that would result should the Group be unable to operate as a going concern."

[#]: Being note 2 in this interim results announcement.

LETTER TO SHAREHOLDERS

Dear Greenheart Shareholders,

We are pleased to present our financial results for the first six months of 2013. We are particularly pleased with the performance of our New Zealand softwood business and look forward to the completion of our hardwood processing facility in West Suriname and achieving full capacity results in 2014. During the first six months of 2013, we witnessed two distinct changes in market dynamics that drove new demand for our sustainable forest products.

The first major change was New Zealand surpassing Russia as the largest supplier of logs to China. Widely used throughout the plywood, furniture and construction markets, New Zealand radiata pine is now the single most imported wood species into China and during this reporting period we increased exports by over 34.2% to take advantage of this changing dynamic. We also broadened our geographic and customer base to reduce dependency risk with sales to India accounting for 17.7% of our softwood revenue during the first six months of 2013. India is the world's third largest softwood market as well as a major tropical hardwood market and we will continue our efforts to increase our customer base there. We are now well positioned to benefit from China and India's increasing demand and we are confident in our ability to increase our harvest volume to approximately 650,000 m^3 in 2013, up from 559,000 m^3 in 2012, 350,000 m^3 in 2011 and 7,630 m^3 in 2010.

The second major change in market dynamics was the introduction of more stringent regulation in support of the sustainable management of our world's precious forest resources. On March 3, 2013, the European Union Timber Regulation ("EUTR") came into effect prohibiting the circulation of illegally logged wood and requiring European importers to prove legality and sustainability of all their products. This increased regulation has directed European demand towards certified wood products, in particular those with the rigorous and globally recognized Forest Stewardship Council ("FSC") certification and will help increase public awareness of this important issue.

At Greenheart, we welcome this new regulation and increased public awareness. Over the last two years, we have achieved varying levels of FSC accreditation for all our Suriname operations making us part of the world's 6% of tropical forests that are FSC certified. With so few certified suppliers, our strategy is to continue expanding the forest concessions we own and manage in Suriname, increase our production capacity by building more world-class processing facilities and become a world-leader in the production of legal, sustainable FSC-certified lumber and other wood products.

In the last two plus years, our company and employees faced significant challenges as a result of the restructuring of our former major shareholder. In response, we adopted a strategy to move slow and with deliberate caution while we continued to build our company that began with renewed vigor in 2011. We focused our effort and capital investment into two businesses; renewable softwoods from New Zealand and certified hardwoods from Suriname. As China's wood deficit continues to increase and regulations governing tropical hardwood tighten, our investments have become more valuable. Our brand is now globally recognized and our products are in high demand from our customers in China, India, New Zealand, North America, Europe and the Caribbean.

Our New Zealand softwood business has developed very well over the past thirty months. We are now leveraging our strong market position to explore further growth opportunities in the region. Our path to growth and profitability has taken longer than planned in Suriname due primarily to our conservative operating strategy. We have been patient, persistent and have worked very hard to become the industry leader in Suriname. With the positive hardwood market dynamics and the completion of our West Suriname wood processing facility by end of 2013, we are now well positioned to move to profitability and implement our planned future growth initiatives in other regions of the country. Our keen focus and challenge in our hardwood business is to produce the supply to meet the strong demand. We are confident in our ability to do so and have the people in place to execute the plan. Our experienced management team has remained in tact and high quality people continue to be recruited.

On behalf of our Board of Directors, I would like to thank our employees, customers and shareholders for your continued support. We are excited about our future and confident in our ability to turn Greenheart into a profitable world-class forest products company.

W. Judson Martin
Chairman, CEO & Executive Director

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Revenue

We are pleased to report that Greenheart has achieved remarkable revenue growth during the six months ended 30 June 2013. The Group's total revenue rose to HK$318,978,000 for the Period, representing a 57.4% increase in revenue from HK$202,640,000 in the same period last year. This remarkable growth stemmed mainly from our New Zealand softwood business, aided by steady improvement of our Suriname hardwood business.

During the Period, the sales revenue contributed from our New Zealand softwood business increased to HK$289,819,000, representing a 56.5% increase from HK$185,135,000 for the same period last year. The significant growth was mainly driven by the continued ramp up of the harvesting activities in our New Zealand operation and the increasing demand for New Zealand radiata pine in China. As a result, the export sales volume and the average export selling price of our New Zealand radiata pine, increased to 262,000 m^3 and US$133.7 per m^3, for the Period, as compared to 195,000 m^3 and US$113.2 per m^3, for the same period last year.

