



Greenheart Group

綠心集團 (Stock code: 0094.HK)

June 2018



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Content



		Page
I	Group at a Glance	4
II	About Greenheart Group	6
III	Financial Performance	13
IV	Development Outlook	18

I. Group at a Glance



Group at a Glance



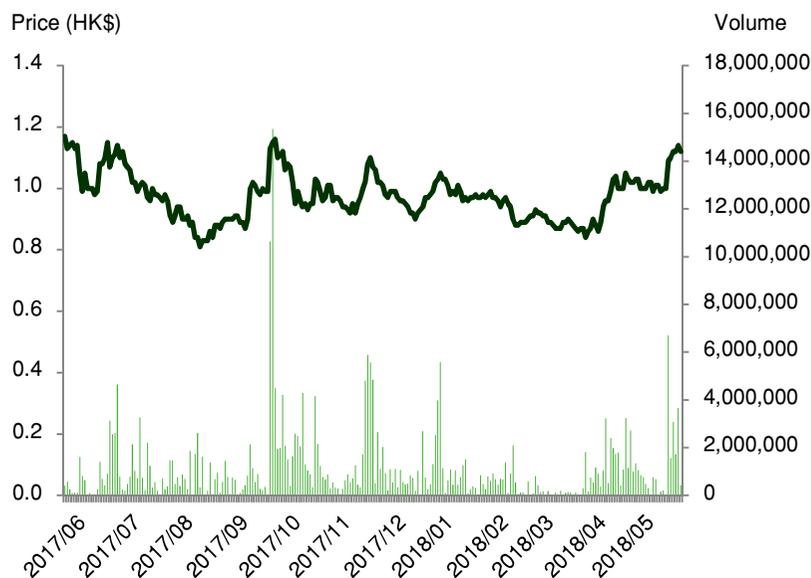
Greenheart Group

Stock code	0094.HK
Stock price (14 May 2018)	HK\$1.1
Market cap (14 May 2018)	HK\$1.872B
P/E ratio (14 May 2018)	~20x
Revenue (2017)	HK\$607M
Profit attributable to shareholders (2017)	HK\$86.45M

Investment Highlights

- **Hong Kong's largest publicly listed forestry company engaged in a diverse range of vertically integrated operations**, including forest management, harvesting, timber processing, logistics services, timber industrial park management, and environmental restoration services, in a sustainable manner
- Commitment to aligning rich forest resources overseas with China's strong timber demand by **shaping international wood flows**
- **Strong support from reputable shareholders**, including Chow Tai Fook Enterprises (private investment flagship owned by Dr Henry Cheng's family of Hong Kong), China Forestry Group Corporation (CFGC, the only centrally administered state-owned forestry enterprise in China), and Genghis Khan Group (a leading investment company in China)
- **Synergy** between CFGC's, an industry leader, and Greenheart's businesses by expanding sales and export/import networks, as well as exploring opportunities for collaboration in port logistics, forest tourism, forest food and medicine
- Developing **high-potential timber industrial parks in China** for trade, warehouse logistics, production sites and supply chain finance
- Top management team with **decades of working experience in forest industry**

Stock Price Performance of Past Year



Future Development Strategies

- **Strengthen a foothold in China's huge timber market:** >50% of China's timber consumption being met by imports
- **Secure access to global timber resources:** Rich forest resources in Oceania, Africa and South America
- **Shape international timber flows:** Bring global timber resources to China's market
- **Set up timber industry clusters in China:** Develop multiple timber industrial parks to create regional cluster effects

