THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of the Offers, this Composite Document and/or the accompanying Form(s) of Acceptance or as to the action to be taken, you should consult a licensed securities dealer or registered institution in securities, a bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in Greenheart Group Limited, you should at once hand this Composite Document and the accompanying Form(s) of Acceptance to the purchaser(s) or the transferee(s) or to the bank, licensed securities dealer or registered institution in securities or other agent through whom the sale or transfer was effected for transmission to the purchaser(s) or transferee(s).

This Composite Document should be read in conjunction with the accompanying Form(s) of Acceptance, the provision of which form part of the terms and conditions of the Offers.

NEWFOREST

NEWFOREST LIMITED

(A limited liability company incorporated in the Cayman Islands)

GREENHEART GROUP LIMITED

綠森集團有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 94)

COMPOSITE OFFER AND RESPONSE DOCUMENT RELATING TO THE MANDATORY UNCONDITIONAL CASH OFFERS BY VMS SECURITIES LIMITED ON BEHALF OF NEWFOREST LIMITED TO ACQUIRE ALL THE ISSUED SHARES AND THE OUTSTANDING CONVERTIBLE NOTES (OTHER THAN THOSE ALREADY OWNED OR AGREED TO BE ACQUIRED BY NEWFOREST LIMITED AND PARTIES ACTING IN CONCERT WITH IT) AND TO CANCEL ALL THE OUTSTANDING OPTIONS OF GREENHEART GROUP LIMITED

Financial adviser to the Offeror

VMS Securities Limited

Financial adviser to Greenheart Group Limited

Investec

Independent financial adviser to the Independent Board Committee

SOMERLEY CAPITAL LIMITED

Capitalised terms used in this cover page shall have the same meanings as those defined in the section headed "Definitions" in this Composite Document.

A letter from VMS containing, among other things, details of the terms and conditions of the Offers is set out on pages 8 to 18 of this Composite Document.

A letter from the Board is set out on pages 19 to 25 of this Composite Document.

A letter from the Independent Board Committee containing its recommendation to the Independent Shareholders, the holders of the Options and the holder of the Convertible Notes in respect of the Offers is set out on pages 26 to 27 of this Composite Document.

A letter from Somerley containing its advice to the Independent Board Committee in respect of the Offers is set out on pages 28 to 58 of this Composite Document.

The procedures for acceptance and other information relating to the Offers are set out in Appendix I to this Composite Document and in the accompanying Form(s) of Acceptance. Acceptances of the Offers should be received by the Registrar (as regards the Share Offer) or the company secretary of the Company (as regards the Option Offer and the Convertible Notes Offer) in accordance with those procedures no later than 4:00 p.m. (Hong Kong time) on 4 June 2015 or such later time and/or date as the Offeror may decide and announce, with the consent of the Executive, in accordance with the Takeovers Code.

Persons receiving copies of this Composite Document, the accompanying Form(s) of Acceptance and any related documents, including, without limitation, custodians, nominees and trustees, who would, or otherwise intend to, forward such documents to any jurisdiction outside Hong Kong, should read the details in this regard which are contained in paragraph 6 of Appendix I to this Composite Document before taking any action. It is the responsibility of each Overseas Holder wishing to accept an Offer to satisfy himself, herself or itself as to the full observance of the laws and regulations of the relevant jurisdiction in connection therewith, including but not limited to the obtaining of any governmental, exchange control or other consents which may be required and the compliance with other necessary formalities or regulatory or legal requirements.

The Composite Document will remain on the website of the Stock Exchange at http://www.hkexnews.hk and the Company at http://www.greenheartgroup.com as long as the Offers remain open.

14 May 2015

* *For identification purpose only*

CONTENTS

The timetable set out below is indicative only and may be subject to change. Further announcement(s) will be made in the event of any changes to the timetable as and when appropriate.

All time and date references contained in this Composite Document refer to Hong Kong time and dates.

Event	**Time & Date**
Despatch date of this Composite Document and the accompanying Form(s) of Acceptance and commencement date of the Offers *(Note 1)*	14 May 2015
Latest time and date for acceptance of the Offers *(Notes 2 and 3)*	4:00 p.m. on 4 June 2015
Closing Date of the Offers *(Note 3)*	4 June 2015
Announcement of the results of the Offers to be posted on the Stock Exchange's website *(Note 4)*	by 7:00 p.m. on 4 June 2015
Latest date for posting of remittances for the amounts due in respect of valid acceptances received under the Offers *(Note 5)*	15 June 2015

Notes:

1. The Offers, which are unconditional, are made on the date of posting this Composite Document, and are capable of acceptance on and from that date until the Closing Date of the Offers.

2. The latest time for acceptance is 4:00 p.m. on Thursday, 4 June 2015, unless the Offeror revises or extends the Offers, with the consent of the Executive, in accordance with the Takeovers Code. Beneficial owners of Share(s) who hold their Share(s) in CCASS directly as an investor participant or indirectly via a broker or custodian participant should note the timing requirements (set out in Appendix I) for causing instructions to be made to CCASS in accordance with the General Rules of CCASS and CCASS Operational Procedures. Acceptance of the Offers shall be irrevocable and cannot be withdrawn, except in the circumstances set out in Rule 19.2 of the Takeovers Code.

3. Acceptance of the Offers shall be irrevocable and is not capable of being withdrawn, except in the circumstances as set out in paragraph 4 headed "Right of withdrawal" in Appendix I to this Composite Document.

4. An announcement will be published on the website of the Stock Exchange by 7:00 p.m. on Thursday, 4 June 2015 stating whether the Offers have been closed, revised or extended, and, if the Offers are extended or revised, the announcement will state the next closing date or that the Offers will remain open until further notice.

5. Remittances in respect of the cash consideration payable for the Offer Shares, the Options or the Convertible Notes tendered under the Offers will be posted to the accepting Shareholder(s), the accepting holder(s) of Options and the accepting holder of Convertible Notes at his/her/its own risk as soon as possible but in any event within 7 Business Days of the date of receipt by the Registrar (as regards the Share Offer) or the company secretary of the Company (as regards the Option Offer and Convertible Notes Offer) of all the relevant documents to render the acceptance under the Offers complete and valid.

In this Composite Document, unless otherwise defined or the context otherwise requires, the following expressions shall have the following meanings. Also, where terms are defined and used in only one section of this Composite Document, these defined terms are not included in the table below:

"acting in concert"	the same meaning ascribed to it under the Takeovers Code
"Announcement"	the joint announcement of the Company and the Offeror dated 11 December 2014 regarding, among other things, the Share Purchase Agreement, the Greenheart Resources Agreement, the Silver Mount Waivers and the Offers
"associate(s)"	the same meaning ascribed to it under the Takeovers Code and the Listing Rules (as appropriate)
"Board"	the board of Directors
"Business Day"	a day on which the Stock Exchange is open for the transaction of business
"CCASS"	the Central Clearing and Settlement System established and operated by HKSCC
"Circular"	the circular dated 23 January 2015 issued by the Company in relation to the special deals in respect of the entering into the Greenheart Resources Agreement and the Sliver Mount Waivers as connected transaction
"Closing Date"	4 June 2015, the closing date of the Offers, which is 21 days after the date on which this Composite Document is posted, or such other later date revised or extended by the Offeror, with the consent of the Executive, in accordance with the Takeovers Code
"Company"	Greenheart Group Limited (Stock Code: 00094), a company incorporated in Bermuda with limited liability, the Shares of which are listed on the Main Board of the Stock Exchange
"Companies Act"	the Companies Act 1981 of Bermuda (as amended)
"Companies Law"	the Companies Law (Revised) of the Cayman Islands
"Completion"	completion of the Share Purchase Agreement

"Composite Document"	this composite offer and response document issued jointly by the Offeror and the Company in relation to the Offers
"Convertible Notes"	the US dollar denominated convertible notes due 17 August 2015 with an original aggregate principal amount of US$25,000,000 issued by the Company and convertible into 97,077,922 Shares. As disclosed in the Company's announcement dated 20 February 2013, the Company has redeemed US$8,000,000 of the principal amount of the convertible notes and as a result, the outstanding principal amount of the convertible notes was reduced to US$17 million, which is convertible into 66,012,987 Shares according to a conversion price of HK$2.002 per Share and fixed exchange rate of US$1.00 to HK$7.774
"Convertible Notes Offer"	the unconditional cash offer to acquire the Convertible Notes
"Debt Interests"	the Sino-Capital Loans and the EPGL Loan
"Directors"	directors of the Company
"EPGL"	Emerald Plantation Group Limited, a company incorporated in the Cayman Islands with limited liability and a wholly-owned subsidiary of EPHL
"EPGL Loan"	the previous loan with an aggregate principal amount of US$40,000,000 from EPGL to Mega Harvest immediately before Completion
"EPHL"	Emerald Plantation Holdings Limited, a company incorporated in the Cayman Islands with limited liability and the ultimate holding company of Sino-Capital
"Executive"	the Executive Director of the Corporate Finance Division of the SFC from time to time or any of his delegate
"Form(s) of Acceptance"	the **WHITE** Form of Acceptance, the **YELLOW** Form of Acceptance and the **PINK** Form of Acceptance (as the context may require) in respect of the Offers which accompany(ies) this Composite Document
"Greenheart Resources"	Greenheart Resources Holdings Limited, a company incorporated in the British Virgin Islands with limited liability and an indirect non-wholly owned subsidiary of the Company

"Greenheart Resources Agreement"	the sale and purchase agreement dated 31 October 2014 among Sino-Capital, EPGL, EPHL and Newforest in respect of (i) the sale and purchase of approximately 39.61% of the issued shares of Greenheart Resources; and (ii) the sale and purchase of the Debt Interests
"Greenheart Resources Conditions"	the conditions precedent to the completion of the Greenheart Resources Agreement
"Greenheart Resources Shares"	ordinary shares with no par value in the capital of Greenheart Resources to be acquired in accordance with Greenheart Resources Agreement (3,036,000,000 ordinary shares representing approximately 39.61% of its issued share capital)
"Group"	the Company and its subsidiaries
"GSHL"	Greater Sino Holdings Limited, a company incorporated in the British Virgin Islands with limited liability and the holder of the Convertible Notes
"HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"HKSCC"	Hong Kong Securities Clearing Company Limited
"Hong Kong"	the Hong Kong Special Administrative Region of the People's Republic of China
"Independent Board Committee"	the independent committee of the Board comprising all the independent non-executive Directors, which has been established to make recommendation to the Independent Shareholders, the holders of the Options and the holder of the Convertible Notes as to whether the Offers are fair and reasonable and as to the acceptance of the Offers
"Independent Financial Adviser" or "Somerley"	Somerley Capital Limited, a corporation licensed by the SFC to conduct Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO, the independent financial adviser appointed by the Company to advise the Independent Board Committee on the Offers
"Independent Shareholder(s)"	Shareholders other than (i) Sino-Capital, its associates (as defined in the Listing Rules) and parties acting in concert with any of them; and (ii) Newforest, its associates (as defined in the Listing Rules) and parties acting in concert with any of them and those who are involved in or interested in the Greenheart Resources Agreement and the transactions contemplated thereunder

"Last Trading Day"	31 October 2014, being the last complete trading day prior to suspension of trading in the Shares pending the issue of the Announcement
"Latest Practicable Date"	12 May 2015, being the latest practicable date prior to the printing of this Composite Document for the purpose of ascertaining certain information contained herein
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"Main Board"	the securities market operated by the Stock Exchange prior to the establishment of growth enterprise market ("GEM") (excluding the options market) which stock market continues to be operated by the Stock Exchange in parallel with GEM. For the avoidance of doubt, the Main Board excludes GEM
"Mega Harvest"	Mega Harvest International Limited, an indirect wholly-owned subsidiary of the Company, incorporated in the British Virgin Islands with limited liability
"Newforest" or "Offeror" or "Purchaser"	Newforest Limited, an exempted company incorporated with limited liability in the Cayman Islands
"Newforest Group" or "Offeror Group"	Newforest and its subsidiaries (as such term is defined in the Companies Law)
"Offers"	the Share Offer, the Option Offer and the Convertible Notes Offer
"Offer Period"	the meaning ascribed to it under the Takeovers Code and commencing from 17 June 2014, being the date of publication of the first announcement regarding the Offers until the Closing Date or such other later date revised or extended by the Offeror, with the consent of the Executive in accordance with the Takeovers Code
"Offer Shares"	all the issued Shares (other than those already owned or agreed to be acquired by Newforest and parties acting in concert with it)
"OIA"	the Overseas Investment Act 2005 and Overseas Investment Regulations 2005, in each case, of New Zealand
"OIO Approval"	all consents required under the OIA for the implementation of the Share Purchase Agreement on terms acceptable to Newforest (acting reasonably)

