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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 2011

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 2011 (the "Period"), together with the comparative figures for the corresponding period in 2010, as follows:

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

		For the six months ended 30 June	
		2011	2010
		(Unaudited)	(Unaudited)
	Notes	***HK$'000***	*HK$'000*
REVENUE	3	**124,061**	7,572
Cost of goods sold		**(60,823)**	(3,620)
Gross profit		**63,238**	3,952
Other income and gains	4	**3,706**	51
Fair value gain on plantation forest assets		**35,312**	–
Selling and distribution costs		**(42,130)**	(2,745)
Administrative expenses		**(42,282)**	(19,077)
Other operating expenses		**(11,627)**	(7,448)
Non-cash share option expenses		**(4,542)**	–
Finance costs	5	**(13,749)**	(4,701)
Share of loss of an associate		**–**	(1,199)
LOSS BEFORE TAX	6	**(12,074)**	(31,167)
Tax	7	**(10,907)**	156
LOSS FOR THE PERIOD AND TOTAL COMPREHENSIVE LOSS FOR THE PERIOD		**(22,981)**	(31,011)

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (continued)

		For the six months ended 30 June	
		2011	2010
		(Unaudited)	(Unaudited)
	Notes	***HK$'000***	*HK$'000*
ATTRIBUTABLE TO:			
Equity holders of the Company		**(11,849)**	(23,488)
Non-controlling interests		**(11,132)**	(7,523)
		(22,981)	(31,011)
LOSS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY	8		
Basic and diluted		**HK$(0.16)**	HK$(0.75)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	**30 June 2011 (Unaudited)** *HK$'000*	31 December 2010 (Restated) *HK$'000*
NON-CURRENT ASSETS			
Property, plant and equipment		**156,908**	127,248
Prepaid land lease payments		**12,551**	1,376
Goodwill		**8,925**	7,624
Timber concessions and cutting rights		**802,363**	741,435
Plantation forest assets		**501,898**	480,480
Prepayments and deposits		**15,359**	5,208
Total non-current assets		**1,498,004**	1,363,371
CURRENT ASSETS			
Inventories		**19,962**	13,527
Trade and other receivables	9	**11,081**	3,518
Prepayments and deposits		**32,398**	6,712
Cash and cash equivalents		**491,063**	613,704
Total current assets		**554,504**	637,461
CURRENT LIABILITIES			
Trade and other payables	10	**24,656**	16,059
Deposits received		**771**	584
Loan from the ultimate holding company		**–**	396,617
Due to the ultimate holding company		**97**	2,892
Due to the immediate holding company		**–**	134
Due to fellow subsidiaries		**22,565**	22,621
Income tax payable		**985**	9,398
Total current liabilities		**49,074**	448,305
NET CURRENT ASSETS		**505,430**	189,156
TOTAL ASSETS LESS CURRENT LIABILITIES		**2,003,434**	1,552,527

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)

	Notes	**30 June 2011 (Unaudited) *HK$'000***	31 December 2010 (Restated) *HK$'000*
NON-CURRENT LIABILITIES			
Loan from the ultimate holding company		**312,000**	–
Convertible bonds		**195,518**	189,804
Deferred tax liabilities		**88,498**	77,705
Total non-current liabilities		**596,016**	267,509
NET ASSETS		**1,407,418**	1,285,018
EQUITY			
Equity attributable to equity holders of the Company			
Issued capital		**7,796**	6,811
Reserves		**1,126,848**	1,021,976
		1,134,644	1,028,787
Non-controlling interests		**272,774**	256,231
TOTAL EQUITY		**1,407,418**	1,285,018

Notes:

1. 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 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 financial statements are presented in Hong Kong dollars and all values are rounded to the nearest thousand except when otherwise indicated.

During the six months ended 30 June 2011, the Group completed the acquisition of 13,000 hectares of freehold land, including 11,000 hectares of softwood radiata pine plantations in New Zealand ("New Zealand Plantation" and collectively referred as "New Zealand Acquisition") from a subsidiary of Sino-Forest Corporation ("Sino-Forest"). The New Zealand Acquisition was completed on 31 March 2011.