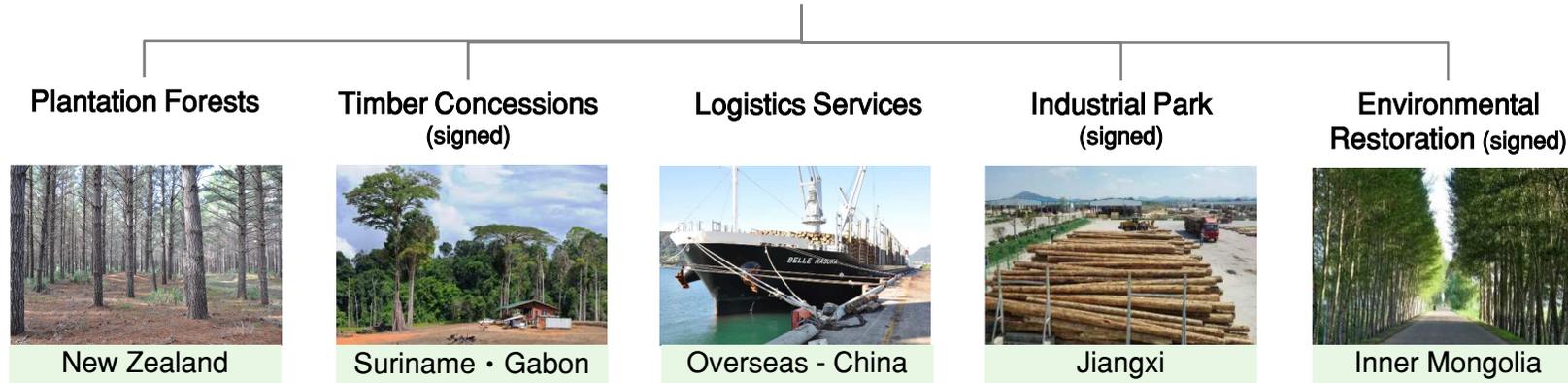
II. About Greenheart Group



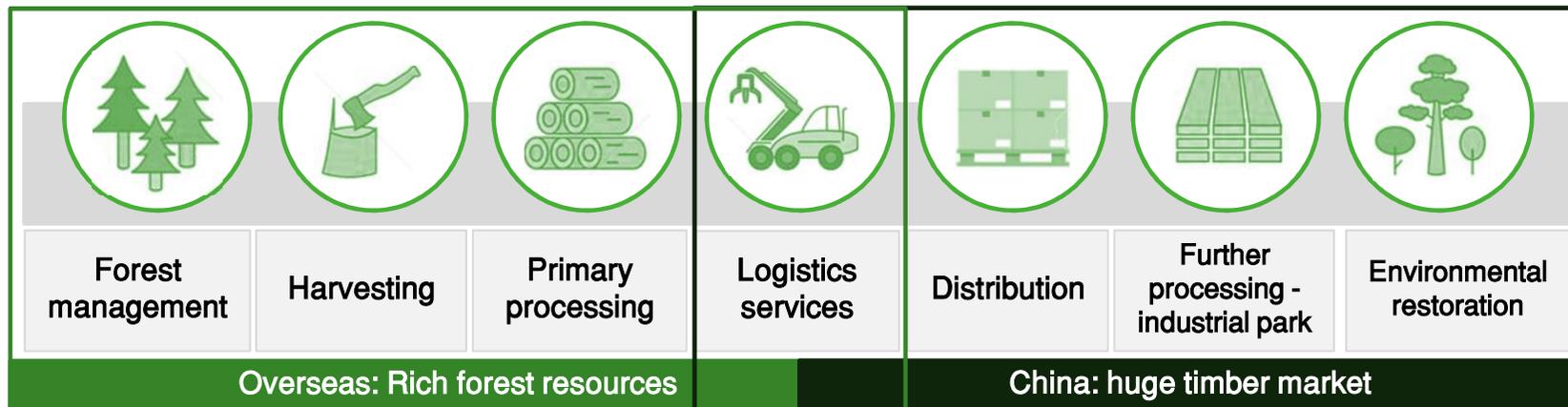
About Greenheart Group



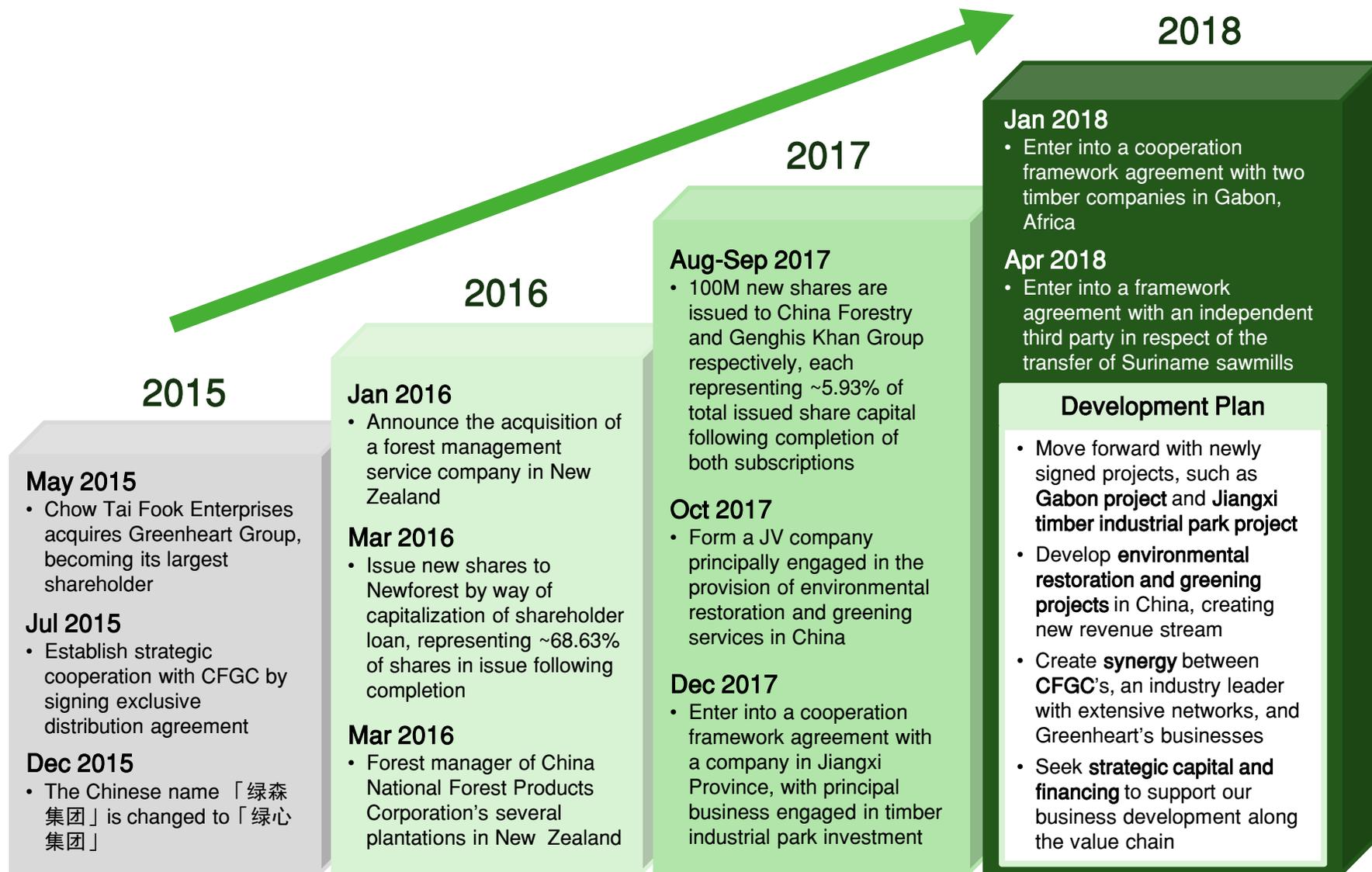
Hong Kong's largest publicly listed vertically integrated forestry company
Major timber importer in China