Our Suriname hardwood business also grew steadily during the Period. Late last year, we completed phase one of our processing facility allowing us to produce more higher valued products thereby offering a greater product and species mix for our customers. While production is still in ramp up mode, we almost doubled revenue from our Suriname business unit from the year before to approximately HK$28,624,000 for the Period.

Other than the above, the trading business of logs and lumber products also contributed HK$535,000 to the Group's revenue during the Period.

Gross profit

The Group's gross profit for the Period was approximately HK$146,761,000, representing a 103.9% increase from approximately HK$71,976,000 in the same period last year. The gross profit contribution from the New Zealand and Suriname business units were approximately HK$134,927,000 (2012: HK$65,419,000) and HK$11,709,000 (2012: HK$6,038,000), respectively. The significant increase in the Group's gross profit was mainly attributable to the increase in sales of approximately 69,000 m^3 of New Zealand radiata pine and a higher average selling price during the Period. Gross profit was further boosted up by approximately 3,000 m^3 of new sawn lumber sales from Suriname which enjoys greater gross profit margins than logs. The gross profit for the Group's trading business was HK$125,000 (2012: HK$519,000) for the Period.

The Group's gross profit margin for the Period was approximately 46.0% as compared to 35.5% in the same period last year. The gross profit margin for the Group's New Zealand and Suriname business units for the Period were 46.6% and 40.9% (2012: 35.3% and 40.1%), respectively. The increase in the gross profit margin for our New Zealand business is due to the increase in the average selling price during the Period. The gross profit margin for the Suriname business unit remained stable during the Period. The Group expects this can be improved once we obtain the full FSC status for our West Suriname operation and our marketing efforts on lesser known species come into effect.

Other income and gains

Other income and gains amounted to HK$5,941,000 (2012: HK$7,685,000) for the Period, mainly represents the recognition of the fair value of approximately 242,000 units (2012: 151,000 units) of New Zealand carbon credits granted by the New Zealand Ministry of Primary Industries of HK$3,164,000 (2012: HK$5,840,000), bank and other interest income of HK$1,272,000 (2012: HK$1,338,000) and rental income for lease of plant and machinery of HK$1,104,000 (2012: HK$449,000). The decrease of HK$1,744,000 as compared with HK$7,685,000 in the same period last year was primarily because the fair value of each unit at the date of grant for the New Zealand carbon credits obtained was much lower during the Period, despite more units being granted.

Fair value gain on plantation forest assets

The fair value gain on our plantation forest assets of HK$24,810,000 (2012: HK$42,731,000) was primarily attributable to the combined effect of increasing average selling prices and changes forestry operations costs which reflects the actual operating experience and real harvesting data which the Group has been collecting in the past years.

Selling and distribution costs

Selling and distribution costs mainly represents trucking, barging and export handling expenses, ocean freight and logistic related costs from the sale of our Suriname logs and lumber products and ocean freight and logistic related costs incurred from the sale of our New Zealand radiata pine. The significant increase during the Period was primarily attributable to the increase in sales volume of New Zealand radiata pine, which was primarily sold on a cost and freight basis.

Regarding the selling and distribution costs as a percentage of revenue, approximately 5 percentage point reduction was recorded during the Period. Such reduction was mainly due to the increase of the average selling price of New Zealand radiata pine and the increase of the percentage of sawn timber sold, which by nature has a lower unit cost of distribution than logs, in Suriname during the Period.

Administrative expenses

Administrative expenses remained stable at HK$41,266,000 during the Period, but as a percentage to the total revenue, fell from 20.6% for the same period of last year to 12.9% for the Period. Such decrease was mainly because of various cost control measures imposed by the Group during the Period. The Group will continue to take a cautious and prudent approach in managing its expenditure during the growth of its business.

Other operating expenses

Other operating expenses mainly represented unallocated operating and manufacturing overhead expenses incurred in our Suriname logging and sawmill operations and the amortization of harvest roads for our New Zealand plantation forest assets. The significant increase in other operating expenses to HK$37,089,000 for the Period from HK$25,106,000 in the same period last year was mainly attributable to the slowdown of the forestry activities and certain sawmill activities in West Suriname in order to balance with the delayed completion of the second phase of our processing facilities in West Suriname until the end of 2013.