"Option Offer"	the unconditional cash offer for the cancellation of all outstanding Options
"Option Offer Price"	the price at which the Option Offer is being made, being HK$0.20 for Options with an exercise price of HK$0.51
"Options"	outstanding options granted by the Company under the Share Option Scheme
"Overseas Holders"	Shareholders, whose registered addresses as shown in the register of members of the Company, are outside Hong Kong, and holders of Options and holder of Convertible Notes who are not residents of Hong Kong
"**PINK** Form of Acceptance"	the **PINK** form of acceptance and transfer of Convertible Notes in respect of the Convertible Notes Offer
"Registrar"	Tricor Tengis Limited, the Hong Kong branch share registrar of the Company, being the agent to receive the **WHITE** Form of Acceptance under the Share Offer
"Relevant Period"	the period from 18 December 2013, being the date falling on the six months before the date of the announcement published on 17 June 2014, up to and including the Latest Practicable Date
"Sale Shares"	the Shares acquired in accordance with the Share Purchase Agreement (representing approximately 62.37% of the issued share capital of the Company as at the Latest Practicable Date)
"SFC"	the Securities and Futures Commission of Hong Kong
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
"SGM"	the special general meeting of the Company convened on 10 February 2015 approving, among others, (i) Newforest's purchase of the Greenheart Resources Shares from Sino-Capital and the sale of the Debt Interest and (ii) the Silver Mount Waivers
"Share(s)"	ordinary shares of HK$0.01 each in the existing share capital of the Company

"Share Purchase Agreement"	the share purchase agreement dated 31 October 2014 among Sino-Capital, EPGL, EPHL and Newforest in respect of the sale and purchase of 496,189,028 Shares, representing approximately 62.37% of the issued share capital of the Company as at the Latest Practicable Date
"Share Transfer Condition"	the condition precedent to Completion
"Shareholder(s)"	holder(s) of the Share(s)
"Share Offer"	the mandatory unconditional cash offer to acquire the Offer Shares
"Share Offer Price"	the price at which the Share Offer is being made, being HK$0.71 per Offer Share
"Share Option Scheme"	the share option scheme of the Company adopted on 28 June 2012
"Silver Mount"	Silver Mount Group Limited, a company incorporated in the British Virgin Islands with limited liability, and a wholly-owned subsidiary of the Company and a shareholder of Greenheart Resources
"Silver Mount Waivers"	Sliver Mount's confirmation in writing to the Vendor that it (i) has waived or will not exercise its right of first refusal and (ii) has waived or will not exercise its co-sale right, in each case, in respect of the Greenheart Resources Shares
"Stamp Office"	the Stamp Office of Hong Kong
"Sino-Capital" or "Vendor"	Sino-Capital Global Inc., a company incorporated in the British Virgin Islands, and a wholly-owned subsidiary of EPGL with EPHL being its ultimate holding company, which directly and beneficially owned the Sale Shares prior to Completion
"Sino-Capital Loans"	the previous loans from Sino-Capital to Greenheart Resources in the aggregate amount of approximately US$14,500,000 immediately before Completion
"Special Deals"	the acquisition of the Greenheart Resources Shares and the Debt Interests by Newforest, which constitute special deals for the Company under Rules 25 of the Takeovers Code
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"substantial shareholder(s)"	the same meaning ascribed to it under the Listing Rules

"Takeovers Code"	the Hong Kong Code on Takeovers and Mergers, as in force from time to time
"United States" or "US"	the United States of America (including its territories and possessions, any state in the US and the District of Columbia)
"US$"	United States dollar(s), the lawful currency of the United States
"VMS"	VMS Securities Limited, a licensed corporation to carry out Type 1 (dealing in securities), Type 4 (advising on securities), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activity under the SFO, which has been appointed as the financial adviser to the Offeror in respect of the Offers
"**WHITE** Form of Acceptance"	the **WHITE** form of acceptance and transfer of Shares in respect of the Share Offer
"**YELLOW** Form of Acceptance"	the **YELLOW** form of acceptance and cancellation of Options in respect of the Option Offer
"%"	per cent.

1. All time and date references contained in this Composite Document refer to Hong Kong times and dates;
2. Certain amounts and percentage figures in this Composite Document have been subject to rounding adjustments;
3. Certain English translations of Chinese names or words or Chinese translations of English names or words in this Composite Document are included for information and identification purposes only and should not be regarded as the official English translation of such Chinese names or words or Chinese translation of such English names or words, respectively;
4. The singular includes the plural and vice versa, unless the context otherwise requires;
5. References to any Appendix, paragraph and any sub-paragraphs of them are references to the Appendices to, and paragraphs of, this Composite Document and any sub-paragraphs of them respectively;
6. References to any statute or statutory provision include a statute or statutory provision which amends, consolidates or replaces the same whether before or after the date of this Composite Document; and
7. Reference to one gender is a reference to all or any genders.

VMS Securities Limited

4112-4119,
41/F, Jardine House,
1 Connaught Place,
Central, Hong Kong

14 May 2015

To the Shareholders, holders of Options and holder of Convertible Notes

THE MANDATORY UNCONDITIONAL CASH OFFERS BY VMS SECURITIES LIMITED ON BEHALF OF NEWFOREST LIMITED TO ACQUIRE ALL THE ISSUED SHARES AND THE OUTSTANDING CONVERTIBLE NOTES (OTHER THAN THOSE ALREADY OWNED OR AGREED TO BE ACQUIRED BY NEWFOREST LIMITED AND PARTIES ACTING IN CONCERT WITH IT) AND TO CANCEL ALL THE OUTSTANDING OPTIONS OF GREENHEART GROUP LIMITED

1. INTRODUCTION

Reference is made to the Announcement and the Circular in relation to, among other things, the Share Purchase Agreement, the Greenheart Resources Agreement, the Silver Mount Waivers, the US$17 million Convertible Notes due 17 August 2015 and the Offers. The Special Deals under the Greenheart Resources Agreement and the Silver Mount Waivers have been approved by the Independent Shareholders at the SGM.

The completion of the Greenheart Resources Agreement and Share Purchase Agreement took place on 7 May 2015. Upon the Completion, the Offeror has acquired 496,189,028 Shares, representing 62.37% of the issued share capital of the Company as at the Latest Practicable Date.

Accordingly, the Offeror will be required to make a mandatory unconditional cash offer for (i) all the issued Shares; (ii) cancellation of all outstanding Options; and (iii) acquisition of all Convertible Notes (other than those already owned or agreed to be acquired by Offeror and parties acting in concert with it) pursuant to Rules 26.1, 13.1 and 13.5 of the Takeovers Code. As the Offeror and parties acting in concert with it are holding more than 50% of the issued share capital of the Company, the Share Offer, the Options Offer and the Convertible Notes Offer are unconditional.

The purpose of this letter is to provide you with, inter alia, information on the Offers, the Offeror and its intention regarding the Group. Further terms of the Offers and procedures of acceptances are set out in this letter and in Appendix I to this Composite Document and the Form(s) of Acceptance.

The Shareholders, the holders of the Options and the holder of Convertible Notes are strongly advised to carefully consider the information contained in the section headed "Letter from the Board", "Letter from the Independent Board Committee", and "Letter from Somerley" and the appendices as set out in this Composite Document before reaching a decision as to whether or not to accept the Offers.

2. THE OFFERS

Principal terms of the Offers

Upon Completion, as the Offeror and persons acting in concert with it will hold more than 50% of the voting rights of the Company, the Offers will not be subject to any acceptance or other conditions. The Offers will be made by VMS on behalf of Newforest in accordance with the Takeovers Code and on the following basis:

The Share Offer

For each Offer Share . . . . HK$0.71 in cash.

The Share offer is not conditional upon any minimum level of acceptances of the Share Offer and is unconditional. The Share Offer will close on Thursday, 4 June 2015.

As at the Latest Practicable Date, the Company has 795,586,245 Shares in issue. The Offeror and parties acting in concert with it owned 496,189,028 Shares immediately after the Completion and 299,397,217 Shares will be subject to the Share Offer and the total consideration of the Share Offer would be approximately HK$212.6 million based on the Share Offer Price.

In the event that the Share Offer is accepted in full, the maximum amount payable by the Offeror under the Share Offer will be (i) approximately HK$212.6 million (assuming (a) no outstanding Option is exercised; (b) all outstanding Convertible Notes are not converted and (c) without taking into account the Shares held by the Offeror and parties acting in concert with it) or (ii) approximately HK$220.9 million (assuming (a) all outstanding Options are exercised; (b) all outstanding Convertible Notes are not converted; and (c) without taking into account the Shares held by the Offeror and parties acting in concert with it) or (iii) approximately HK$259.4 million (assuming (a) all outstanding Convertible Notes are converted; (b) all outstanding Options are not exercised; and (c) without taking into account the Shares held by the Offeror and parties acting in concert with it) or (iv) approximately HK$267.8 million (assuming (a) all outstanding Options are exercised and (b) all Convertible Notes are converted; and (c) without taking into account the Shares held by the Offeror and parties acting in concert with it).

The Share Offer Price is the same (taking into account the exchange rate of US$1: HK$7.8 being referenced in the Announcement) as the purchase price per Sale Share under the Share Purchase Agreement which was arrived after arm's length negotiation on normal commercial terms.

Based on the Share Offer Price of HK$0.71 per Offer Share and 795,586,245 Shares in issue as at the Latest Practicable Date, the entire issued share capital of the Company is valued at approximately HK$564.9 million.

The Share Offer will extend to all Shares in issue on the date on which the Share Offer is made and to any further Shares which are unconditionally allotted or issued after the date on which the Share Offer is made and before the date on which the Share Offer closes, including any Shares which are unconditionally allotted or issued on the exercise of Options granted under the Share Option Scheme or on conversion of the Convertible Notes, other than those held by the Offeror and parties acting in concert with it.

Comparison of value

The Share Offer Price of HK$0.71 represents:

i. a discount of approximately 21.1% to the closing price of HK$0.90 per Share as quoted on the Stock Exchange on the Last Trading Day;

ii. a discount of approximately 16.7% to the average closing price of approximately HK$0.852 per Share as quoted on the Stock Exchange for the 5 consecutive trading days up to and including the Last Trading Day;

iii. a discount of approximately 16.8% to the average closing price of approximately HK$0.853 per Share as quoted on the Stock Exchange for the 10 consecutive trading days up to and including the Last Trading Day;

iv. a discount of approximately 14.4% to the average closing price of approximately HK$0.829 per Share as quoted on the Stock Exchange for the 30 consecutive trading days up to and including the Last Trading Day;

v. a discount of approximately 45% to the closing price of the Shares as quoted on the Stock Exchange on the Latest Practicable Date of HK$1.29 per Share;

vi. a discount of approximately 35.5% to the audited consolidated net asset attributable to the owners of the Company per Share of approximately HK$1.10 per Share as at 31 December 2014; and

vii. a premium of approximately 39.2% over the closing price of HK$0.51 per Share as quoted on the Stock Exchange on 16 June 2014, being the last trading day of the Shares prior to the commencement of the Offer Period.

Highest and lowest prices

During the six-month period preceding the date of the first announcement published by the Company dated 17 June 2014 pursuant to Rule 3.7 of the Takeover Code and up to and including the Latest Practicable Date:

i. the highest closing price of the Shares as quoted on the Stock Exchange was HK$1.75 on 28 April 2015 and 30 April 2015; and

ii. the lowest closing price of the Shares as quoted on the Stock Exchange was HK$0.44 on 3 March 2014.

The Option Offer

For cancellation of each Option with
an exercise price of HK$0.51 .... HK$0.20 in cash.

The Option Offer Price of HK$0.20 for Options with an exercise price of HK$0.51 represents the difference between the exercise price of HK$0.51 and the Share Offer Price of HK$0.71 per Offer Share.

As at the Latest Practicable Date, the Company had 11,791,004 outstanding Options conferring rights on the holders of the Options to subscribe for up to an aggregate of 11,791,004 Shares. If all the Share Options are exercised in full, the Company will have to issue 11,791,004 new Shares, representing approximately 1.5% of the issued share capital of the Company as at the Latest Practicable Date as enlarged by the allotment and issue of the aforementioned new Shares.

Based on the Option Offer Price for the cancellation of the outstanding Options and the number of outstanding Options, the maximum amount payable under the Option Offer (assuming no Options are exercised prior to the date of closing of the Offers and the Option Offer is accepted in full) is approximately HK$2.4 million.

A comparison of the Share Offer Price to the closing prices of the Shares is set out above under the heading "Comparison of value". Pursuant to Rule 13 and Practice Note 6 of the Takeovers Code, the Option Offer Price will normally represent the difference between the exercise price of the Options and the Share Offer Price.

The Option Offer will extend to all outstanding Options in issue on the date on which the Option Offer is made, being the date of despatch of the Composite Document, other than those Options already held by the Offeror and parties acting in concert with it. As at the Latest Practicable Date, the Offeror and parties acting in concert with it do not hold any Options.

The Convertible Notes Offer

For each US$1.00 face value of the Convertible Notes .... HK$2.76 in cash.

As at the Latest Practicable Date, the Company had outstanding Convertible Notes with principal amount of US$17 million conferring rights to holders of the Convertible Notes to convert into 66,012,987 Shares.

The offer price for the Convertible Notes, being HK$2.76 for each US$1.00 face value of the Convertible Notes, is determined in accordance with Rule 13 and Practice Note 6 to the Takeovers Code as the "seethrough" consideration which the number of Shares convertible for each US$1.00 face value of the Convertible Note is multiplied by the Share Offer Price.