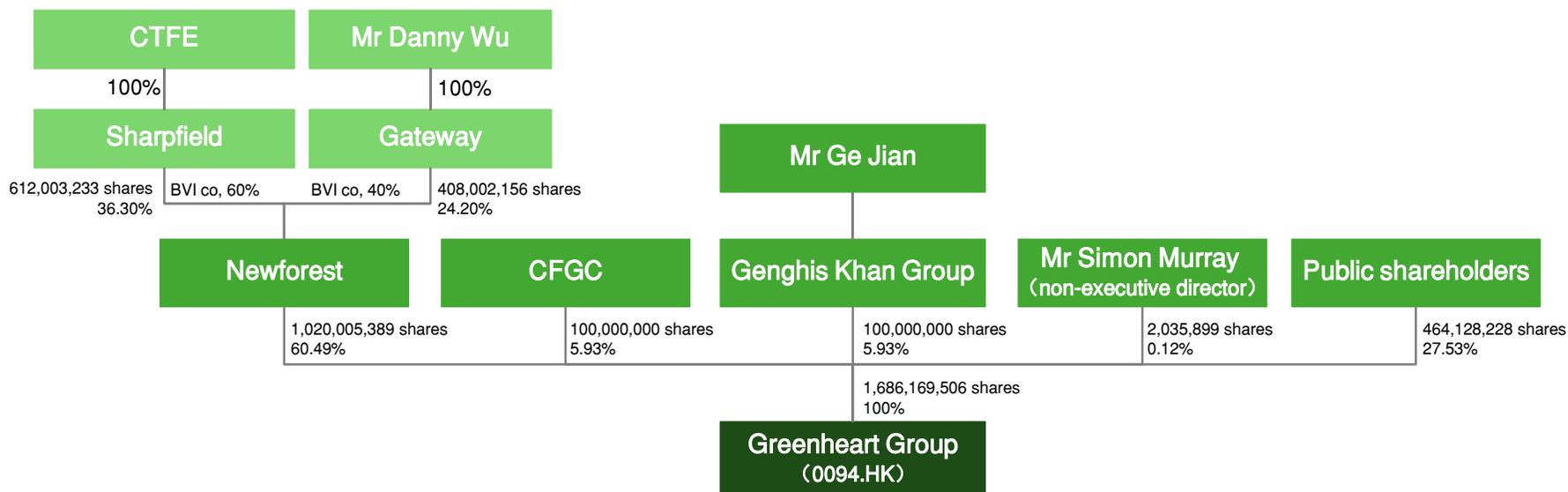
Vertically Integrated Operations



Company Milestones



Shareholding Structure



Major Shareholders

Newforest	Incorporated in the Cayman Islands and is owned as to 60% by Sharpfield Holdings Limited (a direct wholly-owned subsidiary of Chow Tai Fook Enterprises Limited) and as to 40% by Gateway Asia Resources Limited (a direct wholly-owned company of Mr Wu Wai Leung, Danny) respectively
Chow Tai Fook Enterprises (CTFE)	A private investment flagship owned by Dr Henry Cheng's family of Hong Kong with a diversified business portfolio in hospitality, property development, infrastructure, retail, transportation, natural resources and telecom sectors; the controlling shareholder of Hong Kong-listed New World Development Company Limited (stock code: 17.HK), with a market cap of over HK \$120 billion, which has an interest in NWS Holdings Limited (stock code: 659.HK) and New World Department Store China Limited (stock code: 825.HK)
China Forestry Group Corporation (CFGC)	The only forestry enterprise supervised by the State-owned Assets Supervision and Administration Commission of the State Council (SASAC) in China, managing about ten subsidiaries which altogether hold and operate over 90 enterprises nationwide; currently operating three main streams of business - including seedlings, forest resources/products and forest tourism - to create an integrated business model which encompasses "overseas forest management + timber imports + port logistics services" along the forest value chain
Genghis Khan Group	An investment holding company entirely owned by Mr Ge Jian (with extensive network and business in Inner Mongolia, China)

