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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 Part XIVA 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 a significant increase in its net loss for the year ended 31 December 2019 (the “**Year**”) as compared to the corresponding period last year.

The Group considers the significant increase in its net loss attributable to the shareholders of the Company was due to the following:

- (i) A not less than 25% year-on-year decrease in export revenue on free on board basis in New Zealand division of the Group, which was mainly due to the decelerated demand from China as previously disclosed in the Group’s interim report 2019;
- (ii) A decrease in non-cash fair value gain on plantation forest assets located in New Zealand by approximately HK\$64 million for the Year. The gain was calculated based on the preliminary valuation as at the end of Year prepared by an independent valuer and such decrease in gain was primarily caused by unfavourable market conditions and higher forecasted cartage rates. The decrease was partially offset by the change of discount rate from 8.0% to 7.5% for certain plantation forest assets consistent with lower discount rates implicit in recent transactions and other available evidence in 2019; and
- (iii) A significant downward adjustment of the estimated recoverable value of certain assets within the west Suriname business unit, reflecting the effects of the sharp decline of the near to medium term forecasted selling prices, significant reduction of

lumber output due to reduced production and the change of the operating strategy to stumpage sales of logs at fixed rate, instead of further processing to higher value products, in order to streamline the operations and reduce the uncertainties caused by the increases in the export costs of logs and the latest conditions of the relevant assets. Based on the preliminary valuation as at the end of Year prepared by an independent valuer and taking into account of the recoverable value of the relevant individual assets, the resultant non-cash impairment provision is approximately HK\$187 million.

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 consolidated management accounts of the Group and the preliminary valuations of plantation forest assets and cash-generating unit of the forestry and timber business prepared by the independent valuer, which are subject to, among other things, the final valuation reports prepared by the independent valuer. Details of the performance of the Group for the Year will be disclosed in the consolidated final results announcement of the Company, which is expected to be published at the end of March 2020.

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, 22 March 2020

As at the date hereof, the Board comprises two executive Directors, namely Messrs. Ding Wai Chuen and Lim Hoe Pin, four non-executive Directors, namely Messrs. Cheng Chi-Him Conrad, Tsang On-Yip Patrick, Simon Murray and Cheng Yang, and three independent non-executive Directors, namely Messrs. Nguyen Van Tu Peter, Wong Man Chung Francis and Cheung Pak To Patrick.

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