Given the New Zealand Plantation continues to be controlled by Sino-Forest, the ultimate controlling shareholder of the Company, before and after the New Zealand Acquisition (through its majority shareholding in the Company), the financial statements of the Group for the Period have been prepared using merger accounting principle as if the New Zealand Acquisition had occurred on the date when the combining entities first came under common control by Sino-Forest. Accordingly, the contribution from the New Zealand Plantation for the full first six months of 2011 has been reflected in the Group's combined financial statements for the Period. As the New Zealand Plantation only came under Sino-Forest control in October 2010, the comparative figures in the consolidated statement of comprehensive income for the same period of last year are not required to be restated.

2. 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 2010, 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 2011, noted below.

HKFRS 1 (Amendment)	Amendment to HKFRS 1 *First-time Adoption of Hong Kong Financial Reporting Standards –Limited Exemption from Comparative HKFRS 7 Disclosures for First-time Adopters*
HKAS 24 (Revised)	*Related Party Disclosures*
HKAS 32 Amendment	Amendment to HKAS 32 *Financial Instruments: Presentation – Classification of Rights Issues*
Improvements to HKFRSs 2010	Amendments to a number of HKFRSs issued in May 2010
HK(IFRIC)-Int 14 Amendments	Amendments to HK(IFRIC)-Int 14 *Prepayments of a Minimum Funding Requirement*
HK(IFRIC)-Int 19	*Extinguishing Financial Liabilities with Equity Instruments*

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

3. **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 two reportable segments:

Suriname: Engaging in hardwood log harvesting, timber processing, marketing and sale of logs and timber products

New Zealand: Engaging in softwood log harvesting, marketing and sale of logs and timber products

The following table presents the revenue and profit or loss information regarding the Group's operating segments for the six months ended 30 June 2011:

For the six months ended 30 June 2011

	Suriname	**New Zealand**	**Total**
	HK$'000	*HK$'000*	*HK$'000*
SEGMENT REVENUE	13,914	110,147	124,061
SEGMENT RESULTS	(21,334)	46,698	25,364
Other income and gains			1,437
Finance costs			(3,176)
Corporate and other unallocated expenses, net			(35,699)
LOSS BEFORE TAX			(12,074)

No operating segment information is presented during the six months ended 30 June 2010 as the Group was solely operated in one geographic location only, i.e. Suriname.

3. OPERATING SEGMENT INFORMATION (continued)

Geographical information

Revenue is attributed to the following geographical regions:

	For the six months ended 30 June	
	2011	2010
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Mainland China	**93,985**	7,073
New Zealand	**26,937**	–
Suriname	**1,784**	499
Netherlands	**841**	–
Hong Kong	**514**	–
	124,061	7,572

Information about major customers

During the six months ended 30 June 2011, the Group had transactions with 2 (2010: 5) customers who each contributed over 10% of the Group's total revenue 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	
	2011	2010
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Customer 1	**73,194**	2,574
Customer 2	**18,225**	827
Customer 3	**–**	732
Customer 4	**–**	717
Customer 5	**–**	642
	91,419	5,492

4. OTHER INCOME AND GAINS

	For the six months ended 30 June	
	2011	2010
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Bank interest income	**2,319**	10
Rental income for the lease of plant and machinery	**564**	–
Others	**823**	41
	3,706	51

5. FINANCE COSTS

	For the six months ended 30 June	
	2011	2010
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Interest on convertible bonds	**10,573**	4,701
Interest on a loan from the ultimate holding company	**3,134**	–
Interest on a bank loan	**42**	–
	13,749	4,701

6. LOSS BEFORE TAX

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

	For the six months ended 30 June	
	2011	2010
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Amortization of timber concessions and cutting rights	**3,238**	1,583
Less: Amount capitalized in inventories	**(1,018)**	(432)
Current period expenditure charged to cost of goods sold	**2,220**	1,151
Depreciation	**2,969**	1,437
Amortization of prepaid land lease payments	**121**	–

7. TAX

No provision for Hong Kong profits tax has been made as the Group did not generate any assessable profits arising in Hong Kong during the six months ended 30 June 2011 and 2010.