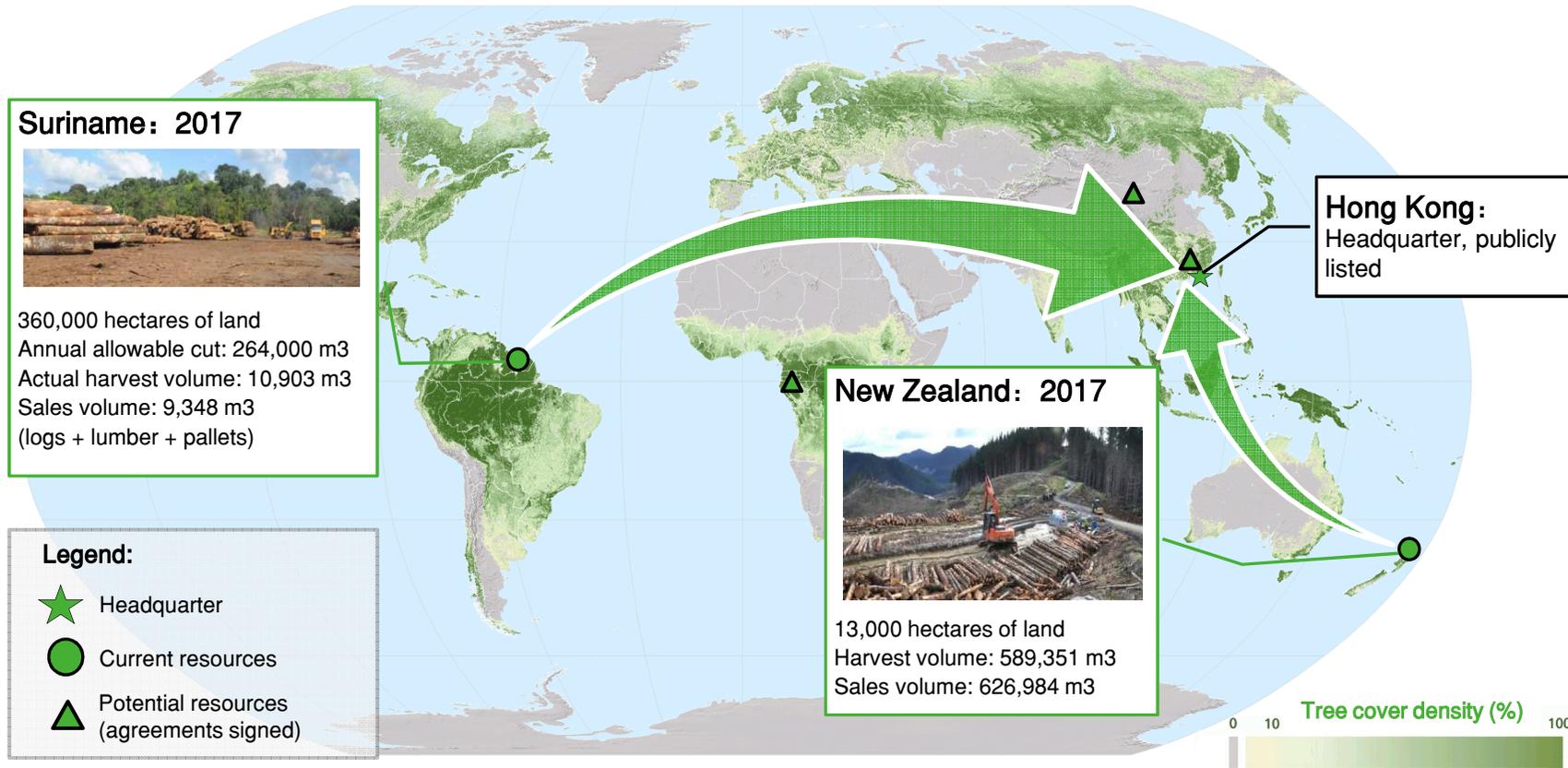
Our Forest Resources



Greenheart Group currently owns radiata pine plantation assets in the Northland region of New Zealand, on a freehold title land base of approximately 13,000 hectares. The Group also owns timber concessions and cutting rights of a land area of approximately 360,000 hectares in Suriname, South America.

The Group is committed to aligning rich forest resources overseas with China’s strong timber demand by developing the following business strategies: “Strengthen a foothold in China’s huge timber market - Secure access to global timber resources - Shape international timber flows - Set up domestic timber industry clusters in China“.

Map of Overseas Forest Resources



Plantations in New Zealand



New Zealand Segment (FY2017)

Core business	Radiata pine plantation management, log harvesting, marketing, sale and trading of logs, provision of forest management services and shipping services
Land area	About 13,000 ha (195,000 mu)
Location	Mangakahia Forest in the Northland region of New Zealand
Species	Radiata pine
Harvest volume	589,351 m3
Sales volume	626,984 m3
Average selling price of logs	About US\$115 per m3

Tree Species - Radiata Pine

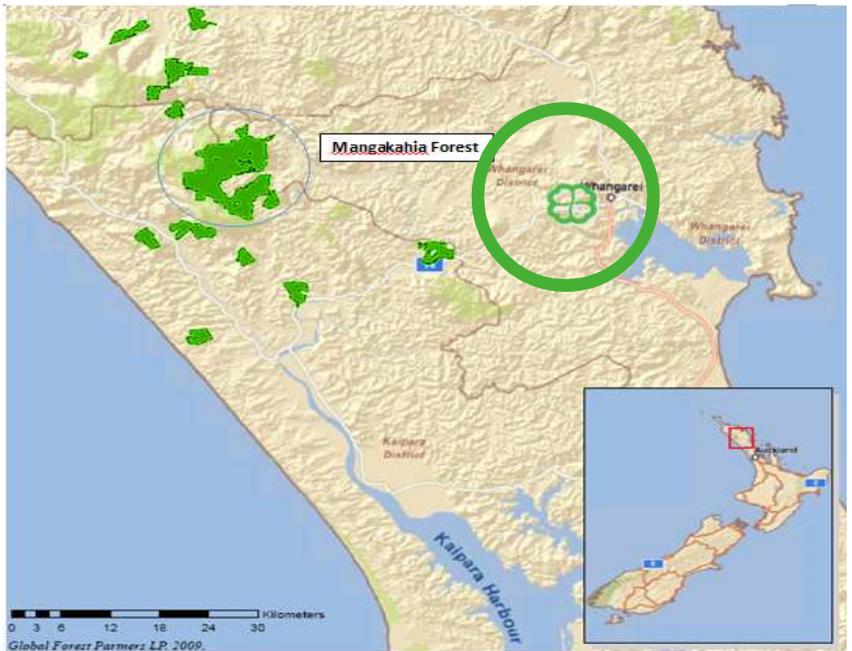


Photos above: Radiata pine log exports from Greenheart's New Zealand plantations

Overview

The Mangakahia Forest Estate is located in New Zealand's second largest radiata pine region, Northland, with favorable climate, fertile soil and stable annual rainfall. It is one of the regions which produce the highest tree growth rates in the country.

