GREENHEART GROUP LIMITED
綠心集團有限公司
(Incorporated in Bermuda with limited liability)
(Stock Code: 94)

SUPPLEMENTAL ANNOUNCEMENT IN RELATION TO THE INTERIM REPORT FOR THE SIX MONTHS ENDED 30 JUNE 2017

This announcement is made at the request of the Stock Exchange of Hong Kong Limited (the "**Stock Exchange**").

Reference is made to the interim report for the Company for the six months ended 30 June 2017 (the "**Interim Report**") posted on the respective websites of the Stock Exchange and the Company on 22 September 2017. Capitalised terms used herein shall bear the same meanings as defined in the Interim Report unless the context requires otherwise.

During the six months ended 30 June 2017, as disclosed in note 4 to the consolidated interim financial statements under the section headed "Information about major customers" of the Interim Report, the largest customer of the Company ("**Customer 1**") account for approximately HK$213,875,000 of the Group's total revenue. In addition to the information disclosed in the Interim Report, the Company would like to provide shareholders of the Company (the "**Shareholders**") and the market with additional information in relation to Customer 1 as below:

Brief description of Customer 1

Identity	:	A company incorporated in the British Virgin Islands since 2007.
Background	:	Wholly owned by an individual (the "**Owner of Customer 1**"), who is a Hong Kong resident and has over 20 years' experience in trading of logs and wood related products and has extensive business network in the People's Republic of China (the "**PRC**") and Suriname. The Company has known the Owner of Customer 1 since

2007.

Customer 1's head office is situated in Hong Kong. It owns various subsidiaries in the PRC and Suriname and has been trading of logs and wood products from Russia, New Zealand and South America for years.

Customer 1's prior business relationship with the Company	:	Customer 1 commenced to purchase logs and wood related products from the Group (the "**Group's Products**") since the second half of 2015 and purchased from both the Group's Suriname and New Zealand Divisions. In July 2015, after Newforest Limited became the current controlling shareholder of the Company, Customer 1 introduced a state-owned enterprise in China (the "**Chinese Customer**") to the Company. The Chinese Customer purchased and sold logs and wood products through its various subsidiaries in the PRC and abroad. In order to have a better coordination with the Chinese Customer, since July 2016, the Group sold the Group's Products through Customer 1 to subsidiaries of the Chinese Customer.

The chart below showing the Group's revenue (and percentage to the group's total revenue) from Customer 1 and/or the Chinese Customer in the past three financial years:

	Year ended 31 December 2016	Year ended 31 December 2015	Year ended 31 December 2014
	(audited) HK$'000	(audited) HK$'000	(audited) HK$'000
Total revenue from Customer 1	273,097	3,934	-
% of total revenue of the Group	50.23%	0.67%	0.00%
Total revenue from the Chinese Customer	185,510	162,605	-
% of total revenue of the Group	34.12%	27.49%	0.00%

Notes:

1. As at the date of this announcement, all the receivables due from the Chinese Customer have been fully settled.
2. Please refer to the last section of this announcement regarding the latest status of the receivables due from Customer 1.

Reliance on Customer 1 and the Chinese Customer is not extreme

The Company is of the view that its reliance on the largest customer is not extreme for the following reasons, mainly:

(a) it was the Company's strategy and commercial decision to shift most of its sales to Customer 1 and/or the Chinese Customer in order to maximize the profits and revenues since 2016. In 2014 and 2015, the largest customer of the Company only contributed less than 25% of the total sales and the remaining sales were contributed by an array of customers.

China is the largest importer of New Zealand radiata pine in the world. In 2015 and 2016, China imported 10.5 million m^3 and 12.2 million m^3 of logs (mainly radiata pine) from New Zealand and the demand is expected to steadily increase in future. In order to have a stable supply to feed their own or their customers factories, most of the large and sizeable buyers in China would prefer to source the New Zealand radiata pine from forest owner(s) with a certain scale instead of small owners or traders who may not provide a steady supply to them monthly.

Given the above, the Company believes that it is a preferred supplier for most of our potential customers and the Group is in a good market position that has the bargaining power to find other customers to purchase logs from the Group and hence reduce the volumes of logs that are currently sold to Customer 1 and the Chinese Customer. However, the Company is yet to assess the profitability from those potential customers.

