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GREENHEART GROUP LIMITED

綠森集團有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 94)

PRICE SENSITIVE INFORMATION

UNAUDITED RESULTS FOR THE THREE MONTHS ENDED 31 MARCH 2011

This announcement is made pursuant to Rule 13.09 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

To ensure that all shareholders and potential investors of the Company have equal and timely access to the information pertaining to the Company, the Board is pleased to announce the Unaudited Consolidated Results of the Group, together with the comparative figures for the corresponding period in 2010. The Unaudited Consolidated Results have been prepared in accordance with Hong Kong Financial Reporting Standards.

Shareholders of the Company and potential investors are advised that the quarterly financial results to be published by Sino-Forest on 14 June 2011, including those contained in the Unaudited Consolidated Results of the Group, have been prepared in accordance with International Financial Reporting Standards, which are different from the Hong Kong Financial Reporting Standards that we use to prepare and present our standalone financial results and related financial information. As such, the financial results and related information set forth in such financial results to be published by Sino-Forest is not directly comparable to the Unaudited Consolidated Results which the Company discloses as a company listed on the Main Board of The Stock Exchange of Hong Kong Limited.

* For identification purposes only

Shareholders of the Company and potential investors are further advised that the unaudited financial results and related financial information set forth in Sino-Forest's unaudited results for the first quarter ended 31 March 2011 to be published on 14 June 2011 with respect to the Company's operating results have not been prepared or presented by the Company, and there is no assurance from the Company that the unaudited financial results and related financial information of the Company will be the same as that indicated in such unaudited results of Sino-Forest. Shareholders of the Company and potential investors are also reminded that the Unaudited Consolidated Results are not indicative of the Group's annual results for the year ending 31 December 2011 and should exercise caution when dealing in the shares of the Company.

This announcement is made pursuant to Rule 13.09 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

Sino-Forest Corporation ("**Sino-Forest**"), the ultimate controlling shareholder of Greenheart Group Limited ("**Greenheart**" or the "**Company**") and a company listed on the Toronto Stock Exchange, intends to release its unaudited results for the first quarter ended 31 March 2011 on 14 June 2011. Certain financial information of the Company was therefore provided to Sino-Forest for preparing such first quarter consolidated financial statements of Sino-Forest. As at the date of this announcement, Sino-Forest indirectly owns approximately 63.6% of the issued share capital of the Company.

To ensure that all shareholders and potential investors of the Company have equal and timely access to the information pertaining to the Company, the board of directors of the Company (the "**Board**") is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (the "**Group**") for the three months ended 31 March 2011 (the "**Unaudited Consolidated Results**"), together with the comparative figures for the corresponding period in 2010. The Unaudited Consolidated Results have been prepared in accordance with Hong Kong Financial Reporting Standards (including all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards and Interpretations).

CEO STATEMENT

Dear Shareholders,

I am pleased to report a substantial increase in our first quarter revenue and gross profit which is a reflection of the changes that we have implemented since Sino-Forest took control of the Company in August 2010. Our first quarter reflects the beginning of the results of our new growth strategy that was implemented at that time. In the first three months of 2011, we completed the acquisition of a 13,000 hectare radiata pine plantation in New Zealand as well as certain harvesting rights to an additional 128,000 hectares of tropical hardwood concession in Suriname, South America. We also appointed Andrew Fyfe as our Chief Operating Officer and his 30 years of international forestry experience and contacts have had an immediate and positive impact on our operations.

We continue to report a net loss as we invest strategically in infrastructure and hire key personnel and experienced professionals in both our forests and head-office. Most importantly, as Sino-Forest's international growth vehicle, we will continue to be focused on seeking sustainable and profitable forestry assets around the world in order to service the growing wood deficit in China and other markets as demand and price dictates.

W. Judson Martin

President, CEO & Executive Director

UNAUDITED RESULTS FOR THE THREE MONTHS ENDED 31 MARCH 2011

The board of directors of Greenheart Group Limited is pleased to announce the unaudited consolidated results of the Company and its subsidiaries for the three months ended 31 March 2011, together with the comparative figures for the corresponding period in 2010 as follows:

Condensed Consolidated Statement of Comprehensive Income

	Three months ended 31 March	
	2011 HK\$'000 (Unaudited)	2010 HK\$'000 (Unaudited)
REVENUE	40,237	3,265
Cost of goods sold	<u>(20,579)</u>	<u>(1,647)</u>
Gross profit	19,658	1,618
Other income and gains	2,575	24
Fair value gain on plantation forest assets	9,214	–
Selling and distribution costs	(13,862)	(1,036)
Administrative expenses	(21,777)	(10,878)
Other operating expenses	(5,181)	(3,637)
Non-cash share option expenses	(4,519)	–
Finance costs	(5,248)	(2,338)
Share of loss of an associate	<u>–</u>	<u>(600)</u>
LOSS BEFORE TAX	(19,140)	(16,847)
Tax	<u>(746)</u>	<u>111</u>
LOSS FOR THE PERIOD AND TOTAL COMPREHENSIVE LOSS FOR THE PERIOD	<u>(19,886)</u>	<u>(16,736)</u>
ATTRIBUTABLE TO:		
Equity holders of the Company	(13,578)	(12,655)
Non-controlling interests	(6,308)	(4,081)
	<u>(19,886)</u>	<u>(16,736)</u>
LOSS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY		
Basic and diluted	<u>HK\$(0.02)</u>	<u>HK\$(0.04)</u>

Condensed Consolidated Statement of Financial Position

	31 March 2011 <i>HK\$'000</i> (Unaudited)	31 December 2010 <i>HK\$'000</i> (Restated)
NON-CURRENT ASSETS		
Property, plant and equipment	143,874	127,248
Prepaid land lease payment	1,367	1,376
Goodwill	7,624	7,624
Timber concessions and cutting rights	805,120	741,435
Plantation forest assets	482,660	480,480
Prepayments and deposits	4,346	5,208
	<hr/>	<hr/>
Total non-current assets	1,444,991	1,363,371
CURRENT ASSETS		
Inventories	19,642	13,527
Trade and other receivables	3,412	3,518
Prepayments and deposits	21,041	6,712
Cash and bank balances	551,155	613,704
	<hr/>	<hr/>
Total current assets	595,250	637,461
CURRENT LIABILITIES		
Trade and other payables	21,878	16,059
Deposits received	877	584
Loan from the ultimate holding company	–	399,509
Due to the immediate holding company	–	134
Due to fellow subsidiaries	22,565	22,621
Income tax payable	9,173	9,398
Short term bank loan	1,390	–
	<hr/>	<hr/>
Total current liabilities	55,883	448,305
NET CURRENT ASSETS	<hr/> 539,367	<hr/> 189,156
TOTAL ASSETS LESS CURRENT LIABILITIES	<hr/> 1,984,358	<hr/> 1,552,527

	31 March 2011 HK\$'000 (Unaudited)	31 December 2010 HK\$'000 (Restated)
NON-CURRENT LIABILITIES		
Loan from the ultimate holding company	312,000	–
Convertible bonds	192,621	189,804
Deferred tax liabilities	78,344	77,705
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Total non-current liabilities	582,965	267,509
	<hr/>	<hr/>
NET ASSETS	1,401,393	1,285,018
	<hr/> <hr/>	<hr/> <hr/>
EQUITY		
Equity attributable to equity holders of the Company		
Issued capital	7,792	6,811
Reserves	1,117,670	1,021,976
	<hr/>	<hr/>
	1,125,462	1,028,787
Non-controlling interests	275,931	256,231
	<hr/>	<hr/>
TOTAL EQUITY	1,401,393	1,285,018
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MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

We are pleased to report that Greenheart made notable progress in expanding its footprint in the global sustainable timber industry during the first quarter of 2011. On 1 March 2011, the Group acquired 60% of Vista Marine Services N.V., which owns certain rights to harvest and manage 128,000 hectares of hardwood concession in eastern Suriname, South America. This acquisition increases the Group's concessions under management in Suriname to approximately 312,000 hectares. On 31 March 2011, the Group completed the acquisition of 13,000 hectares of freehold land, including 11,000 hectares of softwood radiata pine plantations in New Zealand ("**New Zealand Plantation**") and collectively referred as "**New Zealand Acquisition**"). Through these two transactions, Greenheart not only increased its wood fibre reserve but also diversified its international asset base from sustainable tropical hardwood concessions in South America to sustainable softwood plantations in New Zealand. Both acquisitions will strengthen the Group's ability to serve the growing timber deficit in China.