No overseas income tax has been provided as the subsidiaries operating in overseas did not generate any assessable profits arising during the Period based on existing legislation, interpretations and practices in respect thereof (2010: Nil). 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. During the six months ended 30 June 2011, the effective tax rate, calculated on the basis of total current and deferred tax expenses to its operating result, of the Group's New Zealand operation is 25.6%.

	For the six months ended 30 June	
	2011	2010
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Tax charge/(credit) for the Period:		
Deferred tax	**9,835**	(156)
Foreign exchange difference on deferred tax liabilities	**958**	–
Foreign exchange difference on income tax payable	**114**	–
	10,907	(156)

8. 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 731,721,945 (2010: 314,860,257) ordinary shares in issue during the Period.

In respect of the diluted loss per share amount presented, no adjustment has been made to the basic loss per share amount presented for the six months ended 30 June 2011 and 2010 as the impact of the share options and convertible bonds outstanding during these periods had an anti-dilutive effect on the basic loss per share amounts presented.

9. TRADE AND OTHER RECEIVABLES

	30 June 2011 (Unaudited) *HK$'000*	31 December 2010 (Restated) *HK$'000*
Trade receivables	**8,224**	3,687
Impairment	**–**	(310)
	8,224	3,377
Other receivables	**2,857**	141
Trade and other receivables	**11,081**	3,518

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 30% 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. In the opinion of Directors, there is no significant concentration of credit risk. Trade receivables are non-interest-bearing.

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

	30 June 2011 (Unaudited) *HK$'000*	31 December 2010 (Restated) *HK$'000*
Within 1 month	**8,224**	3,031
1 to 3 months	**–**	342
Over 3 months	**–**	4
	8,224	3,377

10. TRADE AND OTHER PAYABLES

	30 June 2011 (Unaudited)	31 December 2010 (Restated)
	HK$'000	*HK$'000*
Trade payables	**17,258**	6,317
Other payables	**773**	3,116
Accruals	**6,625**	6,626
	24,656	16,059

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

	30 June 2011 (Unaudited)	31 December 2010 (Restated)
	HK$'000	*HK$'000*
Within 1 month	**16,739**	6,317
1 to 3 months	**95**	–
Over 3 months	**424**	–
	17,258	6,317

11. RELATED PARTY DISCLOSURES

In addition to the transactions detailed elsewhere in these financial statements, the Group entered into the following material transactions with related parties during the six months ended 30 June 2011:

Name of related party	Nature of transaction	*Notes*	For the six months ended 30 June **2011** **(Unaudited)** ***HK$'000***	2010 (Unaudited) *HK$'000*
The ultimate holding company				
Sino-Forest	Interest expenses paid and payable on a loan	(i)	**3,134**	–
	Interest expenses paid on the convertible loan	(ii)	**–**	4,701
Fellow subsidiary				
Sino-Wood Trading Limited	Sales of logs	(iii)	**73,194**	–
A company with a common director				
Greater Sino Holdings Limited ("Greater Sino")	Interest expenses paid and payable on the convertible bonds	(iv)	**10,573**	–

Notes:

(i) The interest expenses were charged based on the London Interbank Offered Rate plus 3.5% per annum on a loan with a principal amount of HK$312,000,000 granted by Sino-Forest during the six months ended 30 June 2011.

(ii) The interest expenses were charged based on the coupon rate of 4% per annum on the convertible bonds with a total principal amount of HK$237,000,000 issued in November 2007 which were fully converted into new ordinary shares of the Company in September 2010.

(iii) The sales of logs to a fellow subsidiary were made with reference to the prevailing market prices and under normal commercial terms of the sales of similar type of products.

(iv) The amount disclosed above represents the imputed interest expenses charged to profit or loss for accounting purpose for the convertible bonds issued to Greater Sino, a company in which a Director has an indirect interest. The actual interest paid and payable to Greater Sino, which is calculated based on the compound return of 10% per annum as set out in the terms and conditions of the said convertible bonds is HK$9,718,000.