The Convertible Notes Offer will apply to the outstanding Convertible Notes in issue on the date on which the Convertible Notes Offer is made and will not apply to any Convertible Notes which are or have been converted into Shares prior to the close of the Convertible Notes Offer.

The total amount required to satisfy full acceptance of the Convertible Notes Offer is approximately HK$46.9 million, assuming full acceptance in respect of the whole principal amount of the outstanding Convertible Notes of US$17 million.

As at the Latest Practicable Date, save for the securities as mentioned above, the Company had no other outstanding warrants, derivatives or convertibles in issue which may confer any rights to the holder(s) thereof to subscribe for, convert or exchange into Shares.

Value of the Offers

Based on the above, assuming that no Options are exercised prior to the close of the Offers and no Convertible Notes are converted into Shares, 299,397,217 Shares, 11,791,004 Options and Convertible Notes convertible into 66,012,987 Shares are subject to the Share Offer, Option Offer and Convertible Notes Offer respectively, and the Offers are valued at approximately HK$261.9 million in aggregate.

In the event that all the Options are exercised in full by holders of the Options and all the outstanding Convertible Notes with principal amount of US$17 million are converted in full by holders of the Convertible Notes prior to the date on which the Share Offer closes, the Company will have to issue in aggregate an additional 77,803,991 new Shares. Under such circumstances, the total number of Shares subject to the Share Offer will increase to 377,201,208 and the maximum value of the Share Offer will increase to approximately HK$267.8 million. In that case, no amount will be payable by the Offeror under the Option Offer and the Convertible Notes Offer.

Financial Resources

The Offeror intends to finance the Offers from the internal resources of the Offeror Group. VMS, being the financial adviser to the Offeror in respect of the Offers, is satisfied that sufficient financial resources are available to the Offeror to satisfy full acceptance of the Offers.

Compulsory acquisition

The Offeror does not intend to exercise or apply any right which may be available to it under Section 102 of the Companies Act and in accordance with Rule 2.11 of the Takeovers Code to proceed to acquire compulsorily any Shares outstanding after the close of the Offers.

Effect of accepting the Offers

The Share Offer is unconditional. By accepting the Share Offer, the Shareholders will agree to sell their Offer Shares to the Offeror or a nominated member of the Offeror Group or its nominee fully paid and free from all liens, claims, charges, options, equities, encumbrances or other third party rights of any nature and together with all rights now or hereafter attaching or accruing to them, including, without limitation, the rights to receive all future dividends and/or other distributions (if any) declared, paid or made on or after the date of the acceptance.

The Option Offer is unconditional. By accepting the Option Offer, the holders of outstanding Options will agree to the cancellation of their outstanding Options, together with all rights attached thereto with effect from the date of the acceptance.

The Convertible Notes Offer is unconditional. By accepting the Convertible Notes Offer, the holder of Convertible Notes will agree to sell its Convertible Notes to the Offeror or a nominated member of the Offeror Group or its nominee fully paid and free from all liens, claims, charges, options, equities, encumbrances or other third party rights of any nature and together with all rights now or hereafter attaching or accruing to them, including, without limitation, the rights to receive all future dividends and/or other distributions (if any) declared, paid or made after the date of the acceptance.

Acceptance of the Offers shall be irrevocable and shall not be capable of being withdrawn, subject to the Takeovers Code.

Hong Kong stamp duty

In Hong Kong, seller's ad valorem stamp duty at a rate of 0.1% (HK$1.00 for every HK$1,000 (or part of HK$1,000)) of the consideration payable will be deducted from the amount payable to Shareholders and holder of Convertible Notes (as the case may be) who accept the Offers. The Offeror Group will arrange for payment of the seller's ad valorem stamp duty on behalf of the accepting Shareholders and holder of Convertible Notes (as the case may be) and will pay buyer's ad valorem stamp duty on the acquisition of any Offer Shares or Convertible Notes to the Stamp Office in accordance with the Stamp Duty Ordinance (Chapter 117 of the Laws of Hong Kong).

No stamp duty is payable in connection with the acceptances of the Option Offer.

Payment

Payment in cash in respect of acceptances of the Offers will be made as soon as possible but in any event within seven (7) business days (as defined in the Takeovers Code) of the date on which the duly completed acceptances of the Offers and the relevant documents of title in respect of such acceptances are received by the Offeror (or its agent) to render each such acceptance complete and valid.

Taxation advice

Shareholders, holders of Options and holder of Convertible Notes are recommended to consult their own professional advisers if they are in doubt as to the taxation implications of their acceptance of the Offers. It is emphasised that none of the Offeror, VMS, the Company or any of their respective directors or any other person involved in the Offers accepts responsibility for any tax effects on, or liabilities of, any person or persons as a result of their acceptance(s) or non-acceptance(s) of the Offers.

Dealing and interest in the Company's securities

Save for the transactions under the Share Purchase Agreement, none of the Offeror, its ultimate beneficial owner nor parties acting in concert with any of them has dealt in the Shares, derivatives, warrants or other securities convertible into Shares during the six-month period prior to 17 June 2014 (being the date of an announcement made by the Company in relation to the sale and purchase of the Shares pursuant to Rule 3.7 of the Takeovers Code) and up to and including the Latest Practicable Date.

Overseas Shareholders and Overseas Option holders

It is intended that the Offers will be made available to the Shareholders, and holders of Options and holder of Convertible Notes respectively, including those Shareholders, and holders of Options and holder of Convertible Notes whose registered addresses, as shown on the register of members of the Company, are outside Hong Kong.

However, as the making of the Offers to any person who is not resident in Hong Kong may be prohibited or affected by the laws of the relevant jurisdictions, any Shareholders, and holders of Options and holder of Convertible Notes who is not a resident of Hong Kong should inform himself about and observe any applicable legal and/or regulatory requirements and, where necessary, seek legal advice.

Offeror reserves the right to make arrangements in respect of Shareholders, and holders of Options and holder of Convertible Notes who are not residents of Hong Kong in relation to the terms of the Offers.

It is the responsibility of each Overseas Holder who wishes to accept the Share Offer and/or the Option Offer and/or the Convertible Notes Offer to satisfy himself as to the full observance of the laws and regulations of the relevant jurisdiction, including the obtaining of any governmental, exchange control or other consent which may be required or the compliance with other necessary formalities or legal and/or regulatory requirements and the payment of any issue, transfer or other taxes due in such jurisdiction, in connection with the Offers.

The Offeror reserves the right to notify any matter, including the making of the Offers, to Overseas Holders by announcement or by advertisement in a newspaper which may not be circulated in the jurisdictions in which the Overseas Holders are residents. The notice will be deemed to have been sufficiently given, despite any failure by an Overseas Holder to receive or see that notice.

3. INFORMATION OF THE OFFEROR

The Offeror, Newforest, is a company incorporated in the Cayman Islands and is directly and beneficially owned as to 40% by Gateway Asia Resources Limited (a direct wholly-owned company of Wu Wai Leung, Danny) and as to 60% by Sharpfield Holdings Limited (a direct wholly-owned subsidiary of Chow Tai Fook Enterprises Limited), respectively. Chow Tai Fook Enterprises Limited is a wholly-owned subsidiary of Chow Tai Fook (Holding) Limited, a 78.58% owned subsidiary of Chow Tai Fook Capital Limited. Chow Tai Fook Capital Limited is owned as to 48.98% and 46.65% by Cheng Yu Tung Family (Holdings) Limited and Cheng Yu Tung Family (Holdings II) Limited, respectively. Save for the entering into of the Share Purchase Agreement and the Greenheart Resources Agreement, Newforest has not traded and/or engaged in any business activity since its incorporation.

As at the Latest Practicable Date and the date of this Composite Document, (i) Mr. Wu Wai Leung, Danny is the sole director of Gateway Asia Resources Limited, (ii) Mr. Cheng Chi-Him, Conrad, Mr. Tsang On-Yip, Patrick, and Mr. Lie Ken Jie Remy Anthony Ket Heng are the directors of Sharpfield Holdings Limited, (iii) Dato' Dr. Cheng Yu-Tung, Mr. Cheng Yu-Wai, Mr. Wong Kwok-Ting, Mr. Ho Pak-Tao, Dr. Cheng Kar-Shun, Henry, Mr. Cheng Kar-Shing, Peter, Mrs. Sun Cheng Lai-Ha, Cecilia, Mrs. Doo Cheng Sau-Ha, Amy, Mr. Cheng Sek-Hung, Timothy, Mr. Cheng Kam-Biu, Wilson, Mr. Cheng Chi-Kong, Adrian, Mr. Cheng Chi-Heng, Conroy, Mr. Tsang On-Yip, Patrick, and Mr. Wong Siu-Kee, Kent are the directors of Chow Tai Fook Enterprises Limited.

4. FURTHER INTENTION OF THE OFFEROR IN RELATION TO THE COMPANY

Newforest does not have any plans to change the Company's existing business activities. However, it is the intention of Newforest that, following closing of the Offers, it will initiate a review of the business activities and assets of the Company, for the purpose of formulating business plans and strategies for the future business development of the Company. Save for the change in the composition of the Board, the Offeror has no intention to (i) discontinue the employment of the employees; or (ii) to dispose of or re-deploy the business and assets of the Group other than those in its ordinary course of business. Any disposal of the existing business of the Group, if contemplated, will only take effect in compliance with the requirements of the Takeovers Code and the Listing Rules.

Proposed change of Board composition

The Offeror intends to nominate Mr. Cheng Chi-Him, Conrad and Mr. Tsang On-Yip, Patrick, as non-executive Directors of the Board, and Mr. Wu Wai Leung, Danny and Mr. Lim Hoe Pin as executive Directors of the Board. Such appointments will be made in accordance with the memorandum of association and bye-laws of the Company, the Takeovers Code and the Listing Rules. It is expected that Mr. Paul Jeremy Brough, Mr. Hui Tung Wah, Samuel, Mr. Wang Tong Sai, Eddie and Mr. Colin Denis Keogh will resign from their positions as Directors of the Board after the Closing Date.

Biographies of new Directors to be nominated by the Offeror

Non-executive Directors

Cheng Chi-Him, Conrad

Mr. Cheng Chi-Him, Conrad, aged 36, has been an executive director of New World China Land Limited (stock code: 917) since January 8, 2010, and also serves as an executive director of International Entertainment Corporation (stock code: 1009). He served as an executive director of New Times Energy Corporation Limited (formerly, New Times Group Holdings Limited) (stock code: 166) from February 5, 2008 to October 19, 2009. He has been specializing in project management of property projects in China since 2005. Mr. Cheng graduated from University of Toronto in Canada with a Bachelor of Arts degree in Statistics.

Tsang On-Yip, Patrick

Mr. Tsang On-Yip, Patrick, aged 43, is a director of Cheng Yu Tung Foundation Limited and Chow Tai Fook Enterprises Limited. He has been an executive director of Melbourne Enterprises Limited (stock code: 158) since April 30, 2015 and also a non-executive director of Integrated Waste Solutions Group Holdings Limited (formerly Fook Woo Group Holdings Limited) (stock code: 923) since November 1, 2012. Mr. Tsang has over 20 years of international capital markets experience. He obtained a Bachelor's degree in Economics from Columbia College of Columbia University in New York, USA in 1994.

Executive Directors

Wu Wai Leung, Danny

Mr. Wu Wai Leung, Danny, aged 54, graduated from the University of Hong Kong with a Bachelor's degree in social sciences in 1985. Mr. Wu has over 20 years of experience in investing and business operations in Asia. Since 2003, Mr. Wu has been a director of First U.S. Capital Limited which engages in early stage investment, and investment advisory services to small and medium enterprises in Asia, with a focus in transportation, resource, manufacturing, technology and telecommunication companies. From 1985 to 2002, Mr. Wu served various management positions in Hong Kong Trade Development Council, the Hong Kong office of Quanta Industries Ltd., Sino-Wood Partners, Limited, and had been a director of Sino Automotive Parts Limited. Between 2003 and 2006, Mr. Wu was appointed as the Economic Advisor of Weifang Municipal Overseas Investment Promotion Bureau, Shandong Province, the PRC. Mr. Wu has been an independent non-executive director of Newton Resources Limited (stock code: 1231) since 25 January 2011.

Lim Hoe Pin

Mr. Lim Hoe Pin, aged 46, graduated from Nanyang Technological University in Singapore with a bachelor degree in accountancy. He is a fellow member of the Association of Chartered Certified Accountants and an associate member of the Hong Kong Institute of Certified Public Accountants. He has over 23 years of experience in audit, investment, accounting and financial management. From 1993-2000, Mr. Lim started as a staff accountant at Ernst and Young in Hong Kong, and was promoted to the position as audit manager. From 2000-2002, he was investment manager of Transpac Capital Limited, a private equity firm based in Hong Kong with offices in China, Singapore, Malaysia, Taiwan and U.S.A. In 2002, he joined Sino-Forest Corporation as financial controller, and was promoted to vice president – finance & group financial controller in 2004. He left Sino-Forest Corporation in June 2008. From 2009-2011, he was a director of Max Resources Holdings Limited, responsible for restructuring and merger and acquisitions of resources projects. From 2011-2014, he was the senior consultant of First Gateway Capital Limited (formerly known as "First U.S. Capital Limited") which engages in early stage investment, and advisory services to small and medium enterprises in Asia, with a focus in transportation, resources, manufacturing, technology and telecommunication companies. He was responsible for financial due diligence, restructuring and merger and acquisitions.