From the operating result prospective, the Group recorded a strong revenue growth during the three months period under review (the "**Period**"). The Group's total revenue rose to HK\$40,237,000 for the quarter, represented an 11 times increase in revenue from HK\$3,265,000 in the same period last year. The significant growth in revenue was mainly attributable to the inclusion of sales generated from the New Zealand Plantation of HK\$33,970,000 for the entire Period. Given the New Zealand Plantation continues to be controlled by Sino-Forest before and after the New Zealand Acquisition (through its majority shareholding in the Company), the financial statements of the Group for the Period have been prepared using merger accounting under a basis as if the New Zealand Acquisition had occurred on the date when the combining entities first came under common control by Sino-Forest. Accordingly, the contribution from the New Zealand Plantation for the full first three months of 2011 has been reflected in the Group's combined financial statements for the Period. As the New Zealand Plantation only came under Sino-Forest control in October 2010, the comparative figures in the condensed consolidated statement of comprehensive income for the same period of last year are not required to be restated.

The Group's gross profit for the Period was approximately HK\$19,658,000, represented an 11 times increase in gross profit from approximately HK\$1,618,000 in the same period last year. The significant increase was attributable to the sale of 38,700 cubic meters of New Zealand radiata pine and increased sales volume from our Suriname concessions during the Period.

Other income and gains amounted to HK\$2,575,000 for the Period, an increase of HK\$2,551,000 compared with HK\$24,000 in the same period last year. The increase was mainly attributable to the increase in bank interest income as a result of the increase in average cash and bank balances and the rental income received from our subcontractors in Suriname for using our equipment of HK\$319,000 during the Period.

Fair value gain on plantation forest assets was attributable to the growth of the tree crops in our New Zealand Plantation during the Period.

Selling and distribution costs mainly represented the trucking, barging and export handling expenses from the sale of our Suriname logs and timber products and the ocean freight and logistic related costs incurred from the sales of our New Zealand radiata pine. The significant increase was mainly attributable to ocean freight charges from the sales of New Zealand radiata pine, which were sold on CIF terms, during the Period.

Administrative expenses increased by HK\$10,899,000 to HK\$21,777,000 for the Period. The increase reflected the Company's expansion, particularly in its hiring of experienced staff in Hong Kong and Suriname in order to facilitate the Company's growth plans, the engagement of professionals and consultants to support the Company's global expansion, the one-off legal and professional fees of approximately HK\$4,093,000 for certain corporate activities, including the two acquisitions aforementioned, and the increase in rental and other expenses resulting from the relocation of the Company's corporate head office in Hong Kong during the Period.

Other operating expenses mainly represented costs and expenses incurred in optimizing the layout of the log yard, increasing the utilization of the existing sawmill and improving the general living facilities at the Company's forest camp and staff quarters in Suriname.

Share option expenses incurred in the Period of HK\$4,519,000 were non-cash in nature, represented the fair value of the share options granted by the Company during the Period relating to contractual arrangements with senior managers required to implement the Company's growth plans. There was no such expense in the same period last year.

Finance costs of HK\$5,248,000 increased from HK\$2,338,000 for the same period last year represented the interest expenses incurred for the convertible notes with a total principal amount of approximately HK\$195,000,000 (equivalent to US\$25,000,000) issued in August 2010 (the "**New Convertible Notes**"), bearing an effective interest rate of approximately 11.2% per annum. The coupon rate of the New Convertible Notes is actually 5% per annum and therefore the cash interest payment is only HK\$2,431,000 for the Period. The increase in finance costs was mainly attributable to the increase in effective interest rate as the interest expenses incurred in the same period last year related to the convertible bonds with a total principal amount of HK\$237,000,000 issued in November 2007 bearing an effective interest rate of only 4% per annum which were fully converted into new ordinary shares of the Company in September 2010.

The share of loss of an associate of HK\$600,000 recorded in the same period last year represented our share of the operational loss of an associate. This associate was fully disposed of in September 2010.

The Company has made considerable improvement as evidenced by the significant increase in revenue as a result of the Company's growth strategy. However, the Company is investing in infrastructure and human resources in advance of realizing the full benefit of this investment. As a result, the loss attributable to the equity holders of the Company increased by HK\$923,000 to HK\$13,578,000 for the Period. This increase was mainly attributable to certain non-recurring expenses such as share option expenses of HK\$4,519,000 and professional fees incurred for the two acquisitions of HK\$4,093,000, which were not noted in the same period last year.