Location



Timber Concessions in Suriname



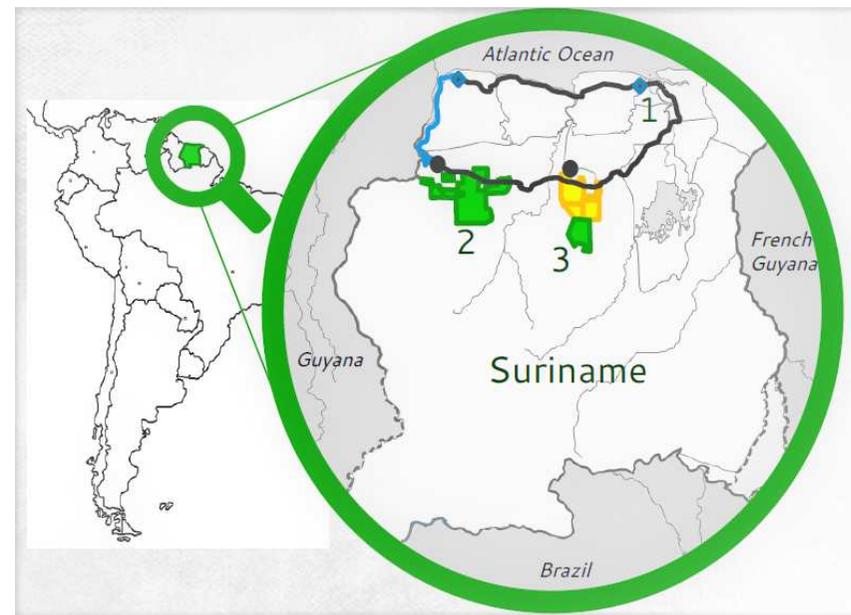
Suriname Segment (FY2017)

Core business	Selective hardwood log harvesting, timber processing, marketing, sale and trading of logs and timber products
Land area	About 360,000 ha (5,400,000 mu)
Location	Suriname
Species	Tropical hardwood, such as Boletrie, Djinja-udu, Ingipipa, Kimboto and Makagrín
Annual allowable cut	264,000 m ³
Actual harvest volume	10,903 m ³
Sales volume	9,348 m ³ (logs + lumber + pallets)
Average selling price of logs	About US\$179 per m ³

Overview

Greenheart Group is the largest forest concession operator in Suriname, with about 360,000 hectares of FSC-certified timber concessions and cutting rights under management.

Location



Tree Species



Photos on the left: Tropical hardwood logs from Greenheart's Western Suriname Concession

III. Financial Performance



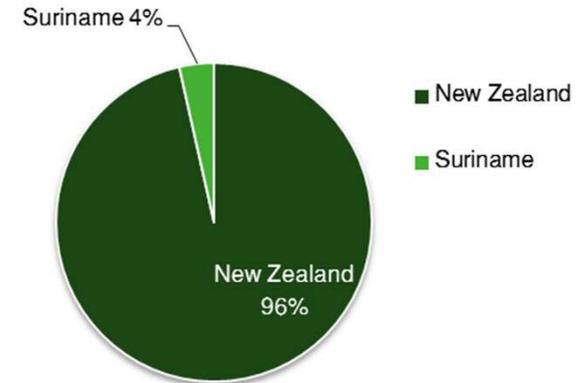
Key Financial Results, FY2017



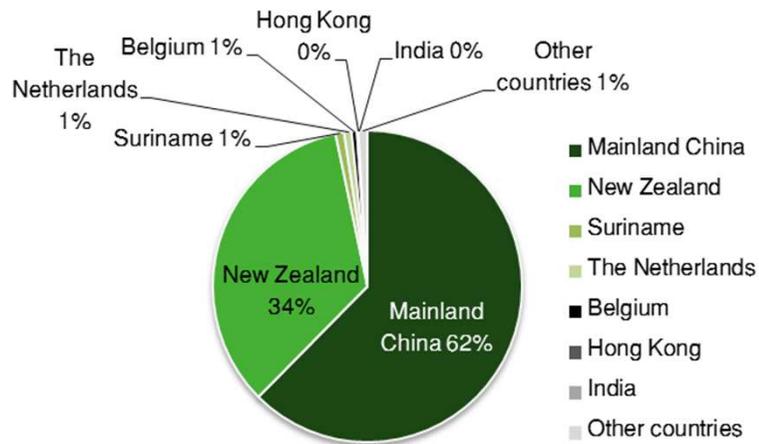
Revenue based on Business Nature



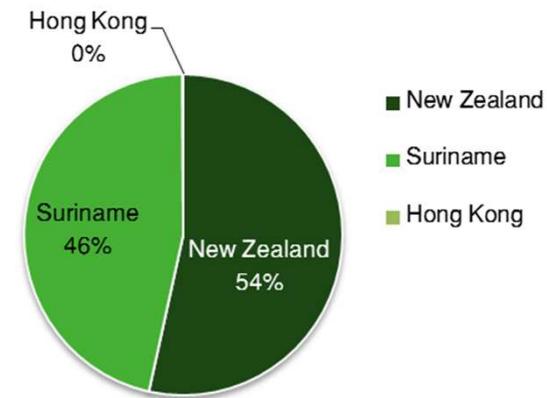
Revenue based on Geographical Segment



Revenue based on Location of Customers



Carrying Amount of Non-current Assets based on Geographical Area in which Assets are Located



