Greenheart Group
(Stock code: 0094.HK)

June 2018
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I. Group at a Glance
Investment Highlights

- **Future Development Strategies**

  - **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

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  - **Investment Highlights**

    - **Future Development Strategies**
      - **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**

    - **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

Stock Price Performance of Past Year

- **Price (HK$)**
- **Volume**

Stock Price Performance of Past Year

- **Price (HK$)**
- **Volume**
II. About Greenheart Group
Vertically Integrated Operations

- **Forest management**
- **Harvesting**
- **Primary processing**
- **Logistics services**
- **Distribution**
- **Further processing - industrial park**
- **Environmental restoration**

**Overseas:** Rich forest resources

**China:** Huge timber market
May 2015
• Chow Tai Fook Enterprises acquires Greenheart Group, becoming its largest shareholder

Jul 2015
• Establish strategic cooperation with CFGC by signing exclusive distribution agreement

Dec 2015
• The Chinese name 「绿森集团」 is changed to 「绿心集团」

Jan 2016
• Announce the acquisition of a forest management service company in New Zealand

Mar 2016
• Issue new shares to Newforest by way of capitalization of shareholder loan, representing ~68.63% of shares in issue following completion

Mar 2016
• Forest manager of China National Forest Products Corporation’s several plantations in New Zealand

Aug-Sep 2017
• 100M new shares are issued to China Forestry and Genghis Khan Group respectively, each representing ~5.93% of total issued share capital following completion of both subscriptions

Oct 2017
• Form a JV company principally engaged in the provision of environmental restoration and greening services in China

Dec 2017
• Enter into a cooperation framework agreement with a company in Jiangxi Province, with principal business engaged in timber industrial park investment

Apr 2018
• Enter into a framework agreement with an independent third party in respect of the transfer of Suriname sawmills

Development Plan
• Move forward with newly signed projects, such as Gabon project and Jiangxi timber industrial park project
• Develop environmental restoration and greening projects in China, creating new revenue stream
• Create synergy between CFGC's, an industry leader with extensive networks, and Greenheart's businesses
• Seek strategic capital and financing to support our business development along the value chain
**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).
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

**Suriname: 2017**
- 360,000 hectares of land
- Annual allowable cut: 264,000 m³
- Actual harvest volume: 10,903 m³
- Sales volume: 9,348 m³ (logs + lumber + pallets)

**New Zealand: 2017**
- 13,000 hectares of land
- Harvest volume: 589,351 m³
- Sales volume: 626,984 m³

Legend:
- ★ Headquarter
- ○ Current resources
- ▲ Potential resources (agreements signed)
### 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

### Location

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.

### Tree Species - Radiata Pine

<table>
<thead>
<tr>
<th>Grade</th>
<th>Description</th>
<th>Image</th>
</tr>
</thead>
<tbody>
<tr>
<td>AOS</td>
<td>Structural Sawlog</td>
<td><img src="https://example.com/image1.jpg" alt="Image" /></td>
</tr>
<tr>
<td>A</td>
<td>Structural Sawlog</td>
<td><img src="https://example.com/image2.jpg" alt="Image" /></td>
</tr>
<tr>
<td>K</td>
<td>Structural Sawlog</td>
<td><img src="https://example.com/image3.jpg" alt="Image" /></td>
</tr>
<tr>
<td>KI</td>
<td>Industrial Sawlog</td>
<td><img src="https://example.com/image4.jpg" alt="Image" /></td>
</tr>
<tr>
<td>KIS</td>
<td>Industrial Sawlog</td>
<td><img src="https://example.com/image5.jpg" alt="Image" /></td>
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</tbody>
</table>

Photos above: Radiata pine log exports from Greenheart's New Zealand plantations
Timber Concessions in Suriname

### Suriname Segment (FY2017)

<table>
<thead>
<tr>
<th>Category</th>
<th>Details</th>
</tr>
</thead>
<tbody>
<tr>
<td>Core business</td>
<td>Selective hardwood log harvesting, timber processing, marketing, sale and trading of logs and timber products</td>
</tr>
<tr>
<td>Land area</td>
<td>About 360,000 ha (5,400,000 mu)</td>
</tr>
<tr>
<td>Location</td>
<td>Suriname</td>
</tr>
<tr>
<td>Species</td>
<td>Tropical hardwood, such as Boletrie, Djinja-udu, Ingipipa, Kimboto and Makagrin</td>
</tr>
<tr>
<td>Annual allowable cut</td>
<td>264,000 m³</td>
</tr>
<tr>
<td>Actual harvest volume</td>
<td>10,903 m³</td>
</tr>
<tr>
<td>Sales volume</td>
<td>9,348 m³ (logs + lumber + pallets)</td>
</tr>
<tr>
<td>Average selling price of logs</td>
<td>About US$179 per m³</td>
</tr>
</tbody>
</table>

### Tree Species

- Boletrie
- Djinja-udu
- Ingipipa
- Kimboto / Makagrin

**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**

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
- Sales of logs and timber products 96%
- Shipping service fee income 3%
- Forest management fee 1%

Revenue based on Geographical Segment
- New Zealand 96%
- Suriname 4%

Revenue based on Location of Customers
- Mainland China 62%
- New Zealand 34%
- The Netherlands 1%
- Suriname 1%
- Hong Kong 0%
- India 0%
- Other countries 1%

Carrying Amount of Non-current Assets based on Geographical Area in which Assets are Located
- New Zealand 54%
- Hong Kong 0%
- Suriname 46%
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.
Key Financial Results, FY2017

- **Revenue and Growth Rate**
  - 2015: -12.2%
  - 2016: -8.1%
  - 2017: 11.6%

- **Gross Profit and Margin**
  - 2015: 19.2%
  - 2016: 25.7%
  - 2017: 19.9%

- **Net Profit and Margin**
  - 2015: -87.9%
  - 2016: -5.1%
  - 2017: 6.6%

- **EBITDA and Margin**
  - 2015: -74.6%
  - 2016: 33.0%
  - 2017: 42.6%
Key Financial Results, FY2017

Cash & Equivalent

Gearing Ratio

Return on Equity* (ROE)

Return on Assets (ROA)

*Calculated on shareholders’ equity at the beginning of each period/year.
IV. Development Outlook
To become a comprehensively vertically integrated forestry company committed to aligning rich forest resources overseas with China’s strong timber demand.

**Long-term Goal**
- 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

**Development Strategies**

**Map of Overseas Forest Resources and Logistics Network**

- **Suriname**: 360,000 hectares of land
- **Gabon**: Potential target: 360,000 hectares of land
- **New Zealand**: 13,000 hectares of land
- **Jiangxi**: Potential target: Timber industrial park
- **Inner Mongolia**: JV company: Environmental restoration and greening services
- **Hong Kong**: Headquarters, publicly listed

**Legend:**
- ⭐ Headquarter
- 🌳 Current resources
- ⬇️ Potential resources (agreements signed)

**Development Outlook**

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*Note: The text and map are related to the development and strategies for overseas forest resources and logistics network.*
Next Steps

**Optimize Existing Business**
- Transfer sawmills in west Suriname to operators aiming to restore a balanced profitability for the Group
- Strengthen marketing capability to expand business and products

**Expand Core Business**
- 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

**Grow New Business**
- 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

**Short-term**
- Better utilize harvesting rights of Suriname’s mature forests
- Enhance planting and production practices through technical improvement

**Long-term**
- 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
- 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