Save as disclosed above, the Offeror does not intend to implement any material change to the existing management of the Group following the close of the Offers.

Public Float and Maintaining the Listing Status of the Company

Newforest intends to maintain the listing of the Company on the Stock Exchange. Newforest will undertake to the Stock Exchange to take appropriate steps following close of the Offers to ensure that such number of Shares as required by the Stock Exchange will be held by the public.

The directors of Newforest and the new Directors who will be nominated by the Offeror and to be appointed as Directors will jointly and severally undertake to the Stock Exchange to take appropriate steps to ensure that sufficient public float exists in the Shares.

The Stock Exchange has stated that if, upon close of the Offers, less than the minimum prescribed percentage applicable to the Company, being 25% of the issued Shares, are held by the public, or if the Stock Exchange believes that (i) a false market exists or may exist in the trading of the Shares; or (ii) there are insufficient Shares in public hands to maintain an orderly market, it will consider exercising its discretion to suspend trading in the Shares.

5. ACCEPTANCE AND SETTLEMENT

Your attention is drawn to the further details regarding further terms and conditions of the Offers, the procedures for acceptance and settlement and the acceptance period as set out in Appendix I to this Composite Document and the accompanying Forms of Acceptance.

6. GENERAL

This Composite Document has been prepared for the purposes of complying with the laws of Hong Kong, the Takeovers Code and the Listing Rules and the information disclosed may not be the same as which would have been disclosed if this Composite Document had been prepared in accordance with the laws of jurisdictions outside Hong Kong.

To ensure equality of treatment of all Shareholders, those Shareholders, and holders of Options and holder of Convertible Notes who hold Shares, Options or Convertible Notes as nominee on behalf of more than one beneficial owner should, as far as practicable, treat the holding of such beneficial owner separately. It is essential for the beneficial owners of the Shares, Options and Convertible Notes whose investments are registered in the names of nominees to provide instructions to their nominees of their intentions with regard to the Offers.

Attention of the Overseas Holders of Shares, Options and Convertible Notes is drawn to paragraph headed "6. Overseas Holders" of Appendix I to this Composite Document.

All documents and remittances to be sent to the Shareholders, and holders of Options and holder of Convertible Notes will be sent to them by ordinary post at their own risk. Such documents and remittances will be sent to the Shareholders, and holders of Options and holder of Convertible Notes at their respective addresses as they appear in the register of the members of the Company or register of holders of Options or register of holders of Convertible Notes and in the case of joint Shareholders, to such Shareholders, and holders of Options and holder of Convertible Notes whose name appears first in the register of members of the Company or register of holders of Options or register of holder of Convertible Notes. The Offeror and parties acting in concert with any of them, the Company, VMS, Somerley, the Registrar or professional advisers or any of their respective directors or any other parties involved in the Offers will not be responsible for any loss or delay in transmission or any other liabilities that may arise as a result thereof or in connection therewith.

7. ADDITIONAL INFORMATION

Your attention is drawn to the additional information set out in the appendices to this Composite Document which forms part of this Composite Document. You are reminded to carefully read the "Letter from the Board", the advice of the Independent Board Committee, the recommendation of Somerley and other information about the Group, which are set out in this Composite Document before deciding whether or not to accept the Offers.

Yours faithfully,
For and on behalf of
VMS Securities Limited
Keith William Jacobsen
Director

GREENHEART GROUP LIMITED
綠森集團有限公司*

(Incorporated in Bermuda with limited liability)
(Stock Code: 94)

Executive Director:
Mr. Hui Tung Wah, Samuel

Non-executive Directors:
Mr. Paul Jeremy Brough
Mr. Wang Tong Sai, Eddie
(Non-executive Chairman)
Mr. Colin Denis Keogh
Mr. Simon Murray

Independent Non-executive Directors:
Mr. Wong Kin Chi
Mr. Wong Che Keung, Richard
Mr. Tong Yee Yung, Joseph

Registered Office:
Canon's Court
22 Victoria Street
Hamilton HM 12
Bermuda

Head Office and Principal Place of Business in Hong Kong:
16F., Dah Sing Financial Centre
108 Gloucester Road
Wanchai
Hong Kong

14 May 2015

To the Shareholders, the holders of Options and the holder of Convertible Notes

Dear Sir or Madam,

THE MANDATORY UNCONDITIONAL CASH OFFERS BY VMS SECURITIES LIMITED ON BEHALF OF NEWFOREST LIMITED TO ACQUIRE ALL THE ISSUED SHARES AND THE OUTSTANDING CONVERTIBLE NOTES (OTHER THAN THOSE ALREADY OWNED OR AGREED TO BE ACQUIRED BY NEWFOREST LIMITED AND PARTIES ACTING IN CONCERT WITH IT) AND TO CANCEL ALL THE OUTSTANDING OPTIONS OF GREENHEART GROUP LIMITED

INTRODUCTION

Reference is made to the Announcement and the Circular.

On 10 February 2015, the resolutions in respect of, among other things, the acquisition by the Offeror from Sino-Capital of the Greenheart Resources Shares and the Debt Interests, the Silver Mount Waivers and the respective transactions contemplated thereunder were approved by the Independent Shareholders at the SGM.

* *for identification purpose only*

The completion of the Share Purchase Agreement and the Greenheart Resource Agreement took place simultaneously on 7 May 2015. Immediately after Completion, the Offeror became interested in an aggregate of 496,189,028 Shares, representing 62.37% of the entire issued share capital of the Company. Accordingly, the Offeror is required to make a mandatory unconditional cash offer for (i) the acquisition of all the issued Shares; (ii) the cancellation of all outstanding Options; and (iii) the acquisition of all Convertible Notes (other than those already owned or agreed to be acquired by the Offeror and parties acting in concert with it) pursuant to Rules 26.1, 13.1 and 13.5 of the Takeovers Code. As the Offeror and parties acting in concert with it are holding more than 50% of the issued share capital of the Company, the Offers are unconditional.

The purpose of this Composite Document is to provide you with, inter alia, information relating to the Group and the Offers and to set out the letter from the Independent Board Committee containing its recommendation to the Independent Shareholders, the holders of Options and the holder of Convertible Notes in respect of the terms of the Offers and as to acceptance and the letter from the Independent Financial Adviser containing their advice to the Independent Board Committee, the Independent Shareholders, the holders of Options and the holder of Convertible Notes in respect of the terms of the Offers and as to acceptance.

THE OFFERS

Upon Completion, the Offeror and parties acting in concert with it has acquired 496,189,028 Shares, representing 62.37% of the entire issued share capital of the Company as at the Latest Practicable Date. Save for the aforesaid, the Offeror and parties acting in concert with it do not have any other interests in any securities of the Company. Pursuant to Rules 26.1, 13.1 and 13.5 of the Takeovers Code, the Offeror is required to make the unconditional mandatory cash offer for all the issued Shares (other than those already owned or agreed to be acquired by the Offeror and parties acting in concert with it) and to cancel all outstanding Options and to acquire the Convertible Notes. The terms of the Offers are set out in the "Letter from VMS" as well as in Appendix I to this Composite Document.

The following information about the Offers is extracted from the "Letter from VMS" as well as Appendix I to this Composite Document.

Upon Completion, as the Offeror and persons acting in concert with it are holding more than 50% of the voting rights of the Company, the Offers are not subject to any acceptance or other conditions. The Offers are made by VMS on behalf of Newforest in accordance with the Takeovers Code and on the following basis:

The Share Offer

For each Offer Share .... HK$0.71 in cash.

The Share Offer is not conditional upon any minimum level of acceptance of the Share Offer and is unconditional. The Share Offer will close on Thursday, 4 June 2015.

As at the Latest Practicable Date, the Company has 795,586,245 Shares in issue. The Offeror and parties acting in concert with it owned 496,189,028 Shares immediately after the Completion and 299,397,217 Shares will be subject to the Share Offer and the total consideration of the Share Offer would be approximately HK$212.6 million based on the Share Offer Price.

In the event that the Share Offer is accepted in full, the maximum amount payable by the Offeror under the Share Offer will be (i) approximately HK$212.6 million (assuming (a) no outstanding Option is exercised; and (b) all outstanding Convertible Notes are not converted; and without taking into account the Shares held by the Offeror and parties acting in concert with it) or approximately HK$267.8 million (assuming (a) all outstanding Options are exercised; and (b) all outstanding Convertible Notes are converted; and without taking into account the Shares held by the Offeror and parties acting in concert with it).

The Share Offer Price is the same (taking into account the exchange rate of US$1: HK$7.8 being referenced in the Announcement) as the purchase price per Sale Share under the Share Purchase Agreement which was arrived after arm's length negotiation on normal commercial terms.

Based on the Share Offer Price of HK$0.71 per Offer Share and 795,586,245 Shares in issue as at the Latest Practicable Date, the entire issued share capital of the Company is valued at approximately HK$564.9 million.

The Share Offer will extend to all Shares in issue on the date on which the Share Offer is made and to any further Shares which are unconditionally allotted or issued after the date on which the Share Offer is made and before the date on which the Share Offer closes, including any Shares which are unconditionally allotted or issued on the exercise of Options granted under the Share Option Scheme or on conversion of the Convertible Notes, other than those held by Offeror and parties acting in concert with it.

The Option Offer

For cancellation of each Option with an exercise price of HK$0.51 . . . . HK$0.20 in cash.

The Option Offer Price of HK$0.20 for Options with an exercise price of HK$0.51 represents the difference between the exercise price of HK$0.51 and the Share Offer Price of HK$0.71 per Offer Share.

As at the Latest Practicable Date, the Company had 11,791,004 outstanding Options conferring rights on the holders of Options to subscribe for up to an aggregate of 11,791,004 Shares. If all the Options are exercised in full, the Company will have to issue 11,791,004 new Shares, representing approximately 1.5% of the issued share capital of the Company as at the Latest Practicable Date as enlarged by the allotment and issue of the aforementioned new Shares.

Based on the Option Offer Price for the cancellation of the outstanding Options and the number of outstanding Options, the maximum amount payable under the Option Offer (assuming no Options are exercised prior to the date of closing of the Offers and the Option Offer is accepted in full) is approximately HK$2.4 million.

The Option Offer will extend to all outstanding Options in issue on the date on which the Option Offer is made, being the date of despatch of the Composite Document, other than those Options held by the Offeror and parties acting in concert with it. As at the date of the Latest Practicable Date, the Offeror and parties acting in concert with it do not hold any Options.

The Convertible Notes Offer

For each US$1.00 face value of the Convertible Notes .... HK$2.76 in cash.

As at the Latest Practicable Date, the Company had outstanding Convertible Notes with principal amounted to US$17 million conferring rights to holder of the Convertible Notes to convert into 66,012,987 Shares.

The offer price for the Convertible Notes, being HK$2.76 for each US$1.00 face value of the Convertible Notes, is determined in accordance with Rule 13 and Practice Note 6 to the Takeovers Code as the "seethrough" consideration which the number of Shares convertible for each US$1.00 face value of the Convertible Note is multiplied by the Share Offer Price.

The Convertible Notes Offer will apply to the outstanding Convertible Notes in issue on the date on which the Convertible Notes Offer is made and will not apply to any Convertible Notes which are or have been converted into Shares prior to the close of the Convertible Notes Offer.

The total amount required to satisfy full acceptance of the Convertible Notes Offer is approximately HK$46.9 million, assuming full acceptance in respect of the whole principal amount of the outstanding Convertible Notes of US$17 million.

As at the Latest Practicable Date, save for the securities as mentioned above, the Company had no other outstanding warrants, derivatives or convertibles in issue which may confer any rights to the holder(s) thereof to subscribe for, convert or exchange into Shares.

Further Details of the Offers

The Board would like to remind the holders of the Options that, in accordance with the terms and conditions of the Share Option Scheme, any outstanding Options not exercised within 14 days after the date on which the Share Offer becomes or is declared unconditional in all respects will automatically lapse. Accordingly, as the Share Offer has become unconditional in all respects on the date of despatch of this Composite Document (14 May 2015), the holders of the Options who intend to accept the Share Offer or the Option Offer should exercise their Options or accept the Option Offer in respect of their Options (as the case may be) before they lapse on 29 May 2015.

Further details of the Offers, including, among other things, their extension to the Overseas Holders, information on taxation, the terms and conditions and the procedures for acceptance and settlement and acceptance period are set out in the "Letter from VMS", and Appendix I to this Composite Document and the accompanying Forms of Acceptance.