LIQUIDITY AND FINANCIAL REVIEW

The Group continued to sustain a strong liquidity position. As at 31 March 2011, the Group's current assets and current liabilities were HK\$595,250,000 and HK\$55,883,000 (31 December 2010: HK\$637,461,000 and HK\$448,305,000), respectively, of which the Group maintained cash and bank balances of approximately HK\$551,155,000 (31 December 2010: HK\$613,704,000). The Group's outstanding borrowings as at 31 March 2011 represented the loan from Sino-Forest, and short term bank loan aggregated amounting to HK\$313,390,000 (31 December 2010: HK\$399,509,000). Accordingly, the Group's gearing ratio, which was calculated on the basis of outstanding borrowings as a percentage of equity attributable to equity holders of the Company, was 27.8% (31 December 2010: 38.8%).

During the Period, a total of 96,494,952 new ordinary shares were issued to Sino-Capital Global Inc., a wholly-owned subsidiary of Sino-Forest, as part of the consideration paid for the New Zealand Acquisition. Immediately after this new issue, Sino-Forest's indirect shareholding in the Company increased to 63.6%. As at 31 March 2011, there were 779,174,104 ordinary shares of the Company in issue.

The Group adopts conservative treasury policies in cash and financial management. Cash is generally placed in short-term deposits mostly denominated in United States dollars and Hong Kong dollars. The Group's liquidity and financing requirements are reviewed regularly. The Group will continue to maintain a strong capital structure when financing new investments.

The Group has limited exposure to foreign exchange fluctuation risks as most of its sales are denominated in United States dollars, to which the Hong Kong dollar is pegged and is the same currency in which the Group's majority costs and expenses incurred overseas are denominated. The Board considered that the recent depreciation of the United States dollars will be offset by the recent appreciation of New Zealand dollars and hence will not have a material impact to the Group. During the Period, the Group did not use any financial instruments for hedging purposes and the Group did not have any hedging instruments outstanding as at 31 March 2011. However, we will continue to monitor closely all possible exchange rate risk arising from the Group's existing operation and new investments in the future and will implement the necessary hedging arrangement to mitigate any significant foreign exchange risk.

PROSPECTS

We believe that China's robust economic growth and substantial urbanization program will continue to drive its demand for wood fibre. However, China's ability to meet this demand from domestic resources has been an increasing challenge. Since 1998, China has imposed significant bans or restrictions on the logging of natural forests for environmental reasons. China's imbalance with its domestic demand and supply has led to a significant reliance on imported wood fibre.

Greenheart's strategy is to be Sino-Forest's international growth vehicle for acquiring sustainable and profitable forestry assets located outside China to serve the growing wood deficit within China while at the same time maintaining the ability to manage, operate and sell to other markets around the world. With support from Sino-Forest, Greenheart has taken root for a bright new future with a strong balance sheet and an experienced international management team focused on sustainable resource management, transparent corporate governance and delivering profitable growth.

The Group made a good start in 2011 by completing important strategic investments in Suriname and New Zealand. The Group will continue to seek new acquisitions of sustainable and responsibly managed forests in existing and other international markets. We are evaluating a substantial pipeline of forestry related assets around the world, including countries in North, Central and South America, Africa and the Asia-Pacific and will inform our shareholders as and when the opportunities materialize.

FORWARD-LOOKING STATEMENTS

This announcement contains forward-looking statements. Such forward-looking information involves important risks, uncertainties or other factors beyond the Company's control, that could significantly affect anticipated results in the future and accordingly, such results may differ from those expressed in any forward-looking statements made by the Board. The risks and uncertainties include, but are not limited to, general economic conditions, competition, new ventures, substantial leverage and debt service, government regulation, interest rates, future terrorist acts, influenza and other similar outbreaks and pandemics, insurance, risks relating to forest concession and infrastructure in Suriname and other factors detailed in the Company's annual report dated 14 March 2011. We are under no obligation to (and expressly disclaim any such obligation to) update the forward-looking statements as a result of new information, future events or otherwise.

GENERAL

The Unaudited Consolidated Results have been reviewed and approved by the audit committee of the Company and the Board.

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By Order of the Board
Greenheart Group Limited
W. Judson Martin
President, CEO & Executive Director

Hong Kong, 23 May 2011

As at the date hereof, the Board comprises two executive Directors, namely, Messrs. W. Judson Martin and Hui Tung Wah Samuel, two non-executive Directors, namely, Messrs. Chan Tak Yuen Allen and Simon Murray, and three independent non-executive Directors, namely, Messrs. Wong Che Keung Richard, Tong Yee Yung Joseph and Wong Kin Chi.

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