In addition, the temporary slowdown of sawmill activities caused by the breakdown of a major generator, which has been subsequently replaced, and extra costs incurred in order to prepare for the FSC audit in June 2013 also resulted in higher other operating expenses recorded in Central Suriname during the Period. The Group successfully renewed its FSC full certificate in July 2013 and normal operation in Central Suriname will be resumed in the remaining of 2013.

In New Zealand, there is also an increase in amortization of harvest roads of HK$3,886,000 during the Period as the Group constructed more infrastructure in New Zealand to support our increased harvesting.

Non-cash share option expenses

Share option expenses incurred in the Period of HK$3,060,000 were non-cash in nature and represented mainly the fair value of those previously granted share options which became vested immediately as a result of the unconditional mandatory general offers made by EPGL during the Period.

Finance costs

Finance costs increased by HK$7,293,000 to HK$26,743,000 for the Period. The increase was mainly attributable to the net effect of the following (i) full six months interest of HK$1,548,000 (2012: approximately three months interest of HK$434,000) incurred on a loan with principal amount of HK$62,400,000 granted by Sino-Capital on 26 March 2012 to proportionately finance the Group's operation in West Suriname which is owned as to 60.39% by the Group and as to 39.61% by Sino-Capital; (ii) interest of HK$3,705,000 (2012: Nil) incurred on a US$30 million loan and overdraft facility ("Bank Loan Facilities") granted by Bank of New Zealand; (iii) loss of HK$5,095,000 arising from the early redemption of US$8,000,000 principal amount of the convertible note by the Noteholder in accordance with the terms and conditions of the convertible bond in February 2013 ("Early Redemption") and (iv) the decrease in interest incurred on the convertible note by HK$1,957,000 as a result of the Early Redemption.

Tax

Tax charge for the Period mainly represented deferred tax charge of HK$14,998,000 (2012: deferred tax credit of HK$1,701,000), general tax provision of HK$6,266,000 (2012: HK$4,398,000) arising from our New Zealand business unit, withholding tax of HK$1,050,000 (2012: Nil) as result of the remittance of intercompany interest and net exchange differences arising from the translation of foreign currencies denominated income tax recoverable and deferred tax liabilities.

Deferred tax charge for the Period mainly represented the temporary differences arising from our New Zealand plantation forest assets which have a tax base denominated in the New Zealand dollar. As the New Zealand dollar depreciated significantly against United States dollar, our functional currency, as at the period end, a deferred tax charge of HK$9,304,000 (2012: deferred tax credit of HK$4,105,000) was recorded for this temporary difference between the tax base and the carrying amount of our New Zealand plantation forest assets solely for the fluctuation of New Zealand dollar exchange rate. In addition to this, the deferred tax charge for the Period also included the net movement of other taxable temporary differences arising from our New Zealand operation of HK$5,694,000 (2012: HK$2,404,000), which mainly included the utilization of tax loss, fair value gain on New Zealand plantation forest assets, different amortization/depreciation rate for tax and accounting purposes of the New Zealand plantation forest assets and certain roads and the period end foreign currency translation adjustment for United States dollar denominated term loans etc.

EBITDA

The EBITDA of the Group for the Period increased by HK$35,983,000 from HK$33,249,000 in the same period last year to HK$69,232,000.

The significant growth in EBITDA of the Group was largely contributed by the New Zealand segment, which benefited from the higher average selling price due to strong market demand and the increase of the harvesting volume. As a result, the EBITDA of New Zealand segment increased by HK$37,094,000 from HK$81,221,000 in the same period of last year to HK$118,315,000.

In addition, due to the commencement of the operation of the phase one of our processing facility in West Suriname and the continuing implementation of cost management measures, the negative EBITDA of the Suriname segment reduced by HK$6,928,000 for the Period, a decrease of approximately 22.7% as compared with that of a year earlier.

Loss for the Period attributable to equity holders of the Company

As a result of the aforementioned, the loss attributable to the equity holders of the Company increased to HK$24,858,000 for the Period from the loss of approximately HK$19,789,000 in the same period last year.