INFORMATION ON THE GROUP

The Company is a company incorporated in Bermuda with limited liability and its Shares are listed on the Main Board of the Stock Exchange. The principal activity of the Company is investment holding, and the principal activities of the subsidiaries of the Company comprise log harvesting, lumber processing, marketing and sales of logs and lumber products, as disclosed in the latest 2014 interim report and 2014 annual report of the Company.

Further financial information in relation to the Group is set out in Appendix II to this Composite Document. Please also refer to the Circular for further information in relation to the Group.

SHAREHOLDING STRUCTURE OF THE COMPANY

The table below sets out the shareholding structure of the Company (i) as at the Latest Practicable Date; and (ii) immediately after the completion of the Offers (assuming the Offeror acquired all the Offer Shares and Convertible Notes and all the Options are cancelled):

Name of Shareholder	**(i) As at the Latest Practicable Date**		**(ii) Immediately after the completion of the Offers (assuming the Offeror acquired all the Offer Shares and the Convertible Notes and all the Options are cancelled)**	
	Number of issued Shares	*Approximate %*	*Number of issued Shares*	*Approximate %*
The Offeror	496,189,028	62.37	795,586,245	100
Hui Tung Wah, Samuel *	709,889	0.09	–	0
Simon Murray *	1,246,000	0.16	–	0
Wong Kin Chi *	150,000	0.02	–	0
Wong Che Keung, Richard *	394,944	0.05	–	0
Public Shareholders	296,896,384	37.32	–	*(Note 1)*
Total	795,586,245	100.00	795,586,245	100.00

Notes:

1. The directors of Newforest and the new Director(s) who will be nominated by the Offeror and to be appointed as Directors will jointly and severally undertake to the Stock Exchange to take appropriate steps to ensure that sufficient public float exists in the Shares.

2. Due to rounding up of the percentages, the accumulated percentage is slightly different from 100%.

3. * denotes a director of the Company. Excludes any Options held by the Directors under the Share Option Scheme.

INTENTION OF THE OFFEROR ON THE GROUP

Your attention is drawn to the sections headed “Information of the Offeror” as set out on page 15 of this Composite Document and “Further Intention of the Offeror in relation to the Company” as set out on pages 15 to 17 of this Composite Document in the “Letter from VMS”. The Board is aware of the intention of the Offeror in respect of the Company and is willing to render reasonable co-operation with the Offeror which is in the interests of the Company and the Shareholders as a whole.

MAINTAINING THE LISTING STATUS OF THE COMPANY

Newforest intends to maintain the listing of the Company on the Stock Exchange. Newforest will undertake to the Stock Exchange to take appropriate steps following close of the Offers to ensure that such number of Shares as required by the Stock Exchange will be held by the public.

The directors of Newforest and the new Directors who will be nominated by the Offeror and to be appointed as Directors will jointly and severally undertake to the Stock Exchange to take appropriate steps to ensure that sufficient public float exists in the Shares.

The Stock Exchange has stated that if, upon close of the Offers, less than the minimum prescribed percentage applicable to the Company, being 25% of the issued Shares, are held by the public, or if the Stock Exchange believes that (i) a false market exists or may exist in the trading of the Shares; or (ii) there are insufficient Shares in public hands to maintain an orderly market, it will consider exercising its discretion to suspend trading in the Shares.

THE INDEPENDENT BOARD COMMITTEE AND THE INDEPENDENT FINANCIAL ADVISER

The Independent Board Committee comprising all the independent non-executive Directors, who have no direct or indirect interest in the Offers, has been formed in order to advise and give its recommendations to the Independent Shareholders, the holders of Options and the holder of Convertible Notes in respect of the Offers. Since Mr. Wang Tong Sai, Eddie (a non-executive Director) is a director of Sino-Capital, EPGL and EPHL and Mr. Colin Denis Keogh (a non-executive Director) is a director of EPGL and EPHL, both of them are not eligible to be members of the Independent Board Committee in respect of the Offers due to their association with Sino-Capital and its concert parties. In addition, as disclosed in Sections 2.9 and 4 of the Announcement, Mr. Simon Murray (a non-executive Director) is interested in the Convertible Notes held by GSHL, and given GSHL's right to require redemption of the Convertible Notes following the Completion, Mr. Murray is considered as having an interest in the Offers other than being a Shareholder or a holder of securities who may only exit by accepting the respective Offers. As such interest would undermine the "independence" of the Independent Board Committee if Mr. Murray were included, Mr. Murray was excluded from the Independent Board Committee in respect of the Offers.

Somerley, a corporation licensed by the SFC to conduct Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO, has been appointed by the Company with the approval of the Independent Board Committee as the independent financial adviser to advise the Independent Board Committee in respect of the Offers.

RECOMMENDATIONS

Your attention is drawn to (i) the letter from the Independent Board Committee as set out on pages 26 to 27 of this Composite Document, which contains its advice and recommendations to the Independent Shareholders, the holders of Options and the holder of Convertible Notes in respect of the Offers; and (ii) the letter from Somerley set out on pages 28 to 58 of this Composite Document, which contains its advice to the Independent Board Committee in relation to the Offers and the principal factors considered by it before arriving at its recommendations.

ADDITIONAL INFORMATION

You are also advised to read this Composite Document together with the accompanying Forms of Acceptance in respect of the acceptance and settlement procedures of the Offers. Your attention is drawn to the additional information contained in the appendices to this Composite Document.

Yours faithfully,
By order of the Board
Greenheart Group Limited
Hui Tung Wah, Samuel
Executive Director

GREENHEART GROUP LIMITED

綠森集團有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 94)

14 May 2015

To the Independent Shareholders, the holders of Options and the holder of Convertible Notes

Dear Sir or Madam,

THE MANDATORY UNCONDITIONAL CASH OFFERS BY VMS SECURITIES LIMITED ON BEHALF OF NEWFOREST LIMITED TO ACQUIRE ALL THE ISSUED SHARES AND THE OUTSTANDING CONVERTIBLE NOTES (OTHER THAN THOSE ALREADY OWNED OR AGREED TO BE ACQUIRED BY NEWFOREST LIMITED AND PARTIES ACTING IN CONCERT WITH IT) AND TO CANCEL ALL THE OUTSTANDING OPTIONS OF GREENHEART GROUP LIMITED

INTRODUCTION

We refer to the composite offer and response document (the "Composite Document") dated 14 May 2015 jointly issued by the Offeror and the Company, of which this letter forms part. Terms used in this letter shall have the same meanings as those defined in the Composite Document unless the context otherwise requires.

We have been appointed by the Board as members of the Independent Board Committee to consider the terms of the Offers and to advise you as to whether, in our opinion, the terms of the Offers are fair and reasonable so far as the Independent Shareholders, the holders of Options and the holder of Convertible Notes are concerned and as to acceptance thereof.

Somerley has been appointed as the independent financial adviser to the Independent Board Committee to advise the Independent Board Committee in respect of the terms of the Offers and as to acceptance thereof. Details of its advice and the principal factors taken into consideration in arriving at its recommendations are set out in the "Letter from Somerley" on pages 28 to 58 of the Composite Document.

We also wish to draw your attention to the sections headed "Letter from the Board", "Letter from VMS" and the additional information set out in the appendices to the Composite Document.

* *for identification purpose only*

RECOMMENDATION

Having taken into account the terms of the Share Offer and the advice from Somerley and the principal factors taken into account in arriving at its recommendations, in respect of the Share Offer, we are of the opinion that the Share Offer is fair and reasonable so far as the Independent Shareholders are concerned and recommend the Independent Shareholders to accept the Share Offer.

Despite this, the Shares have been traded at or above the Share Offer Price lately and the Independent Shareholders are reminded to closely monitor the stock market and the trading price and liquidity of the Shares during the Offer Period and shall, having regard to their own circumstances, consider selling their Shares in the open market instead of accepting the Share Offer if the net proceeds from such disposal of the Shares (after deducting all transaction costs) would be higher than the proceeds from accepting the Share Offer (after deducting all transaction costs). Those Independent Shareholders who wish to retain some or all of their investments in the Shares and/or are confident in the future prospect of the Group or otherwise are reminded to closely monitor the development of the Group and any announcement of the Company in this regard.

In respect of the Option Offer, having taken into account the terms of the Option Offer and the advice from Somerley and the principal factors taken into account in arriving at its recommendations, we are of the opinion that the Option Offer is fair and reasonable so far as the holders of the Options are concerned and recommend the holders of the Options to accept the Option Offer.

In any event, the holders of the Options are advised to exercise their Options and dispose of the Shares so converted in the open market if the market price per Share exceeds the sum of the exercise price of the Options and the Option Offer Price and the net proceeds from such actions (after deducting all transaction costs) would exceed the net amount receivable under the Option Offer (after deducting all transaction costs). The holders of the Options should exercise caution in doing so and closely monitor the stock market and trading price and liquidity of the Shares during the Offer Period.

In respect of the Convertible Notes Offer, having taken into account the terms of the Convertible Notes Offer and the advice from Somerley and the principal factors taken into account in arriving at its recommendations, given that the redemption amount upon maturity of the Convertible Notes or upon occurrence of change of control event represents premium to the total consideration for the Convertible Notes Offer, we are of the opinion that the Convertible Notes Offer is not fair and reasonable so far as the holder of the Convertible Notes is concerned and we recommend the holder of the Convertible Notes not to accept the Convertible Notes Offer.

In any case, the Independent Shareholders, the holders of Options and the holder of Convertible Notes are strongly advised that the decision to realise or to hold their investment is subject to individual circumstances and investment objectives. If in doubt, the Independent Shareholders, the holders of Options and the holder of Convertible Notes should consult their own professional advisers for professional advice. Furthermore, the Independent Shareholders, the holders of Options and the holder of Convertible Notes who wish to accept the Offers are recommended to read carefully the procedures for accepting the Offers as detailed in the Composite Document.

Yours faithfully,
Independent Board Committee
Greenheart Group Limited

Mr. Wong Che Keung, Richard	**Mr. Tong Yee Yung, Joseph**	**Mr. Wong Kin Chi**
Independent non-executive Director	*Independent non-executive Director*	*Independent non-executive Director*

The following is the full text of a letter of advice from Somerley to the Independent Board Committee in relation to the Offers, which has been prepared for the purpose of inclusion in this Composite Document.

SOMERLEY CAPITAL LIMITED
20th Floor
China Building
29 Queen's Road Central
Hong Kong

14 May 2015

To: The Independent Board Committee of Greenheart Group Limited

Dear Sirs,

THE MANDATORY UNCONDITIONAL CASH OFFERS BY VMS SECURITIES LIMITED ON BEHALF OF NEWFOREST LIMITED TO ACQUIRE ALL THE ISSUED SHARES AND THE OUTSTANDING CONVERTIBLE NOTES (OTHER THAN THOSE ALREADY OWNED OR AGREED TO BE ACQUIRED BY NEWFOREST LIMITED AND PARTIES ACTING IN CONCERT WITH IT) AND TO CANCEL ALL THE OUTSTANDING OPTIONS OF GREENHEART GROUP LIMITED

INTRODUCTION

We refer to our appointment to advise the Independent Board Committee in relation to the mandatory unconditional cash offer by VMS on behalf of Newforest to acquire for all the issued shares and the outstanding convertible notes (other than those already owned or agreed to be acquired by Newforest and parties acting in concert with it) and to cancel all of the outstanding options of the Company. Details of the Offers are set out in this Composite Document to the Independent Shareholders, holders of the Options and holder of the Convertible Notes dated 14 May 2015, of which this letter forms part. Terms used in this letter shall have the same meanings as those defined in this Composite Document unless the context otherwise requires.

Reference is made to the Announcement and the Circular in relation to, among other things, the Share Purchase Agreement, the Greenheart Resources Agreement, the Silver Mount Waivers, the US$17.0 million Convertible Notes due on 17 August 2015 and the Offers. On 31 October 2014, Sino-Capital and Newforest, among others, entered into the Share Purchase Agreement, pursuant to which Sino-Capital conditionally agreed to sell, and Newforest conditionally agreed to purchase 496,189,028 Shares, representing approximately 62.82% of the issued share capital of the Company as at the date of the Announcement, for a total consideration of US$45.0 million (equivalent to approximately HK$351.0 million or approximately HK$0.71 per Share). Completion is conditional upon the satisfaction of the

Share Transfer Condition, being completion of the Greenheart Resources Agreement having occurred in accordance with its terms. Furthermore, on 31 October 2014, Sino-Capital, EPGL, EPHL and Newforest, entered into the Greenheart Resources Agreement whereby (i) Sino-Capital conditionally agreed to sell, and Newforest conditionally agreed to purchase, the Greenheart Resources Shares for an aggregate consideration of US$10.0 million (equivalent to approximately HK$78.0 million); and (ii) Sino-Capital and EPGL conditionally agreed to sell, and Newforest conditionally agreed to purchase, the Debt Interests for an aggregate consideration equivalent to the total amount outstanding (being the principal amount plus any accrued but unpaid interest, if applicable) of the Debt Interests as of the date of completion of the Greenheart Resources Agreement. The Special Deals under the Greenheart Resources Agreement and the Silver Mount Waivers have been approved by the Independent Shareholders at the SGM and completions of the Greenheart Resources Agreement and the Share Purchase Agreement took place simultaneously on 7 May 2015. Upon Completion, the Offeror has acquired 496,189,028 Shares, representing 62.37% of the issued share capital of the Company as at the Latest Practicable Date.