LETTER TO SHAREHOLDERS

Dear shareholders of Greenheart,

I am pleased to report to our shareholders another quarter of substantial growth for Greenheart. In the first quarter of 2011, our revenue and gross profit each increased 11 fold compared to the same period the year before. For the six months ended 30 June 2011 we reported revenue of HK$124.1 million and gross profit of HK$63.2 million representing a 15 times increase compared to the same period the year before. We reported a net loss for the current period of HK$23.0 million compared to a net loss of HK$31.0 million in the first six months of 2010. This current period loss is primarily attributable to the necessary strategic investment in people and infrastructure in Hong Kong, New Zealand and Suriname in advance of generating our full revenue capacity from our current asset base as well providing the foundation for our future growth.

This growth, as expected, is attributable primarily to the sale of our radiata pine logs to China from our 13,000 hectares of freehold plantation located in the Northland region of New Zealand that we acquired earlier this year. Contribution from our Suriname hardwood concessions was modest during the Period, also as expected. We continue to construct our two wood processing facilities, one in our forest concession in eastern Suriname and the other in the west. These two world-class wood processing facilities that are projected to come on stream in late 2011 and early 2012 respectively, are expected to have a positive impact on revenue as input and processing operations at each facility is accelerated.

In New Zealand, we continued to increase our level of production driven by China's strong demand for softwood logs supported by our experienced operational, harvesting and management team and increasingly robust infrastructure. Year-to-date we have sold approximately 123,000 cubic meters of radiata pine logs compared to zero sales in the same period last year. According to data released by New Zealand's Ministry of Agriculture and Forestry, China imported approximately 1.9 million cubic meters of New Zealand logs in the first quarter of 2011, representing an increase of 44.5% from the same period a year before. In accordance with our operating strategy in New Zealand, we will increase our harvesting and replanting volumes over the coming years and continue to serve the growing wood demand and deficit in China. It is equally important for us to develop new customer relationships in countries such as Japan, India, Taiwan and Korea who have demonstrated a strong appetite for our radiata pine resource and when appropriate, expand our plantation footprint in New Zealand through acquisitions.

We remain keenly focused on our strategy of building a leading tropical hardwood business, marketing high value sawn timber and other products hewn from responsibly and sustainably harvested and processed tropical hardwoods from our concessions in Suriname to markets around the world. Our prospects in Suriname are very exciting for all of us at Greenheart.

We are also firmly committed to being a global leader in sustainable tropical forestry embracing the highest standards of selective harvesting, silviculture and wood processing in all our operations. Greenheart continues to work hard to prepare for FSC (Forest Stewardship Council) certification for our forests and operations in Suriname. I am pleased to report that we have now hired the necessary personnel with the knowledge and experience to get us there and on a suitable timetable.

Despite the recent fall in our share price due to reasons unrelated to Greenheart's day-to-day operations, we are fully committed to our operating strategy and remain focused on developing our existing assets in Suriname and New Zealand into sustainable and profitable businesses. On behalf of all of us at Greenheart, I would like to thank all shareholders for your support over the last few trying months. I look forward to sharing the rewards from our current hard work with you in what I believe will be a very exciting future.

W. Judson Martin
President, CEO & Executive Director

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

We are pleased to report that Greenheart has recorded strong revenue growth during the six months ended 30 June 2011. The Group's total revenue rose to HK$124,061,000 for the Period, representing a 15 times increase in revenue from HK$7,572,000 in the same period last year. The significant growth in revenue was primarily attributable to the inclusion of sales generated from our New Zealand operation, which was acquired by the Group on 31 March 2011 (the "New Zealand Acquisition") and mainly consisted of 13,000 hectare of freehold land, including 11,000 hectares of softwood radiata pine plantations in New Zealand ("New Zealand Plantation"), amounting to HK$110,147,000 for the entire Period. As explained in the unaudited results announcement of the Group for the three months ended 31 March 2011 published on 23 May 2011, given the New Zealand Plantation continues to be controlled by Sino-Forest before and after the acquisition (through its majority shareholding in the Company), the contribution from the New Zealand Plantation for the full first six months of 2011 has been reflected in the Group's combined financial statements for the entire Period. In addition to the sales contributed from the newly acquired New Zealand Planation, the revenue contributed from our existing Suriname operations also increased to HK$13,914,000 for the Period compared to the contribution for the same period last year of HK$7,572,000. The strong revenue growth was further supported by the significant increase in log prices and wood demand from our customers during the Period.