LIQUIDITY AND FINANCIAL REVIEW

As at 30 June 2013, the Group's current assets and current liabilities were HK$428,968,000 and HK$561,684,000 (31 December 2012: HK$322,061,000 and HK$633,396,000), respectively, of which the Group maintained cash and bank balances of approximately HK$222,297,000 (31 December 2012: HK$144,285,000). The Group's outstanding borrowings as at 30 June 2013 represented Holding Company Loan amounting to HK$312,000,000 (31 December 2012: HK$312,000,000), loans from Sino-Capital amounting to HK$66,495,000 (31 December 2012: HK$62,400,000), interest bearing bank borrowing amounting to HK$195,000,000 (31 December 2012: Nil) and finance lease payables of HK$27,774,000 (31 December 2012: HK$31,141,000). Accordingly, the Group's gearing ratio, which was calculated on the basis of outstanding borrowings as a percentage of equity attributable to equity holders of the Company, was 61.2% (31 December 2012: 40.2%).

Notwithstanding the Group had net current liabilities of HK$132,716,000 as at 30 June 2013, the Directors, after taking into account of the unutilized banking facility of HK$39,000,000, undrawn portion of the loan facility from Sino-Capital of HK$23,205,000, the possible sell-off of certain non-current assets and other measures as mentioned in note 2 to this interim results announcement, are of the view that the Group will have sufficient working capital to finance its operations and to meet its financial obligations as and when they fall due in the foreseeable future.

As at 30 June 2013, there were 789,889,104 ordinary shares of the Company in issue.

The Group adopts conservative treasury policies in cash and financial management. Cash is generally placed in short-term deposits mostly denominated in United States dollar and Hong Kong dollar. The Group's liquidity and financing requirements are reviewed regularly.

Most of our sales are denominated in United States dollar, to which the Hong Kong dollar is pegged and is the same currency in which all the Group's outstanding borrowings, and the majority of costs and expenses incurred in Hong Kong and Suriname are denominated. The domestic sales generated from our New Zealand plantation assets are denominated in New Zealand dollar which can help to partly offset the Group's operating expenses payable in New Zealand dollar. During the Period, the Group did not use any financial instruments for hedging purposes and the Group did not have any hedging instruments outstanding as at 30 June 2013. However, we will continue to closely monitor all possible exchange rate risk arising from the Group's existing operations and new investments in the future and will implement the necessary hedging arrangement(s) to mitigate any significant foreign exchange exposure.

PROSPECTS

Greenheart's New Zealand operation continued to show outstanding organic growth since its acquisition in late 2010. It clearly demonstrated that the Group's management possesses strong sales and marketing ability and the positive response and support from our customers. Within three years, Greenheart has grown into one of the largest forest owners and exporters of radiata pine from New Zealand. A key driver of our success is our strong and extensive sales network in China, the largest importer of New Zealand radiata pine. China's increasing wood deficit, whereby New Zealand radiata pine has become the single most imported species and widely used for the construction, plywood and furniture markets. By June 2013, New Zealand became the largest log supplier to China, importing 5.14 million m^3 in first half of 2013 and overtaking Russia, China's historically largest supplier. The price of A-grade logs landed in China also increased 10% in the first six months of 2013.

India's strong economic growth and large population has led to an increase in New Zealand radiata pine demand and is now the third largest export market. Additionally, India's demand for grades is different from China which enhances Greenheart's ability to fully maximize the value of our plantation resource. We commenced sales to India in 2012, India now accounts for 17.7% of Greenheart's total radiata pine sales for the Period.

Greenheart is well positioned to benefit from China and India's increasing demand for New Zealand radiata pine, we are reasonably confident that we will increase our harvest volume to approximately 650,000 m^3 in 2013, up from 559,000 m^3 in 2012.

In our Suriname hardwood business, we continued to expand our sales presence in Europe with the help of FSC certification. Under the new European Union Timber Regulations (EUTR) introduced in March 2013, all wood products in Europe must come from sustainable and legal sources. With only 6% of the world's tropical forests under FSC certification, Greenheart has enjoyed a new wave of European demand for its FSC-certified lumber. For example, Greenheart's largest market for hardwoods, the Netherlands – has seen a doubling of FSC certified wood as a proportion of total imports from 2008 to 2011 (source: Probos Foundation Report).

