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GREENHEART GROUP LIMITED

綠森集團有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 94)

PROFIT WARNING

INSIDE INFORMATION

This announcement is made by Greenheart Group Limited (the “Company” together with its subsidiaries, the “Group”) pursuant to the Inside Information Provisions (as defined in the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”)) under Part XIVA of the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong) and Rule 13.09 of the Listing Rules.

The board (the “Board”) of directors (the “Directors”) of the Company wishes to inform the shareholders of the Company (the “Shareholders”) and potential investors that, based on the information currently available, the Group expects to record a significant increase in its net loss for the 6-month period ended 30 June 2014 (the “Period”) as compared to that for the 6-month period ended 30 June 2013.

The significant increase in loss attributable to equity holders of the Company was due to the net effect of the following:

- (i) an increase in revenue contributed by the New Zealand division of HK\$22 million. Such increase was mainly due to an increase in the average export selling price to US\$144.9 per m³ for the Period, as compared to US\$134.1 per m³ for the same period last year. The export selling price reached an historical record high in March 2014 when the price of A grade New Zealand radiata pine reached US\$172.1 per m³. Following this peak, the price of A grade pine fell sharply to approximately US\$126.3 per m³ by the end of June 2014. It is expected that prices will gradually recover in the second half of 2014 should supply and economic conditions in China, in particular the property construction market, stabilize. The management of the Company (the “Management”) will continue to monitor market

conditions carefully and adjust logging volumes should it be deemed necessary. At present, Management's target volume for the remaining half year of 2014 is 313,007 m³. Combining this target with the actual harvested volume during the Period, the total harvest volume for 2014 will be approximately 626,000 m³. This represents a reduction of 74,000 m³ in Management's original target, reflecting the fall in log prices.

- (ii) Notwithstanding the increase in revenue as mentioned in (i) above, the gross profit generated by the New Zealand division decreased by approximately HK\$21.9 million due to the increase in the non-cash forest depletion cost as a result of the increase of the fair value of the plantation assets as at 31 December 2013 and the increase of the unit harvesting cost due to the appreciation of the New Zealand dollar, respectively.
- (iii) a substantial non-cash fair value loss on plantation forest assets located in New Zealand of approximately HK\$66.9 million incurred for the Period, while a gain of HK\$24.8 million was recorded during the same period of last year. The loss was calculated based on the draft valuation report for the Period prepared by the independent valuer which, according to industry practice, consistently applied, places significant weight on the spot market price. Given spot prices on 30 June 2014, compared to 31 December 2013, a material downward adjustment was made to the projected sales price due to the recent price falls.
- (iv) impairment loss on goodwill, being the excess of the consideration paid over the identifiable assets acquired and liabilities assumed, of approximately HK\$27.9 million, in relation to the acquisition of the entire issued share capital of Suma Lumber Company N.V. ("Suma"), a company incorporated in Suriname, which holds several forest concessions, a parcel of land, and sawmill plant and equipment in Suriname (please refer to the announcement of the Company dated 19 December 2013 for details of the acquisition) due to an unexpected significant increase in the forest concession levy (from SR\$0.01 per hectare per year to SR\$20.00 per hectare per year) announced by the Suriname Government in early 2014. The acquisition of Suma was completed in February 2014. Industry participants, including the Company, have been in talks with the Suriname Government in the past few months with a view to reducing the magnitude of the increase and the details of the implementation. As at the date of this announcement, negotiations are continuing. As the outcome of these negotiations may cause a significant change in the amount of impairment loss on goodwill as set out above, the Company will provide further updates to Shareholders as they occur.

- (v) an increase of the operating loss in the Company's Suriname division (excluding the impairment loss on goodwill as mentioned in (iv) above) of HK\$17.7 million as a result of the increase of the forest concession levy as mentioned in (iv) above, the decrease in average export selling prices due to a higher proportion of low grade products being sold, and higher production expenses during the Period. Management has been working to improve operational efficiency by, inter alia, changing the plant layout and material flows, optimization of the product mix, subcontracting out certain services, and commissioning a bio-energy plant to reduce fuel expenses. Based on Management's latest internal assessment, the Group will still need to contribute cash to West Suriname's operation during the remaining months of 2014 and these measures shall only start to positively impact both the Group's financial results and cash flows starting from next year.

The information contained in this announcement is only based on a preliminary assessment by the Board based on the information currently available to it, including the latest unaudited management accounts of the Group prepared by the Management of the Company, which have not yet been finalized as at the date of the announcement. Details of the performance of the Group for the six months ended 30 June 2014 will be disclosed in the unaudited consolidated interim results announcement of the Company, which is expected to be published before end of August 2014.

The profit warning constitutes a profit forecast under Rule 10 of the Code on Takeovers and Mergers (the "Takeovers Code") and would need to be reported on by both the Company's financial advisers and its accountants or auditors in accordance with Rule 10.4 of the Takeovers Code.

Given the time constraints when issuing this profit warning announcement, the Company would like to draw the attention of the Shareholders and the Company's potential investors that the profit warning does not meet the standard required by Rule 10 of the Takeovers Code and that Shareholders and potential investors should exercise caution in placing reliance on such forecasts in assessing the merits or demerits of any general offer in respect of the Company's securities and on this announcement when dealing in the Company's securities.

The reporting on the profit warning will be contained in the next document to be sent to the Shareholders by the Company (if any) (other than any monthly announcement(s) setting out the progress of the Possible Transaction (as such term is defined in the announcement of the Company dated 17 June 2014) to be made by

the Company pursuant to Rule 3.7 of the Takeovers Code), if the Company has not yet made its interim results announcement for the six months ended 30 June 2014 at the time such document is issued.

By Order of the Board
Greenheart Group Limited
Paul Jeremy Brough
*Interim Chief Executive Officer and
Executive Director*

Hong Kong, 14 July 2014

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

All Directors jointly and severally accept full responsibility for accuracy of the information contained in this announcement and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in this announcement have been arrived at after due and careful consideration and there are no other facts not contained in this announcement, the omission of which would make any statement in this announcement misleading.

Website: <http://www.greenheartgroup.com>

** For identification purposes only*