Key Financial Results, FY2017



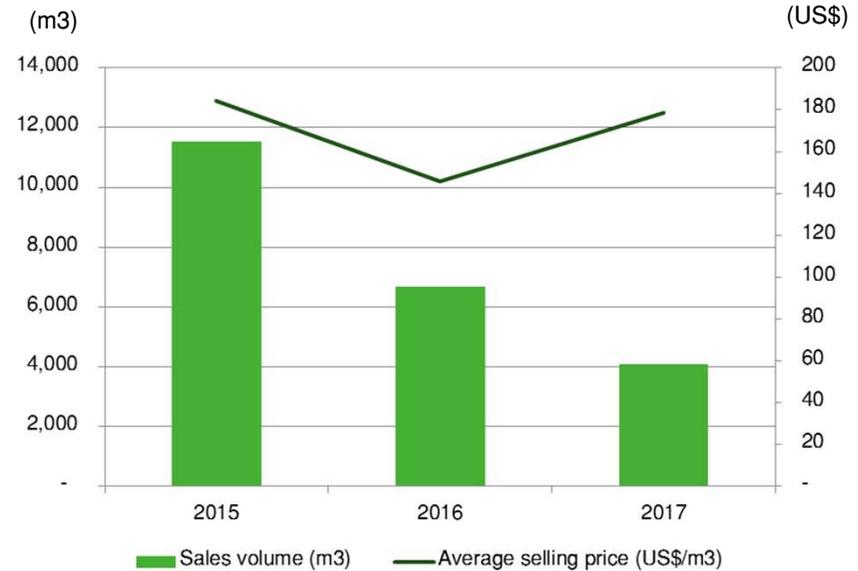
Subsequent to the acquisition by CTFE in May 2015, Greenheart Group started restructuring and saw a profit turnaround for FY2017.

The demand of wood in China is expected to remain strong over the medium to longer term. Therefore, China will need to import more wood as a result of the strong domestic demand and a decline in domestic productions. Given the successful track record of our New Zealand business (representing 96% of total revenue in FY2017) and our new potential projects with major shareholders, the Group believes that our sales volume and average selling price will both increase.

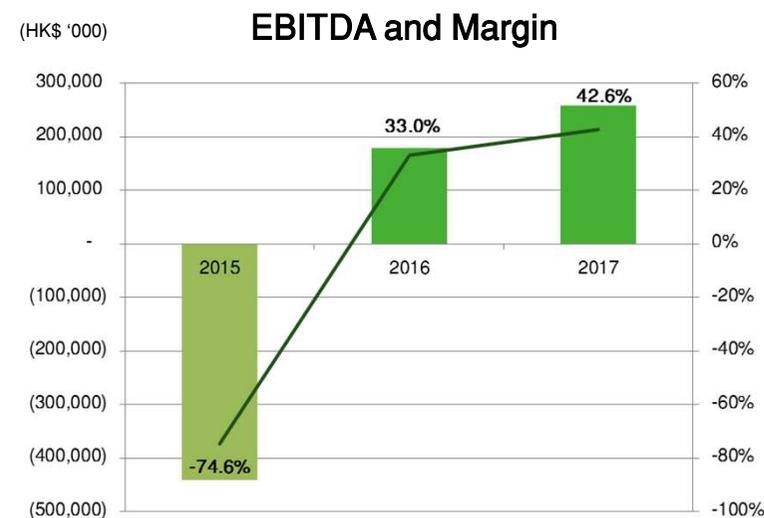
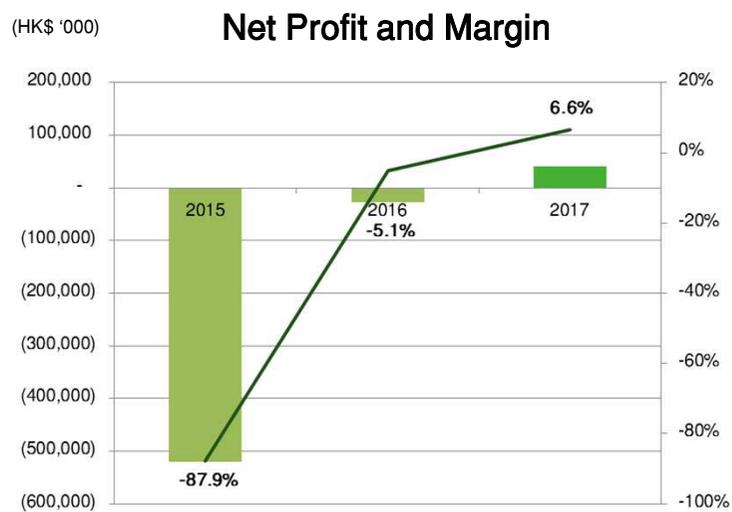
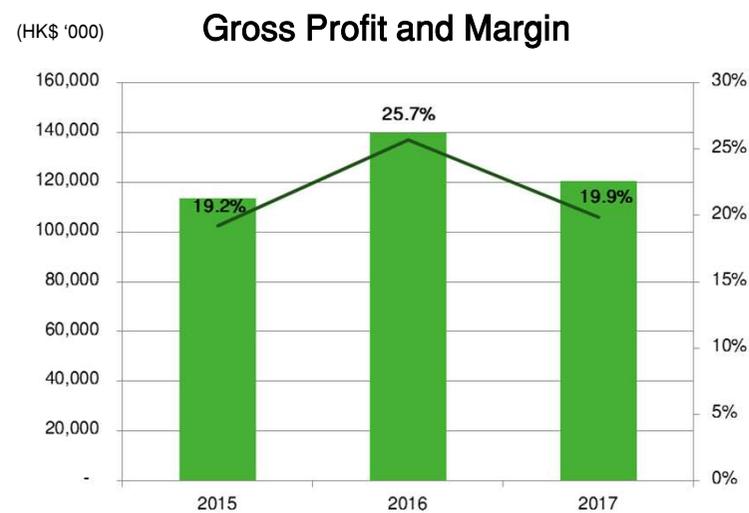
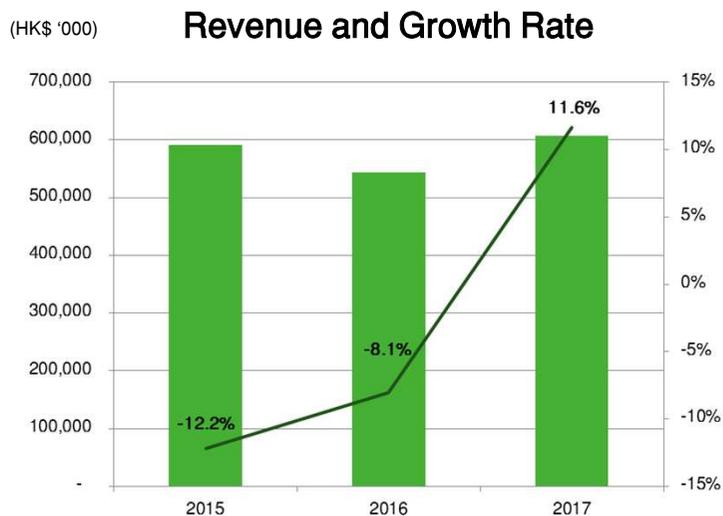
**New Zealand Logs:
Sales Volume and Average Selling Price**