Greenheart will also strengthen its hardwood sales and marketing efforts in the US, one of the most stringently controlled markets for legal and certified wood. In March 2013, US housing starts reached 1 million, the first time since 2008 and demonstrating the robust return in the US building sector. This has a two-fold positive effect on Greenheart. Firstly, the recovery redirects competing Canadian softwood supply back into the US, reducing the supply of softwood lumber heading to China. Secondly, the US is the world's largest importer of tropical hardwoods by value and is therefore a key market for Greenheart's certified hardwood products from Suriname.

In the second half of 2013, we will focus on improving our supply and demand drivers. In Suriname, we will focus on completing phase two of our processing facility which includes a second wood processing line, dry kilns, moulders and bioenergy plant in West Suriname to substantially increase our production to meet demand. In Europe and the US, we will further strengthen our marketing efforts to increase the knowledge and demand for our certified hardwoods.

From a financing management prospective, we will continue to work with our key financial providers and supporters, with the aim of enhancing the Group's financial sustainability and creating value to our shareholders as a whole.

CHARGE ON ASSETS

As at 30 June 2013 and 31 December 2012, the Group's Bank Loan Facilities are secured by:

(i) All the present and after-acquired property (the "Personal Property") of certain indirect wholly owned subsidiaries of the Company (the "Selected Group Companies"); and

(ii) A Fixed Charge over

a. the Group's forestry land with the net carrying amount of approximately HK$102,334,000 (2012: HK$109,608,000) ("Forestry Land");

b. the Group's plantation forest assets with the net carrying amount of approximately HK$485,027,000 (2012: HK$500,738,000) and all other estates and interests in the Forestry Land and all buildings, structures and fixtures on the Forestry Land; and

c. all other present and after-acquired property that is not Personal Property of the Selected Group Companies.

INTERIM DIVIDEND

The Board has resolved not to recommend any dividend for the six months ended 30 June 2013.

CAPITAL EXPENDITURE

During the six months ended 30 June 2013, the Group spent approximately HK$23,031,000 (year ended 31 December 2012: approximately HK$128,598,000) on acquisition of items of property, plant and equipment.

CONTINGENT LIABILITIES

As at 30 June 2013, the Group did not have any significant contingent liabilities (31 December 2012: Nil).

SHARE OPTION SCHEME

As at 1 January 2013, there were a total 46,222,070 share options outstanding under the Company's share option schemes. A total of 31,792,070 share options were granted by the Company pursuant to the share option scheme adopted by the shareholders of the Company on 22 March 2002 and had expired on 22 March 2012 (the "Old Share Option Scheme") and a total of 14,430,000 share options were granted by the Company pursuant to the share option scheme adopted by the shareholders of the Company on 28 June 2012 (the "New Share Option Scheme"). Movements of the outstanding share options of the Company during the Period:

	Note	**Old Share Option Scheme**	**New Share Option Scheme**	**Total**
As at 1 January 2013		31,792,070	14,430,000	46,222,070
Lapsed during the Period		(13,927,490)	–	(13,927,490)
Cancelled during the Period	(a)	(17,864,580)	(4,265,000)	(22,129,580)
Exercised during the Period		–	(10,165,000)	(10,165,000)
As at 30 June 2013		–	–	–

Note:

(a) Due to the unconditional mandatory general cash offer ("Option Offer") made to the Company's option holders by EPGL (please refer to the offer document from EPGL relating to, among other things, the Option Offer dated 21 February 2013 for further details) for the then outstanding options granted under the Old Share Option Scheme and the New Share Option Scheme, (i) all unvested options have been vested when the Option Offer was made on 21 February 2013; (ii) each option holder (or his personal representative(s)) may exercise all options (in whole or in part) at any time within 14 days after the Option Offer was made ("Change of Control Period"); and (iii) any vested option not exercised during the Change of Control Period would automatically lapse pursuant to the terms of the Old Share Option Scheme and the New Share Option Scheme where the option holders accepted the Option Offer, the options involved were cancelled. For the number of acceptance of the Option Offer, please refer to the Company's announcement dated 21 March 2013.

Accordingly, as at the date of this announcement, there is no outstanding option granted by the Company as a result of the Option Offer.