(b) The Company will work in an effort to reduce its reliance to Customer 1 and the Chinese Customer from an aggregate of 82.16% of total revenue of the Group 6 months ended 30 June 2017 to not more than 50% of the total revenue of the Group from the sales of New Zealand radiata pine within the coming three financial years, provided that the profitability will not be therefore adversely affected.

Moreover, the Company is of the view that further expansion of the Group's scope of business (e.g. the environmental and greening services in Inner Mongolia etc.) can help to reduce the reliance on Customer 1 and the Chinese Customer by increasing the revenue of the Group and hence reduce the percentage of reliance on Customer 1 and the Chinese Customer.

Measures taken and/or to be taken to reduce the level of reliance on Customer 1 and the Chinese Customer

The measures taken and/or to be taken to reduce the level of reliance on Customer 1 and the Chinese Customer are as follows, including but not limited to:

a. On 20 September 2017, the Group has acquired a forest cutting right in New Zealand to expand its source of woods in New Zealand. The Group will continue to acquire new forest assets and will therefore have more logs to sell to customers other than Customer 1 and the Chinese Customer.

b. Commencing from 2017, the Group has started to share vessels with other log exporters which not only strengthen our position in rate negotiation but also help to reduce the storage costs by shortening the interval between shipments as vessels can be filled up faster with other exporters' volume. Such arrangement gives the Group various opportunities to establish closer working relationship with other exporters which may help the Group to increase its source of wood, and therefore create additional revenue.

c. The Company is now in discussion with various parties for purchasing products from the Group's Suriname operation, which will assist the Group's Suriname wood products, to penetrate the PRC market, being the largest tropical hardwood importer in the world. This could diversify the Group's business to other potential customers and expand its marketing network.

d. The Company has entered into a joint venture agreement with various parties on 30 October 2017 to establish a joint venture in Inner Mongolia which would be principally engaged in the provision of environmental restoration and greening service in the PRC. This shows the Company's continuing effort in developing new business line when there is new opportunity being identified.

e. The Company would approach other sizeable customers who will bring satisfactory profit margins to the Company, including but not limited to the previous customers of the Company aiming to reduce the reliance issues. The Group will endeavour using its best effort to broaden its scope of business and increase its revenue from different businesses.

The aging of receivable from Customer 1 as at 30 June 2017 was as follows:

	HK$'000
Neither past due nor impaired	24,040
Less than 3 months past due	76,703
Over 3 months past due	65,882
	166,625

As of the date of this announcement, a total of approximately HK$135,079,000 was subsequently received from Customer 1 after 30 June 2017.

The Company has followed up the collection of the trade receivables with Customer 1 closely and will take necessary actions to protect the Company's interests in these receivables. On 2 December 2017, the Owner of Customer 1, who owns sufficient financial resources, provided a personal guarantee (the "**Personal Guarantee**") to the Company in relation to the repayment of the trade receivables of Customer 1 owed to the Group.

To the knowledge of the Company, it was believed that the Owner of Customer 1 has sufficient financial resources to ensure the repayment of trade receivables owed by the Customer 1 should Customer 1 eventually unable to repay the sales proceeds after a substantial period. The Directors decided to allow sufficient time to Customer 1 to repay the overdue trade receivables based on its commercial decision and such consideration has taken into account the best interest of the Company and the shareholders of the Company as a whole.

The Directors are also of the view that no impairment assessment is required at this stage and the reasons are as follows:

(a) the Group has taken sufficient actions to recover the trade receivables due from Customer 1;

(b) the Group has adequate control measures in place to monitor the recovery of trade receivables;

(c) the business operations of the Customer 1 remain usual and normal; and

(d) the Personal Guarantee which provides further security to the Company in recovering the trade receivables due from Customer 1.

The Company will closely monitor the progress of repayment and will keep the public investors informed if material provision of impairment arise or is expected.

The additional information above does not affect other information contained in the Interim Report, and the contents of the Interim Report remain unchanged.

By order of the Board
Greenheart Group Limited
Wu Wai Leung Danny
Chief Executive Officer and Executive Director

Hong Kong, 16 January 2018

As at the date hereof, the Board comprises two executive Directors, namely Messrs. Wu Wai Leung, Danny and Lim Hoe Pin, three non-executive Directors, namely Messrs. Cheng Chi-Him, Conrad, Tsang On-Yip, Patrick and Simon Murray, and three independent non-executive Directors, namely Messrs. Nguyen Van Tu, Peter, Tang Shun Lam, Steven and Wong Man Chung, Francis.

Website: http://www.greenheartgroup.com