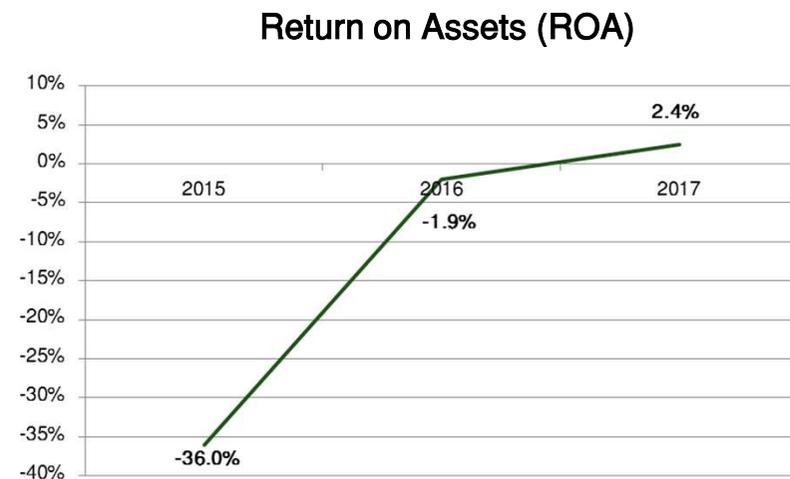
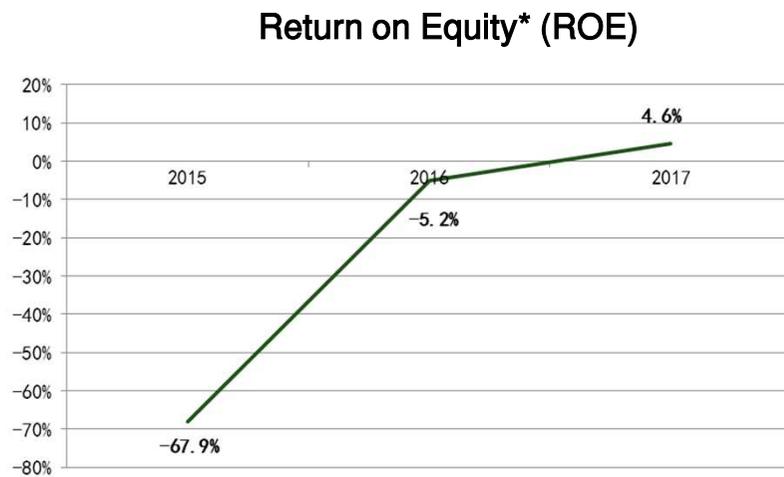
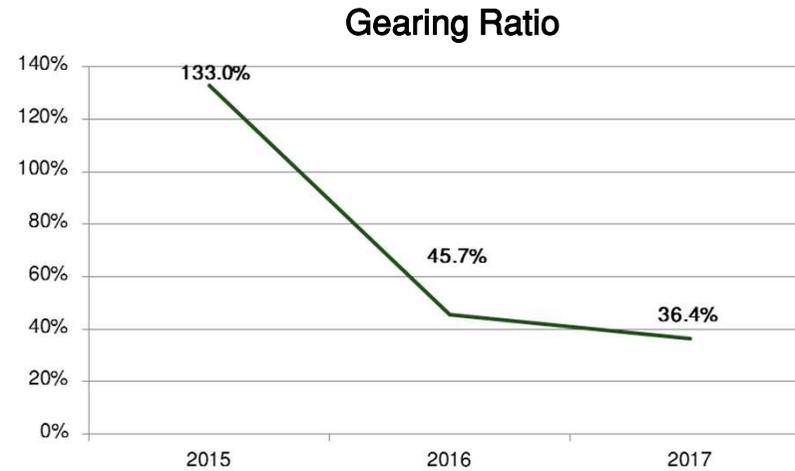
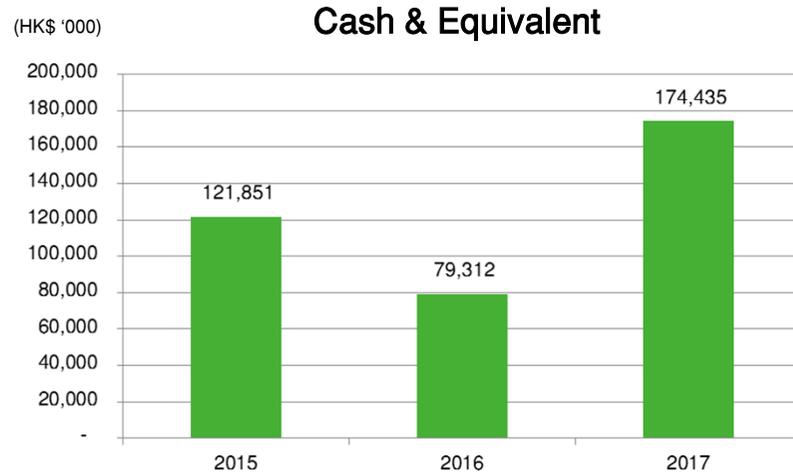
**Suriname Logs:
Sales Volume and Average Selling Price**



Key Financial Results, FY2017



Key Financial Results, FY2017



*Calculated on shareholders' equity at the beginning of each period/ year.