Accordingly, the Offeror will be required to make a mandatory unconditional cash offer for (i) all the issued Shares and all outstanding Convertible Notes (other than those already owned or agreed to be acquired by Offeror and parties acting in concert with it); and (ii) cancellation of all outstanding Options, pursuant to Rules 26.1, 13.1 and 13.5 of the Takeovers Code. As the Offeror and parties acting in concert with it are holding more than 50% of the issued share capital of the Company, the Share Offer, the Option Offer and the Convertible Notes Offer are unconditional.

THE INDEPENDENT BOARD COMMITTEE

The Independent Board Committee comprising all the independent non-executive Directors, namely Messrs. Wong Che Keung, Richard, Tong Yee Yung, Joseph and Wong Kin Chi, has been formed in order to advise the Independent Shareholders, holders of the Options and holder of the Convertible Notes on, among other things, the Offers.

BASIS OF OUR ADVICE

We are not connected with the Company, the Offeror, any of their respective substantial shareholders or any party acting, or presumed to be acting, in concert with any of them and accordingly, are considered suitable to give independent advice on the Offers. Apart from the normal professional fees payable to us in connection with this and similar appointments, no arrangement exists whereby we will receive any fees or benefits from the Company, the Offeror, any of their respective substantial shareholders or any party acting, or presumed to be acting, in concert with any of them.

In formulating our opinion and recommendations, we have reviewed, amongst others, the Announcement, the Share Purchase Agreement, the annual reports of the Company for the two year ended 31 December 2014 (the "**2014 Annual Report**") and 31 December 2013 (the "**2013 Annual Report**"), and the information contained in the Composite Document. We have also discussed with and reviewed the information provided by the management of the Group regarding the business and outlook of the Group.

We have relied on the information and facts supplied, and the opinions expressed, by the Directors and the management of the Group, which we have assumed to be true, accurate, complete and not misleading in all material aspects as at the date of this letter and the Independent Shareholders, holders of the Options and holder of the Convertible Notes will be notified of any material changes as soon as possible, if any. We have sought and received confirmation from the Directors and the management of the Group that no material facts have been omitted from the information supplied and opinions expressed by them to us. We consider that the information which we have received is sufficient for us to reach our opinion and recommendations as set out in this letter and to justify our reliance on such information. We have no reason to doubt the truth, accuracy or completeness of the information provided to us or to believe that any material information has been omitted or withheld. We have not, however, conducted any independent investigation into the business and affairs of the Group nor have we carried out any independent verification of the information supplied.

We have not considered the tax and regulatory implications on the Independent Shareholders, holders of the Options and holder of the Convertible Notes of acceptance or non-acceptance of the Offers since these depend on their individual circumstances. In particular, the Independent Shareholders, holders of the Options and holder of the Convertible Notes who are resident overseas or subject to overseas taxes or Hong Kong taxation on securities dealings should consider their own tax positions and, if in any doubt, should consult their own professional advisers.

PRINCIPAL TERMS OF THE OFFERS

Upon Completion, as the Offeror and persons acting in concert with it will hold more than 50% of the voting rights of the Company, the Offers will not be subject to any acceptance or other conditions. The Offers will be made by VMS on behalf of Newforest in accordance with the Takeovers Code and on the following basis:

The Share Offer

For each Offer Share . . . . **HK$0.71 in cash**

The Share Offer is not conditional upon any minimum level of acceptances of the Share Offer and is unconditional. The Share Offer will close on Thursday, 4 June 2015.

The Option Offer

For cancellation of each Option with an exercise price of HK$0.51 . . . . **HK$0.20 in cash**

The Option Offer Price of HK$0.20 for Options with an exercise price of HK$0.51 represents the difference between the exercise price of HK$0.51 and the Share Offer Price of HK$0.71 per Offer Share.

The Convertible Notes Offer

For each US$1.00 face value of the Convertible Notes . . . . **HK$2.76 in cash**

The offer price for the Convertible Notes, being HK$2.76 for each US$1.00 face value of the Convertible Notes, is determined in accordance with Rule 13 and Practice Note 6 to the Takeovers Code as the "see-through" consideration which the number of Shares convertible for each US$1.00 face value of the Convertible Note is multiplied by the Share Offer Price.

Details of the terms of the Offers are contained in the letter from VMS and Appendix I to the Composite Document. Independent Shareholders, holders of the Options and holder of the Convertible Notes are urged to read the relevant sections in the Composite Document in full.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In formulating our opinion and recommendations with regard to the Offers, we have taken into account the following principal factors and reasons:

1. Business of the Group

The principal activities of the Group comprise log harvesting, lumber processing, marketing and sales of logs and lumber products. The Group operates its business mainly in two geographical locations, namely New Zealand and Suriname.

Acquired in early 2011, the New Zealand division is principally engaged in softwood log harvesting, marketing and sale of logs and it has been contributing majority of revenue and profit to the Group. As at 31 December 2014, the radiata pine plantation forest assets managed by the Group in the Northland region of New Zealand had a total land base of approximately 13,000 hectares, of which approximately 11,000 hectares was net productive area. The radiata pine produced by the New Zealand division are mainly exported to China and India.

The Suriname division is principally engaged in hardwood log harvesting, timber processing, marketing and sale of logs and timber products. The Group is a natural forest concession owner and operator in Suriname and currently manages and operates certain forest concessions for the exploitation of timber on parcels of land in Suriname with terms ranging from 10 to 20 years. In February 2014, the Group completed the acquisition of certain forest concessions in central Suriname of approximately 91,750 hectares of natural tropical hardwood forest in Suriname ("**Suma**"), which were previously held by the Group under a two-year exclusive cutting right agreement. As at 31 December 2014, the total forest concessions under management by the Group in Suriname covered a land area of approximately 322,000 hectares.

2. Financial information of the Group

(a) Financial results

The following are summaries of the consolidated statement of comprehensive income of the Group for the three years ended 31 December 2014 (the "**FY 2014**"), 2013 (the "**FY 2013**") and 2012 (the "**FY 2012**") as extracted from the 2014 Annual Report and the 2013 Annual Report.

	For the year ended 31 December		
	2014	**2013**	**2012**
	HK$ (million)	*HK$ (million)*	*HK$ (million)*
	(Audited)	(Restated)	(Audited)
Revenue	673.6	724.6	495.2
Cost of sales/goods sold *(Note)*	(528.6)	(480.2)	(308.8)
Gross profit *(Note)*	145.0	244.4	186.4
Fair value gain on plantation forest assets	32.4	108.8	94.8
Selling and distribution costs	(214.7)	(224.2)	(169.7)
Administrative expenses	(65.9)	(89.1)	(79.5)
Finance costs	(43.4)	(47.3)	(40.0)
Others	(36.6)	(6.5)	(122.7)
Loss before tax	(183.2)	(13.9)	(130.7)
Tax	(6.7)	(46.4)	(13.7)
Loss for the year	(189.9)	(60.3)	(144.4)
Loss for the year attributable to:			
the Shareholders	(133.3)	(5.7)	(76.8)
non-controlling interests	(56.6)	(54.6)	(67.6)
	(189.9)	(60.3)	(144.4)

Note: As disclosed in the 2014 Annual Report, the Group's gross profit was defined as revenue less cost of goods sold in prior years. Other expenses such as unallocated production overheads, write-down/write-back of inventories, amortisation of harvest roading and provisions for impairment were separately disclosed in "Other operating expenses" (i.e. "Others" in the table above) in the consolidated statement of comprehensive income.

For the year ended 31 December 2014, the Group's gross profit was re-defined. The unallocated production overheads, write-down/write-back of inventories, impairment of prepayments, deposits and other receivables related to inventories and amortisation of harvest roading were classified as "Cost of sales" in the consolidated statement of comprehensive income and provisions for impairment was separately disclosed in the consolidated statement of comprehensive income for the year ended 31 December 2014 (the "**Restatement**"). Accordingly, the comparative amounts for the year ended 31 December 2013 (for the avoidance of doubt, not for the year ended 31 December 2012) have been reclassified to conform to the presentation for the year ended 31 December 2014.

The Group reported record-high revenue for the FY 2013 of approximately HK$724.6 million (both before and after the Restatement), of which the New Zealand division contributed approximately 91.6% and the Suriname division provided almost the rest. The significant growth in sales was mainly driven by the increasing demand for the New Zealand radiata pine in China. Revenue from the New Zealand division rose by approximately 47.4% to approximately HK$663.8 million (both before and after the Restatement) for the FY 2013 when both the export sales volume (from 460,000 m^3 for the FY 2012 to 582,000 m^3 for the FY 2013) and the average export selling price (from US$117.8 per m^3 for the FY 2012 to US$138.4 per m^3 for the FY 2013) of the New Zealand radiata pine have recorded considerable increases during the year. Revenue from the Suriname division also grew by approximately 41.1% to approximately HK$59.9 million (both before and after the Restatement) for the FY 2013.

The revenue of the Group for the FY 2014 was approximately HK$673.6 million, representing a decrease approximately 7.0% from that for the FY 2013. The decrease was chiefly attributable to the drop of revenue contribution from the New Zealand division from approximately HK$663.8 million by approximately 10.9% to approximately HK$591.7 million as a result of the decrease in the average export selling price (from US$138.4 per m^3 for the FY 2013 to US$134.0 per m^3 for the FY 2014) of New Zealand radiata pine and decrease in export sales volume (from 582,000 m^3 for the FY 2013 to 531,000 m^3 for the FY 2014) during the down time of the market. The sales contributed from the Suriname division improved from approximately HK$59.9 million for the FY 2013 by approximately 35.9% to approximately HK$81.4 million for the FY 2014. The improvement was a result of, among other things, the sale of lumber products which have much higher sales value than logs. During the FY 2014, there had been increased sales of lumber products from west and central Suriname as well as the clearance sales of logs from east Suriname.

The gross profit of the Group before the Restatement was approximately HK$335.5 million for the FY 2013 and it represented an increase of approximately 80.0% as compared to that for the FY 2012. The gross profit contribution from the New Zealand and Suriname divisions were approximately HK$319.8 million (before the Restatement) and HK$15.5 million (before the Restatement) respectively. The improvement in the gross profit was chiefly driven by the increase in export volumes from the New Zealand division of approximately 122,000 m^3 and a higher average selling price of the New Zealand radiata pine. The gross profit margin enhanced from approximately 37.6% for the FY 2012 to approximately 46.3% (before the Restatement) for the FY 2013. The gross profit margin of the New Zealand division also improved from approximately 37.7% for the FY 2012 to approximately 48.2% (before the Restatement) due to the increased average selling price for the FY 2013. On the other hand, the gross profit margin of the Suriname division dropped from approximately 38.5% for the FY 2012 to approximately 25.8% (before the Restatement) for the FY 2013 as a result of stock clearance of low value timber products.

The gross profit of the Group was approximately HK$145.0 million for the FY 2014 and it represented a decrease of approximately 40.7% as compared to that (after the Restatement) for the FY 2013. The gross profit margin also dropped to approximately 21.5% for the FY 2014 as compared to approximately 33.7% (after the Restatement) for the FY 2013. The decreases in gross profit and gross profit margin were primarily attributable to the reduced contribution from the New Zealand division from approximately HK$304.3 million (after the Restatement) for the FY 2013 to approximately HK$225.2 million for the FY 2014 as a result of the decreased average export selling prices and increased unit harvesting cost. Gross loss recorded by the Suriname division enlarged from approximately HK$60.2 million (after the Restatement) for the FY 2013 by approximately 33.2% to approximately HK$80.2 million for the FY 2014. The worsened performance of the Suriname division was mainly as a result of high production expenses caused by operational inefficiency as well as the increase in the forest concession levy.

The loss for the year attributable to the Shareholders reduced significantly from approximately HK$76.8 million for the FY 2012 by approximately 92.6% to approximately HK$5.7 million (both before and after the Restatement) for the FY 2013. The improvement in the financial result of the Group for the FY 2013 was mainly attributable to the combined effects of (i) the growths in sales and gross profit margin of the New Zealand radiata pine as discussed above; (ii) a higher fair value gain on the plantation forest assets in New Zealand by approximately HK$14.0 million (both before and after the Restatement) due to the higher average selling price of the New Zealand radiata pine; (iii) an increase in selling and distribution costs by HK$54.5 million (both before and after the Restatement) for shipment of logs and lumber primarily as a result of the increase in sales volume from New Zealand; (iv) an increase in administrative expenses by approximately HK$9.6 million (both before and after the Restatement) mostly attributable to certain one-off expenses; (v) an increase in unallocated operating and manufacturing overhead expenses incurred in the Suriname logging and sawmill operations by approximately HK$19.7 million (both before and after the Restatement) largely attributable to a slow-down in forestry activities and certain sawmill activities for synchronisation of processing facilities and an increased machinery set-up time and reduced efficiency due to the change of log species mix input into the sawmill; (vi) a reduced provision for impairment loss by approximately HK$51.9 million (both before and after the Restatement) due to non-occurrence of a one-off disruption in operations in east Suriname following the frustration of a subcontracting agreement for the FY 2012; and (vii) an increase in the interest expense by approximately HK$7.1 million (both before and after the Restatement) incurred on a loan facility granted by Bank of New Zealand.

