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GREENHEART GROUP LIMITED

綠心集團有限公司

(Incorporated in Bermuda with limited liability)

(Stock Code: 94)

INSIDE INFORMATION

PROFIT WARNING

This announcement is made by Greenheart Group Limited (the “**Company**”, together with its subsidiaries, the “**Group**”) pursuant to Rule 13.09(2)(a) of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”) and the Inside Information Provisions (as defined in the Listing Rules) under Part XIV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong).

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 an increase of approximately 25% in its net loss for the year ended 31 December 2024 (the “**Year**”) as compared to that of last year.

The increase in net loss attributable to the Shareholders was mainly due to the result of the following:

- (i) a fair value loss of approximately HK\$67.5 million (2023: HK\$12.1 million) relating to the plantation forest assets located in New Zealand. The fair value loss was primarily caused by a decrease in the logs selling price due to the unfavourable market conditions.

While the cost and freight price for benchmark A-grade logs transported from New Zealand into the China softwood log markets recovered in late 2023 and early 2024, ranging from US\$128 per JAS m³ to US\$133 per JAS m³, the price dropped significantly from April to June 2024, holding at US\$114 per JAS m³ to US\$117 per JAS m³, before stabilizing at US\$120 per JAS m³ to US\$122 per JAS m³ for the remainder of 2024.

Additionally, shipping costs for transporting logs from New Zealand to the sale destinations initially increased from US\$30.6 per JAS m³ to US\$39.0 per JAS m³ in June 2024, before decreasing back to US\$31.8 per JAS m³ by the end of 2024. As a result, the Group's free-on-board selling price decreased from US\$102 per JAS m³ to US\$90 per JAS m³, leading to a significant fair value loss for the Year;

- (ii) the corresponding deferred income tax credit of approximately HK\$7.9 million (2023: HK\$2.7 million) attributable to the fair value loss of plantation forest assets mentioned in (i) above; and
- (iii) an impairment loss of approximately HK\$48.3 million (2023: HK\$75.8 million) on timber concessions and cutting right, and right-of-use assets, along with the carrying amount of associated processing facilities for the Group's Suriname division.

Since the previous fiscal year, the Suriname division has encountered significant cost escalations, notably significant increases in transport costs and license fees for holding concessions, which led to the recognition of an impairment loss of HK\$75.8 million for the year ended 31 December 2023. These cost pressure persisted into 2024, further exacerbated by decreased revenue stemming from lower market demand.

In response, the Board resolved to cease operations in West Suriname in June 2024 to mitigate further financial drain on the Group and enable the Group to reallocate resources to more viable operations. However, the situation has not improved for the Central and East Suriname operations. As a result, an additional impairment loss of approximately HK\$48.3 million on the timber concessions and cutting rights, right-of-use assets, and the associated processing facilities was recognized this Year. This was driven by a continued decrease in market demand and selling price, along with the ongoing increase in production costs to the entire Suriname division.

In light of the ongoing financial strain and market challenges within the Suriname division, the Board is actively exploring strategic measures to minimise further financial impact, which may include further downsizing operations and disposal of its Suriname business.

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 finalised as at the date of this announcement. Details of the performance of the Group for the Year will be disclosed in the consolidated annual results announcement of the Company, which is expected to be published before the end of March 2025.

Shareholders and potential investors of the Company are advised to exercise caution when dealing in the securities of the Company.

By Order of the Board
Greenheart Group Limited
Ding Wai Chuen
Executive Director and Chief Executive Officer

Hong Kong, 11 March 2025

As at the date hereof, the Board comprises one executive Director, namely Mr. Ding Wai Chuen, four non-executive Directors, namely Messrs. Cheng Chi-Him, Conrad, Kenneth Lau, Lie Ken Jie Remy Anthony Ket Heng and Ms. Suen Chung Yan, Julia, and three independent non-executive Directors, namely Messrs. Wong Man Chung, Francis, Cheung Pak To, Patrick and To Chun Wai.

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