Regarding our growth strategy, the Group has made significant progress in expanding its footprint in the global sustainable timber industry during the Period. Other than the acquisition of the New Zealand Plantation as mentioned above, on 1 March 2011, the Group acquired 60% equity interest in Vista Marina Services N.V., which owns certain harvesting rights to 128,000 hectares of tropical hardwood concession in eastern Suriname, South America. This acquisition increased the Group's total concessions under management in Suriname to approximately 312,000 hectares. Through these two transactions, Greenheart not only increased its wood fiber reserve but also diversified its international asset base from sustainable tropical hardwood concessions in South America to sustainable softwood plantations in New Zealand. Both acquisitions will strengthen the Group's ability to serve the growing timber deficit in China and other markets around the world.

The Group's gross profit for the Period was HK$63,238,000, which represented a 15 times increase in gross profit from HK$3,952,000 for the same period last year. The significant increase was attributable to the sale of approximately 123,000 cubic meters of New Zealand radiata pine and increased sales volume from our Suriname concessions during the Period.

Other income and gains amounted to HK$3,706,000 for the Period, an increase of HK$3,655,000 compared with HK$51,000 for the same period last year. The increase was primarily attributable to the increase in bank interest income as a result of the increase in average cash and bank balances and the rental income received from our subcontractors in Suriname for using our equipment of HK$564,000 during the Period.

The fair value gain on our plantation forest assets is primarily attributable to the growth of the tree crops and the appreciation of the sales price of New Zealand radiata pine, in United States dollars terms, in our New Zealand Plantation during the Period.

Selling and distribution costs mainly represented trucking, barging and export handling expenses from the sale of our Suriname logs and timber 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 ocean freight charges from the sales of New Zealand radiata pine, which were sold on CIF terms, during the Period.

Administrative expenses increased by HK$23,205,000 to HK$42,282,000 for the Period. The increase was mainly attributable to the one-off legal and professional fees of approximately HK$7,600,000 incurred for certain due-diligence reviews on potential investments including the two acquisitions aforementioned. The increase also reflected the Group's expansion, particularly in its hiring of experienced staff in Hong Kong and Suriname in order to facilitate the Group's growth plans, the engagement of professionals and consultants to support the Group's corporate development, and the increase in rental and other expenses resulting from the relocation of the Company's corporate head office in Hong Kong during the Period.

Other operating expenses mainly represented costs and expenses incurred in optimizing the layout of the log yard, increasing the utilization of the existing sawmill and improving the general living facilities at the Company's forest camp and staff quarters in Suriname.

Share option expenses incurred in the Period of HK$4,542,000 were non-cash in nature, represented the fair value of the share options granted by the Company during the Period relating to contractual arrangements with senior managers required to implement the Company's growth plans. There was no such expense in the same period last year.

Finance costs of HK$13,749,000 increased from HK$4,701,000 for the same period last year represented the interest expenses incurred for the convertible notes with a total principal amount of approximately HK$195,000,000 (equivalent to US$25,000,000) issued in August 2010, bearing an effective interest rate of approximately 11.2% per annum. These convertible notes bear a coupon rate of 5% per annum with an actual cash interest payment of HK$4,900,000 for the Period. The increase in finance costs was mainly attributable to the increase in effective interest rate as the interest expenses incurred in the same period last year related to the convertible bonds with a total principal amount of HK$237,000,000 issued in November 2007 bearing an effective interest rate of only 4% per annum which were fully converted into new ordinary shares of the Company in September 2010.

The share of loss of an associate of HK$1,199,000 recorded in the same period last year represented our share of the operational loss of an associate. This associate was fully disposed of in September 2010.

Tax charge for the Period mainly represented the deferred tax arising from the revaluation of our plantation forest assets and other timing differences arising from our New Zealand operation.