The loss for the year attributable to the Shareholders enlarged considerably from approximately HK$5.7 million (after the Restatement) for the FY 2013 by over 23 times to approximately HK$133.3 million for the FY 2014. The deterioration in the financial result of the Group for the FY 2014 was mainly attributable to the net effects of (i) the slump in sales and gross profit margin of the New Zealand radiata pine as discussed above; (ii) a lower fair value gain on the plantation forest assets in New Zealand by approximately HK$76.4 million due to the net effect of changing production and transport cost, forest yield, harvest profile and the hybrid valuation methodology of young trees in the New Zealand forest; (iii) the reduction in administrative expenses by approximately HK$23.2 million because of various cost control measures imposed; (iv) an increase in provision for impairment loss by approximately HK$24.7 million mainly in relation to the goodwill generated from the acquisition of Suma, which was completed in February 2014, following the substantial increase in the forest concession levy in early 2014; and (v) a deferred tax credit of approximately HK$5.6 million (as compared to a deferred tax charge of approximately HK$30.7 million for the FY 2013), representing the net movement of taxable temporary difference arising from the New Zealand division, which included the recognition of tax losses, fair value gains on the New Zealand plantation forest assets, different amortisation and depreciation rates for tax and accounting purposes related to the New Zealand plantation forest and forest roads assets, the year-end foreign currency translation adjustment for US$ denominated term loans and the temporary differences arising from the New Zealand plantation forest assets which have a tax base denominated in New Zealand dollars when the New Zealand dollar depreciated against the US$ during the FY 2014.

On 18 March 2015, the Company announced the revision of forest concession levy and harvest royalty fee by Suriname government. The relevant forest concession levy and harvest royalty fee have been revised downward as compared to the proposed increases in early 2014. As a result, the accrual in respect of the forest concession levy made in the Company's financial statements for the FY 2014 will be reversed in the year ending 31 December 2015 (the "**FY 2015**") and an approximately HK$13.4 million from the aforesaid reversal is expected to be recorded as an other income in the FY 2015.

(b) Financial position

The following are summaries of the consolidated statements of the financial position of the Group as at 31 December 2014, 31 December 2013 and 31 December 2012 as extracted from the 2014 Annual Report and the 2013 Annual Report.

	As at 31 December		
	2014	**2013**	**2012**
	HK$	*HK$*	*HK$*
	(million)	*(million)*	*(million)*
	(Audited)	(Audited)	(Audited)
Non-current assets			
Property, plant and equipment	471.9	458.3	407.5
Timber concessions and cutting rights	758.7	710.8	738.1
Plantation forest assets	466.2	521.8	500.7
Other non-current assets	50.5	35.5	37.8
	1,747.3	1,726.4	1,684.1
Current assets			
Cash and cash equivalents	108.1	204.0	144.3
Other current assets	132.4	232.2	177.8
	240.5	436.2	322.1
Current liabilities			
Loan from holding companies/former holding company	374.4	312.0	312.0
Balances with related parties	27.3	22.7	22.7
Convertible bonds	167.0	155.9	214.7
Other current liabilities	110.1	102.8	84.0
	678.8	593.4	633.4
Net current liabilities	(438.3)	(157.2)	(311.3)
Total assets less current liabilities	1,309.0	1,569.2	1,372.8

	As at 31 December		
	2014	**2013**	**2012**
	HK$	*HK$*	*HK$*
	(million)	*(million)*	*(million)*
	(Audited)	(Audited)	(Audited)
Non-current liabilities			
Loans from holding company	42.6	89.7	62.4
Interest-bearing bank borrowings	195.0	195.0	–
Other non-current liabilities	125.4	144.3	117.5
	363.0	429.0	179.9
Net assets	946.0	1,140.2	1,192.9
Equity			
Equity attributable to the Shareholders	872.4	1,010.0	1,008.1
Non-controlling interest	73.6	130.2	184.8
	946.0	1,140.2	1,192.9

The non-current assets of the Group were relatively stable in general as at 31 December 2012, 31 December 2013 and 31 December 2014. The property, plant and equipment mainly comprised forestry land in New Zealand, buildings and capital roadings and plant and machinery. Timber concessions and cutting rights represented the forest concessions and cutting rights for the exploitation of timbers on parcels of land in Suriname with terms ranging from 10 to 20 years. Plantation of forest assets represented the radiata pine plantation forest assets managed by the Group in New Zealand. The decrease in the plantation forest assets during the FY 2014 was mainly attributed to the net effect of changing production and transport costs, forest yield, harvest profile and the hybrid valuation methodology of young trees.

The liquidity positions of the Group have not been very satisfactory. The cash balance was approximately HK$108.1 million and the net current liabilities were approximately HK$438.3 million as at 31 December 2014. The Group's operations have been significantly financed by its related parties. As at 31 December 2014, the Group had related party borrowings consisting of, among others, (i) loans from EPGL (i.e. the EPGL Loan) with an aggregate principal amount of US$40.0 million (equivalent to approximately HK$312.0 million), which carried an interest rate at the LIBOR plus 3.5% per annum and were unsecured and repayable on 17 May 2015; (ii) loans from Sino-Capital with aggregate principal amount of approximately US$13.5 million (equivalent to approximately HK$105.3 million), which carried an interest rate at the Prime Rate per annum and were unsecured and repayable on various dates from 26 March 2015 (which had been extended to 26 June 2015) to 19 June 2017; and (iii) convertible notes (i.e. the Convertible Notes) issued to a company which Mr. Simon Murray, a non-executive Director, has interest as an indirect substantial shareholder of its fund manager, with an aggregate outstanding principal amount of

US$17.0 million (equivalent to approximately HK$132.6 million), which had a coupon rate of 5% per annum and a conversion price of HK$2.002 and would be matured on 17 August 2015. In addition to the above, the Group also had borrowings from Bank of New Zealand ("**Bank of NZ**") of US$25.0 million (equivalent to approximately HK$195.0 million), which carried a base rate, as determined by Bank of NZ, plus 1.65% per annum, and were secured and had a final maturity date of 28 February 2017. The Group's gearing ratio as at 31 December 2014, which was calculated on the basis of outstanding borrowings as a percentage of equity attributable to the Shareholders, was approximately 72.3%, which increased further from that of 62.1% as at 31 December 2013.

In addition, Completion has already triggered the "change of control" provision as set out in the terms and conditions of the Convertible Notes, under which the holder of the Convertible Notes has become entitled to require the Company to redeem the Convertible Notes in whole or in part of such outstanding Convertible Notes at any time prior to the maturity of the Convertible Notes. As at the Latest Practicable Date, the Company has not received any notice from the holder of the Convertible Notes with regard to the holder's intention over the remaining outstanding principal amount of the Convertible Notes.

As at 31 December 2014, the net assets value attributable to the Shareholders stood at approximately HK$872.4 million. Based on the total number of issued Shares of 795,586,245 as at the Latest Practicable Date, the net asset value attributable to the Shareholders as at 31 December 2014 was approximately HK$1.10 per Share.

3. Industry overview

As a majority of the forestry products of the Group are sold to the Chinese market, we have explored the significance of this market. China has achieved gross domestic product ("**GDP**") growth averaging more than 10% a year over last decade and lifted more than hundreds of millions of people out of poverty. Being the most populous country in the world with a population of 1.3 billion as well as the second largest economy, China is increasingly playing a key role in shaping the global economy. In the Chinese Government's latest policy address, China's 12th Five-Year Plan (2011-2015) (the "**FYP**") has set an annual GDP growth target of 7%, being lower than the previous five-year plan of 7.5%. The FYP turned into a host of economic policies aiming to improve the lives of the people as well as promoting a growing segment of middle-income consumers. With this growing middle-income consumers, naturally comes with the demand for better housing and furnishing. In terms of furnishing, China currently has strong demand for wood-based, roof and wall framing, flooring, doors, window frames and trim, furniture and interior decoration items. The annual production of wood and bamboo-based flooring and wood furniture between 2007 and 2011 had increased at a compound annual growth rate ("**CAGR**") of approximately 23.0% and 4.2%. China's annual timber consumption in 2011 was approximately 500 million m^3, of which approximately 45% of such demand was met by imports. The CAGR of China's annual timber consumption between 2007 and 2011 was approximately 8.5%. According to the State Forestry Administration (the "**SFA**"), it is expected that China's appetite for log and lumber imports will continue as the China growth story continues. The SFA estimated that China's annual timber consumption by 2020 will reach 800 million m^3.

We are of the view that external market forces are generally positive for the Group in the medium term. However there remain challenges for the Group to optimise its Suriname operations to achieve better economics for its business as discussed in section headed "4. Outlook of the Group" in this letter below.

4. Outlook of the Group

As discussed above, the financial result of the Group for the FY 2014 was significantly impacted by the fall in the price of New Zealand radiata pine in the second half of the FY 2014 and a provision for impairment of goodwill in relation to the acquisition of Suma in Suriname.

As set out in the 2014 Annual Report, despite the significant drop in export prices of New Zealand radiata pine in mid-2014, prices gradually recovered and stablished in late 2014. Besides, the significantly lower shipping costs, primarily due to the lower oil prices, and a significant fall in the exchange rate of the New Zealand dollars, in which all logging, ground transportation and forestry management fees are denominated, are beneficial to the financial results of the New Zealand operation.

According to the 2014 Annual Report, China's GDP growth rate in 2014 slowed to approximately 7.4% and the market consensus is around 7% in 2015. In order to avoid hard-landing, it is expected that the Chinese Government will continue to take some measures to stimulate the real estate sector and investment. As such, in the short term, the management of the Group anticipate that sales volumes for New Zealand radiata pine to China should remain reasonably stable. Following China, the management of Group recognised that India, being the second largest market for the New Zealand division's radiata pine, has positive economic signals with a high GDP growth rate and a manufacturing sector showing steady growth. It is expected both the price and demand from India will continue this level for 2015, following growth in export of New Zealand radiata pine to India recorded in FY 2014. Still, there are some uncertainties in the market, e.g. the depreciation of the Rouble, which may increase the competitiveness of the Russian logs and the recovery of the property market of the United States of America, which will drive away some of the log supply from North America to China.

Regarding the sudden increase in the forest concession levy in Suriname in January 2014, representatives of the Suriname Government and the forest industry coalition reached an agreement on the forest concession levy and harvest royalty fee requirements. In March 2015, the Suriname government announced the concession levy of SR\$20 per hectare per year as originally announced will be reduced to SR\$5 per hectare per year while the harvest royalty fee will be reduced from the range of US\$5.5 per m^3 and US\$6 per m^3 to US\$3.95 per m^3.

The final stage of the upgrade of the west Suriname sawmill production facilities is currently underway and should be completed by mid-2015. By then, the log input volume will increase up to 100,000 m^3 (based on a double shift) per annum from 60,000 m^3. In 2014, a number of initiatives were carried out with the objective to increase the production efficiency and improve the profitability. Another key objective for the Suriname division is to ensure that the division's logistics operations can accommodate the increased output from the sawmill by way of sub-contracting and shortening approval export procedures. West Suriname has just received the full Forest Steward Council[1] ("**FSC**") certificate accreditation in February 2015. The price premium for FSC products over non-FSC products is reported to range from 10% to 15%. Full FSC accreditation will also allow further penetration into the United States of America, and in particular, European markets which increasingly require FSC products.

[1] The FSC is an international not-for-profit organisation established in 1993 to promote responsible management of the world's forests. Its main tools for achieving this are standard setting, certification and labelling of forest products.

The liquidity position of the Group has not been very satisfactory, details of which have been discussed in the sub-section headed "(b) Financial position" in the "2. Financial information of the Group" section above. In particular, upon Completion the holder of the Convertible Notes has become entitled to require the Company to redeem the outstanding Convertible Notes at any time prior to their maturity. We understand from the management of the Group if the full redemption of the Convertible Notes takes place, the Group is likely to require additional financial resources to meet with this repayment obligation and one possible option is realising certain non-current assets of the Group such as the plantation forest assets in New Zealand. In such circumstances, the business operations and financial structure of the Group may substantially be affected. Based on the above and taking into account the Group's unutilised banking facility, the possible sell-off of certain non-current assets and other cost control measures, the management of the Group are of the view that the Group will have sufficient working capital to finance its operations and financial resources to meet with its financial obligations, including the full redemption of the Convertible Notes.