IV. Development Outlook



Development Outlook



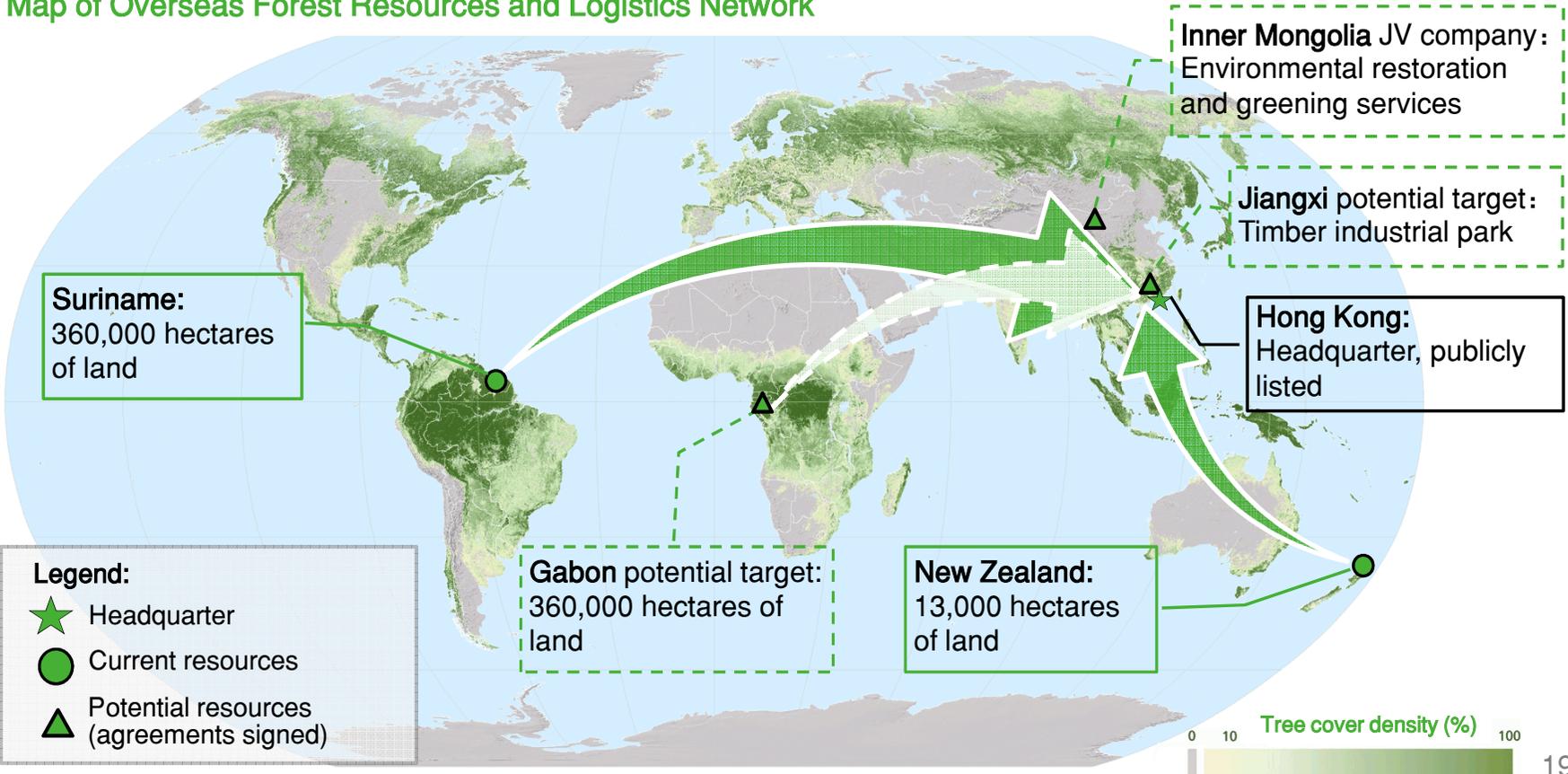
Long-term Goal

To become a comprehensively vertically integrated forestry company committed to aligning rich forest resources overseas with China's strong timber demand

Development Strategies

- Strengthen a foothold in China's huge timber market
- Secure access to global timber resources
- Shape international timber flows
- Set up domestic timber industry clusters in China

Map of Overseas Forest Resources and Logistics Network



Next Steps



	Optimize Existing Business	Expand Core Business	Grow New Business
Short-term	<ul style="list-style-type: none"> Transfer sawmills in west Suriname to operators aiming to restore a balanced profitability for the Group  Strengthen marketing capability to expand business and products 	<ul style="list-style-type: none"> Expand sales networks through creating synergy between CFGC's, an industry leader with extensive networks, and Greenheart's businesses  Move forward with the investment opportunity in two timber companies in Gabon, Africa  	<ul style="list-style-type: none"> Move forward with the investment opportunity in a company in Jiangxi Province, with its principal business engaged in timber trading, timber port investment and operations, logistics service, timber industrial park investment etc.  Develop environmental restoration and greening projects in Inner Mongolia, China, creating new revenue stream 
Long-term	<ul style="list-style-type: none"> Better utilize harvesting rights of Suriname's mature forests  Enhance planting and production practices through technical improvement 	<ul style="list-style-type: none"> Identify targets for possible acquisition in New Zealand for business growth  Explore other opportunities of timber and related assets overseas  Unlock untapped synergies with CFGC in developing new high-value business  	<ul style="list-style-type: none"> Plan to establish timber industrial parks in Guangxi, Hunan or Shaanxi provinces, creating multiple regional timber hubs  Promote e-trading and digital payment platforms  Continue to look for strategic opportunities globally to diversify business in forestry and environmental services to extend our value chain 