With the significant increase in revenue as a result of Greenheart's growth strategy, the Group has already started to make considerable improvements, as evidenced by the decrease in the loss attributable to the equity holders of the Company for the Period to HK$11,849,000 compared with HK$23,488,000 for the same period the year before.

LIQUIDITY AND FINANCIAL REVIEW

The Group continued to sustain a strong liquidity position. As at 30 June 2011, the Group's current assets and current liabilities were HK$554,504,000 and HK$49,074,000 (31 December 2010: HK$637,461,000 and HK$448,305,000, as restated), respectively, of which the Group maintained cash and bank balances of approximately HK$491,063,000 (31 December 2010: HK$613,704,000, as restated). The Group's outstanding borrowings as at 30 June 2011 represented the loan from Sino-Forest amounting to HK$312,000,000 (31 December 2010: HK$396,617,000, as restated). 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 27.5% (31 December 2010: 38.6%, as restated).

During the Period, a total of 96,494,952 new ordinary shares of the Company were issued to Sino-Capital Global Inc. ("Sino-Capital"), a wholly-owned subsidiary of Sino-Forest, as part of the consideration paid for the New Zealand Acquisition and subsequently Sino-Forest increased its indirect shareholding in the Company to 63.6%. As at 30 June 2011, there were 779,724,104 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 dollars and Hong Kong dollars. The Group's liquidity and financing requirements are reviewed regularly. The Group will continue to maintain a strong capital structure when financing new investments.

The Group has limited exposure to foreign exchange fluctuation risks as except certain domestic sales generated from our New Zealand plantation assets, most of its sales are denominated in United States dollars, to which the Hong Kong dollar is pegged and is the same currency in which the Group's all outstanding borrowings, majority costs and expenses incurred overseas were denominated. On the other hand, those domestic sales generated from our New Zealand plantation assets were denominated in New Zealand dollars which can help to partly offset the Group's operating expenses payable in New Zealand dollars. 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 2011. However, we will continue to monitor closely 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 to mitigate any significant foreign exchange risk.

PROSPECTS

China's demand for international timber continues to grow, with newly released data showing an increase in imports of softwood from New Zealand as well as increasing imports of tropical timber. According to new data released by the Mckinsey Global Institute, the urban population in China is expected to grow by 350 million people by 2025 with the emergence of over 200 cities with a population of more than a million. While there have been recent signs of slowing growth in China, the wood deficit continues to grow with RISI, a leading information provider for the global forest product industry, forecasting an imbalance of 182 million cubic meters by 2015 which will need to be largely met through greater imports.

In a recent conference hosted by Wood Markets in May 2011, experts indicated that North American log and lumber supplies may fall by the middle of the decade and identified New Zealand as a key source for global softwood supplies. Subsequently, New Zealand's Ministry of Agriculture and Forestry released new data showing China's increasing dominance in the New Zealand log export market with 1.9 million cubic meters being exported to China in the first quarter of 2011, an increase of 44.5 percent when compared to the same period last year. This increase in China exports is a major contributor to the growth in our revenue over the last two quarters and we are well positioned to leverage our New Zealand asset to best maximize this rise in demand for New Zealand softwood.

China's lumber imports have doubled from 2007 to 2010, and Wood Market's Five-year outlook estimates that China will need to double its lumber imports by 2015 in order to meet domestic demand. In the first quarter of 2011, log imports increased 23 percent along with an increase of 58 percent in lumber when compared to the same period the year before. In line with the increasing lumber demand, we remain focused on building our processing facilities in Suriname to convert our tropical hardwood logs into high value lumber and other high value finished products. Our target markets for our tropical hardwood besides China include North America, the CARICOM nations, India, Korea, Japan, Taiwan and Europe, in particular the Netherlands, given its historical ties with Suriname and historical use and knowledge of Surinamese tropical hardwood. With two world–class processing facilities currently under construction in Suriname, we expect the first processing facility to commence operations by the end of this year and the second to be operational in 2012. Upon full ramp-up and with our objective to obtain full FSC (Forest Stewardship Council) certification for our products and operations in Suriname, Greenheart's ultimate goal is to capitalize on this opportunity of market imbalances and be a leading provider of sustainable and profitable tropical hardwood to China and other markets around the world.