EMPLOYMENT AND REMUNERATION POLICY

As at 30 June 2013, the number of employees of the Group was about 561. Employees' cost (including Directors' emoluments) amounted to approximately HK$50,536,000 for the six months ended 30 June 2013. Remuneration of the employees includes salary and discretionary bonus which is based on the Group's results and individual performance. Medical and retirement benefits schemes are made available to all levels of personnel.

AUDIT COMMITTEE

The Audit Committee has three members comprising the three INEDs, namely Mr. Wong Che Keung, Richard (Chairman), Mr. Wong Kin Chi and Mr. Tong Yee Yung, Joseph. None of them are members of the former or existing auditors of the Company. The Board considers the Audit Committee has extensive commercial experience in business, financial and legal matters. The primary duties of the Audit Committee include, among other matters, to review and monitor financial reporting and the judgement contained therein; to review financial and internal controls, accounting policies and practices with management and external auditors; to review the periodic reports prepared by the Internal Audit Department and; to review the Company's compliance with the Corporate Governance Code ("CG Code") contained in Appendix 14 to the Listing Rules.

The Audit Committee has reviewed and discussed with the management the accounting principles and practices adopted by the Group and auditing, internal controls and financial reporting matters, and the Company's policies and practices on corporate governance. The Audit Committee has reviewed and discussed with management and external auditors the unaudited condensed consolidated interim financial statements of the Group for the six months ended 30 June 2013. Subsequent to such Audit Committee's meeting, Mr. Paul Jeremy Brough has been appointed as a member of the Audit Committee.

COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES

The Board and the management of the Group emphasize on corporate governance and are committed to maintaining a high standard of corporate governance which is reviewed and strengthened from time to time. The Company has complied with all the code provisions set out in the CG Code throughout the six months ended 30 June 2013 except for the following deviation:

Chairman and Chief Executive Officer

Under code provision A.2.1 of the CG Code, the roles of chairman and chief executive officer of the Company should be separate and should not be performed by the same individual. Following the resignation of Mr. Chan Tak Yuen, Allen on 29 August 2011, Mr. William Judson Martin ("Mr. Martin"), the chairman, chief executive officer and executive director of the Company, has assumed the role as Chairman of the Board with effect from 29 August 2011. The Company's day-to-day operation is managed by the Executive Management Committee which comprises Mr. Martin, Mr. Andrew James Fyfe, the Chief Operating Officer and Ms. Daphne Tse, the Chief Financial Officer. The Executive Management Committee is responsible under the immediate authority of the Board for the conduct of the business of the Company. As such, the Board believes that the arrangement that Mr. Martin being both the Chairman of the Board and the chief executive officer of the Company, though not in line with the requirement of code provision A.2.1 of the CG Code, will provide the Group with strong and consistent leadership and allow for more effective and efficient business decision and execution.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted a code of conduct regarding securities transactions by Directors ("Code of Conduct") on terms no less exacting than the required standard set out in the Model Code for Securities Transactions by Directors of Listed Issuers in Appendix 10 to the Listing Rules (the "Model Code"). All Directors have confirmed, following specific enquiry by the Company, that they have complied with the required standard set out in the Model Code and the Code of Conduct for the six months ended 30 June 2013.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

Neither the Company, nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the Period.

FORWARD LOOKING STATEMENTS

This announcement contains forward looking statements with respect to the financial conditions, results of operations and business of the Group. These forward looking statements represent the Company's expectations or beliefs concerning future events and involve known and unknown risks and uncertainty that could cause actual results, performance or events to differ materially from those expressed or implied in such statements.

APPRECIATION

Our Group's success depended on all our staff's commitment, dedication and professionalism. The Board would like to thank every staff for their diligence and dedication and to express its sincere appreciation to our shareholders, clients and suppliers for their continuous and valuable support.

By Order of the Board
Greenheart Group Limited
W. Judson Martin
Chairman, CEO & Executive Director

Hong Kong, 30 August 2013

As at the date hereof, the Board comprises two executive Directors, namely, Messrs. W. Judson Martin and Hui Tung Wah Samuel, four non-executive Directors, namely, Messrs. Simon Murray, Paul Jeremy Brough, Colin Denis Keogh and Wang Tong Sai Eddie and three independent non-executive Directors, namely, Messrs. Wong Che Keung Richard, Tong Yee Yung Joseph and Wong Kin Chi.

Website: http://www.greenheartgroup.com

* *For identification purposes only*