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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 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 of not less than approximately HK\$62.8 million in its net loss for the six months ended 30 June 2024 (the “**Period**”) as compared to the corresponding period in 2023.

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

- (i) a fair value loss of approximately HK\$70.3 million (2023: HK\$9.3 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 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, prices dropped significantly from April 2024, holding around US\$114 per JAS m³ to US\$117 per JAS m³ at the end of June 2024. Additionally, the shipping costs increased from US\$30.6 per JAS m³ to US\$39 per JAS m³ during the Period, leading to our free-on-board selling price decreasing from US\$102 per JAS m³ to US\$78 per JAS m³, resulting in a significant fair value loss for the Period;

- (ii) the corresponding deferred income tax credit of approximately HK\$19.7 million (2023: HK\$2.6 million) attributable to the fair value loss of plantation forest assets mentioned in (i) above; and
- (iii) an impairment loss of approximately HK\$17.2 million (2023: nil) on timber concessions and cutting right, along with the carrying amount of associated processing facilities, due to the cessation of our west Suriname operations.

Our Suriname division, particularly our west Suriname operations, has encountered substantial rises in production costs since last year, notably significant increase in transport costs and license fees for holding concessions. These cost pressures persisted into 2024, exacerbated by decreased demand, making the operating environment increasingly unsustainable. In light of ongoing financial losses driven by the adverse market conditions and cost escalations, the Board resolved to cease operations in west Suriname to stop further financial drain on the Group. This resulted in impairment of the underlying assets as their value can only be realised through harvesting and processing of logs into lumber products.

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 six months ended 30 June 2024 will be disclosed in the unaudited consolidated interim results announcement of the Company, which is expected to be published before the end of August 2024.

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, 13 August 2024

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>