INTERIM DIVIDEND

The Board has resolved not to recommend any dividend for the six months ended 30 June 2011.

CAPITAL EXPENDITURE

During the six months ended 30 June 2011, the Group spent approximately HK$26,840,000 (year ended 31 December 2010: approximately HK$111,406,000, as restated) on acquisition of items of property, plant and equipment.

MATERIAL ACQUISITION AND DISPOSAL

On 7 January 2011, the Company entered into a sale and purchase agreement with Sino-Capital and Sino-Forest, whereby the Company has conditionally agreed to purchase the entire equity interest in Mega Harvest International Limited ("Mega Harvest") from Sino-Capital, together with its shareholder's loan at a maximum consideration of approximately HK$288,600,000 (equivalent to US$37,000,000). Mega Harvest is an investment holding company incorporated in the British Virgin Islands, which owns a radiata pine plantation in New Zealand with approximately 13,000 hectares of freehold lands with a net harvestable area of approximately 11,000 hectares. The acquisition was completed on 31 March 2011.

On 24 February 2011, Greenheart Forest (Suriname) FT Limited, an indirect wholly-owned subsidiary of the Company entered into a sale and purchase agreement with certain parties, pursuant to which Greenheart Forest (Suriname) FT Limited agreed to acquire from an independent third party 60% equity interest in Vista Marina Services N.V., a company incorporated in Suriname, South America which controls certain harvesting rights to 128,000 hectares of tropical hardwood concession. The acquisition was completed on 1 March 2011.

Save as disclosed above, the Group had no other material acquisitions or disposals during the six months ended 30 June 2011.

CONTINGENT LIABILITIES

As at 30 June 2011, the Group did not have any significant contingent liabilities (31 December 2010: Nil).

SHARE OPTION SCHEME

As at 30 June 2011, there were options for 43,693,560 ordinary shares of HK$0.01 each in the share capital of the Company granted by the Company pursuant to the share option scheme, as adopted by the shareholders of the Company on 22 March 2002, which were valid and outstanding. 70,000 options lapsed during the six months ended 30 June 2011.

EMPLOYMENT AND REMUNERATION POLICY

As at 30 June 2011, the number of employees of the Group was about 214. Employees' cost (including Directors' emoluments) amounted to approximately HK$14,343,000 for the six months ended 30 June 2011. 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 of the Company (the "Audit Committee") currently comprises three independent non-executive Directors, namely Mr Wong Che Keung Richard (Chairman of the Audit Committee), Mr Tong Yee Yung Joseph, and Mr Wong Kin Chi. The members of the Audit Committee have reviewed with management the accounting principles and practices adopted by the Group and discussed auditing, internal control and financial reporting matters of the Group. The Audit Committee has reviewed and discussed with management and external auditors the unaudited condensed consolidated financial statements of the Group for the six months ended 30 June 2011.

COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES

The Company is committed to maintaining a high standard of corporate governance. The Company has complied with all the code provisions set out in the Code of Corporate Governance Practices contained in Appendix 14 to the Listing Rules throughout the six months ended 30 June 2011. The Board continues to review its practices from time to time with an aim to improve the Group's corporate governance practices so as to meet international best practice.

COMPLIANCE WITH THE MODEL CODE SET OUT IN APPENDIX 10 TO THE LISTING RULES

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 contained in Appendix 10 to the Listing Rules (the "Code") and the Company has made specific enquiry of all Directors who confirmed that they have complied with the required standard set out in the Code and the Code of Conduct for the six months ended 30 June 2011.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the six months ended 30 June 2011, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

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 would also take this opportunity to express our 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
President, CEO & Executive Director

Hong Kong, 8 August 2011

As at the date hereof, the Board comprises two executive Directors, namely, Messrs. W. Judson Martin and Hui Tung Wah Samuel, two non-executive Directors, namely, Messrs. Chan Tak Yuen Allen and Simon Murray, 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*