In addition to the above, the EPGL Loan of US$40 million (equivalent to approximately HK$312.0 million), being a majority of the Debt Interests currently held by Newforest, will be due in May 2015. Based on our discussion with Newforest, it is the current intention of Newforest to extend the respective repayment dates of the Debt Interests for not less than one year with similar terms. Although Newforest has expressed the above intention, there is no assurance that Newforest will continue to extend the repayments of the Debt Interests or provide further financing to the Group in long run. Given the heavy reliance of the financing from the controlling shareholders, the potential repayment of the Convertible Notes and the financial performance of the Group in recent years, the Independent Shareholders and the holders of the Options and the Convertible Notes are reminded to consider carefully that the Group may have financial distress if the Group cannot obtain the continuing financing from Newforest in medium to long term and cannot obtain other financial resources to meet with its repayment obligations.

In general, the financial performance of the Group will continue to be hinged on, among other things, the future export price of New Zealand radiata pine which had been fluctuated significantly in the FY 2014 and the success of the implementation of the enhancement program in the Group's west Suriname operation. Given the limited cash resources, the proposed enhancement programs to be implemented in Suriname will likely to put pressure on the already tight liquidity position of the Group. Furthermore, the Group will continue to face significant financial pressure from the potential redemption of the Convertible Notes in the event that external financial resources could not obtained. Taking into account the above factors, we are of the view that there remains uncertainty in the future performance of the Group.

5. Information on the Offeror

As set out in the letter from VMS in this Composite Document, the Offeror, Newforest, is a company incorporated in the Cayman Islands and is directly and beneficially owned as to 40% by Gateway Asia Resources Limited (a direct wholly-owned company of Mr. Wu Wai Leung, Danny) and as to 60% by Sharpfield Holdings Limited (a direct wholly-owned subsidiary of Chow Tai Fook Enterprises Limited), respectively.

Chow Tai Fook Enterprises Limited is a wholly-owned subsidiary of Chow Tai Fook (Holding) Limited, a 78.58%-owned subsidiary of Chow Tai Fook Capital Limited. Chow Tai Fook Capital Limited is owned as to 48.98% and 46.65% by Cheng Yu Tung Family (Holdings) Limited and Cheng Yu Tung Family (Holdings II) Limited, respectively. Chow Tai Fook Enterprises Limited is the controlling shareholder of a number of Hong Kong listed companies including, among others, New World Development Company Limited (stock code: 17), NWS Holdings Limited (stock code: 659) and Newton Resources Limited (stock code: 1231) ("**Newton Resources**"). Mr. Wu Wai Leung, Danny is a business professional with over 20 years of experience in investing and business operations in Asia and he is currently an independent non-executive director of Newton Resources. Information on the directors of Gateway Asia Resources Limited, Sharpfield Holdings Limited and Chow Tai Fook Enterprises Limited are set out in the letter from VMS in this Composite Document.

Save for the entering into of the Share Purchase Agreement and the Greenheart Resources Agreement, Newforest has not traded and/or engaged in any business activity since its incorporation.

6. Intention of the Offeror regarding the Group

As set out in the letter from VMS in this Composite Document, Newforest does not have any plans to change the Company's existing business activities. However, it is the intention of Newforest that, following closing of the Offers, it will initiate a review of the business activities and assets of the Company, for the purpose of formulating business plans and strategies for the future business development of the Company.

As also disclosed in the letter from VMS in this Composite Document, Newforest intends to maintain the listing of the Company on the Stock Exchange. Newforest will undertake to the Stock Exchange to take appropriate steps following close of the Offers to ensure that such number of Shares as required by the Stock Exchange will be held by the public. The directors of Newforest and the new Directors who will be nominated by the Offeror and to be appointed as Directors will jointly and severally undertake to the Stock Exchange to take appropriate steps to ensure that sufficient public float exists in the Shares.

Independent Shareholders should note that if, upon close of the Offers, less than the minimum prescribed percentage applicable to the Company, being 25% of the issued Shares, are held by the public, or if the Stock Exchange believes that (i) a false market exists or may exist in the trading of the Shares; or (ii) there are insufficient Shares in public hands to maintain an orderly market, the Stock Exchange will consider exercising its discretion to suspend trading in the Shares. The Company will then be required to place down some of the Shares to maintain the minimum public float and there remains a possibility that the Offeror may or may not be able to do so without selling the Shares at a discount to the Share Offer Price, which may indirectly exert a downward pressure on the price of the Share.

7. Proposed change to the Board composition of the Company

The Board is currently made up of eight Directors, comprising one executive Director, namely Mr. Hui Tung Wah, Samuel; four non-executive Directors, namely Mr. Paul Jeremy Brough, Mr. Wang Tong Sai, Eddie, Mr. Simon Murray and Mr. Colin Denis Keogh; and three independent non-executive Directors, namely Mr. Wong Che Keung Richard, Mr. Tong Yee Yung Joseph and Mr. Wong Kin Chi.

The Offeror intends to nominate Mr. Cheng Chi Him, Conrad and Mr. Tsang On Yip, Patrick, as non-executive Directors of the Board, and Mr. Wu Wai Leung, Danny and Mr. Lim Hoe Pin as executive Directors of the Board. As mentioned in the joint announcement made by the Company and Newforest on 7 May 2015, with effect from the date on which the Composite Document is posted, Hui Tung Wah, Samuel, an executive Director, will be re-designated from an executive Director to a non-executive Director; and Wu Wai Leung, Danny will be appointed as executive Director and chief executive officer of the Company. Such appointments will be made in accordance with the memorandum of association and bye-laws of the Company, the Takeovers Code and the Listing Rules. It is expected that Mr. Paul Jeremy Brough, Mr. Hui Tung Wah, Samuel, Mr. Wang Tong Sai, Eddie and Mr. Colin Denis Keogh will resign from their positions as Directors of the Board after the Closing Date.

8. Share Offer Price comparison

(a) Comparison of market prices of the Shares

The Share Offer Price of HK$0.71 represents:

(i) a premium of approximately 39.2% over the closing price of HK$0.51 per Share as quoted on the Stock Exchange on 16 June 2014 (the "**Last Trading Day Before Offer Period**"), being the last trading day prior to the suspension of trading in the Shares pending the issue of an announcement regarding the possible change of control of the Company as EPGL resolved to seek buyers for its debt and equity interests in the Company and/or its affiliates (the "**Possible Change of Control Announcement**");

(ii) a premium of approximately 39.2% over the average closing price of HK$0.510 per Share as quoted on the Stock Exchange for the 5 consecutive trading days up to and including the Last Trading Day Before Offer Period;

(iii) a premium of approximately 39.2% over the average closing price of HK$0.510 per Share as quoted on the Stock Exchange for the 10 consecutive trading days up to and including the Last Trading Day Before Offer Period;

(iv) a premium of approximately 38.7% over the average closing price of approximately HK$0.512 per Share as quoted on the Stock Exchange for the 30 consecutive trading days up to and including the Last Trading Day Before Offer Period;

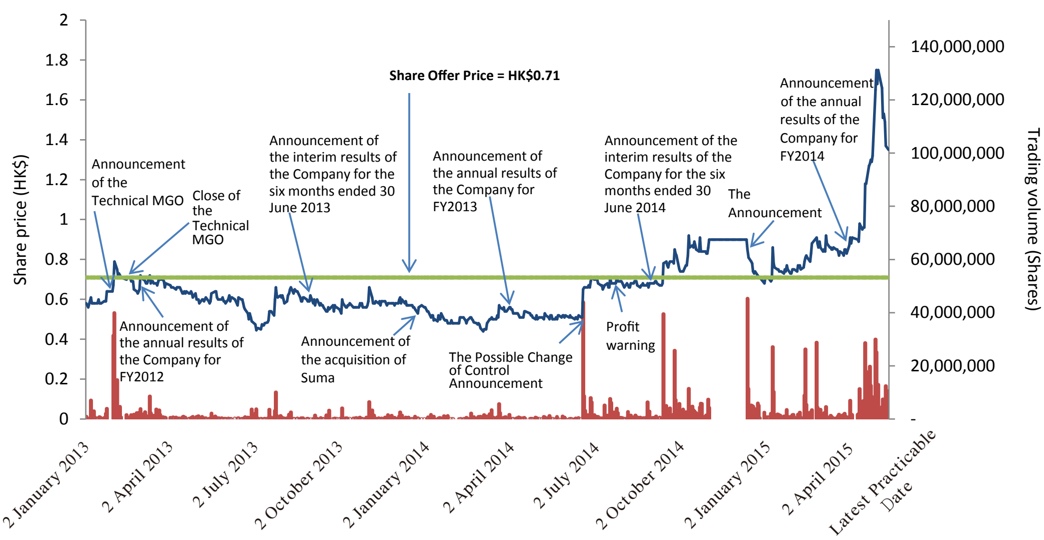
(v) a discount of approximately 21.1% to the closing price of HK$0.90 per Share as quoted on the Stock Exchange on the Last Trading Day;

(vi) a discount of approximately 45.0% to the closing price of HK$1.29 per Share as quoted on the Stock Exchange on the Latest Practicable Date; and

(vii) a discount of approximately 35.5% to the audited consolidated net asset value attributable to the Shareholders of approximately HK$1.10 per Share as at 31 December 2014.

(b) Historical price performance and liquidity of the Shares

Set out below is the movement of the closing prices of the Shares from the beginning of January 2013 up to and including the Latest Practicable Date (the "**Review Period**"). We consider that the Review Period a reasonable period of time within which the prevailing market price of the Shares can be illustrated. As set out in the discussion below, the Company announced a number of developments during the Review Period which we consider to be crucial in shaping the market price of the Shares.



Sources: Bloomberg and the website of the Stock Exchange

At the start of the Review Period, the closing price of the Shares stayed at the level of around HK$0.60 before surging to a hike of HK$0.79 when the Company announced that EPGL would make a mandatory general offer for, among other things, all of the Shares other than the Shares already owned or controlled by EPGL and parties acting in concert with it (the "**Technical MGO**") as triggered by a change in control of Sino-Capital from Sino-Forest Corporation (the "**Sino Forest**") to EPGL as a result of completion of a corporate restructuring plan of compromise and reorganisation of the Sino-Forest under Canadian legislations on 31 January 2013. The closing price of the Shares then oscillated downwards and reached at a trough of HK$0.445 on 3 July 2013. The Company announced the proposed acquisition of Suma on 19 December 2013 but the news did not inspire the Share price. During the period from the closing of the Technical MGO on 21 March 2013 to the Last Trading Day Before Offer Period, i.e. 16 June 2014 (the "**Pre-Possible Change of Control Announcement Period**"), the closing price of the Shares traded within the range of HK$0.44 to HK$0.71 with an average of approximately HK$0.56. The closing price of the Shares went up considerably from HK$0.51 on the Last Trading Day Before Offer Period by approximately 27.5% to HK$0.65 on 18 June 2014 (being the first trading day after the publication of the Possible Change of Control Announcement). Thereafter, the closing price of the Shares continued its upward trend and closed at HK$0.90 on 31 October 2014, being the last trading day immediately prior to the publication of the Announcement. After the publication of the Announcement, the closing price of the Shares corrected itself to a level around the Share Offer Price of HK$0.71. The closing price of the Shares between 11 December 2014 (being the first trading day after the publication of the Announcement) and the Latest Practicable Date ranged from HK$0.68 to HK$1.75 with an average of HK$0.92. As at the Latest Practicable Date, the Shares closed at HK$1.29.

We are of the view that the upswing of the closing price of the Shares since the middle of June 2014 was likely attributable to, among other things, the market reaction to the publication of the Possible Change of Control Announcement. And it appeared that the market had rationalised its expectation on the Share price performance when the Share Offer Price of HK$0.71 was published in the Announcement. The recent surge in the Share Price may due to the growth in the Hong Kong Stock Market in general. The Share Offer Price represents a premium of approximately 26.8% over the average closing price of the Shares of approximately HK$0.56 during the Pre-Possible Change of Control Announcement Period and the closing Share price was above the Share Offer Price of HK$0.71 for only 7 trading days during the aforesaid period of approximately 1.5 years. Independent Shareholders should note that there is no assurance that the trading price of the Shares will be sustained or will not be returned to the previous trading level subsisted at the Pre-Possible Change of Control Announcement Period and it is uncertain whether the market price per Share will be higher than the Share Offer Price during the Offer Period. Independent Shareholders are reminded to closely monitor the market price of the Shares during the Offer Period.

Set out in the table below are the total monthly trading volume of the Shares and their relative percentages to the total issued share capital of the Company and the public float during the Review Period:

	Monthly total trading volume of the Shares	Percentage of the monthly total trading volume of the Shares to the total issued Shares *(Note 1)*	Percentage of the monthly total trading volume of the Shares to public float *(Note 2)*
2013			
January	53,949,150	6.9%	19.0%
February	81,768,621	10.5%	28.8%
March	39,485,330	5.0%	13.4%
April	8,811,018	1.1%	3.0%
May	9,538,766	1.2%	3.2%
June	8,375,000	1.1%	2.9%
July	29,622,596	3.8%	10.1%
August	8,438,525	1.1%	2.9%
September	8,330,775	1.1%	2.8%
October	9,572,895	1.2%	3.3%
November	18,975,748	2.4%	6.5%
December	10,142,500	1.3%	3.5%
2014			
January	9,871,000	1.2%	3.4%
February	7,450,600	0.9%	2.5%
March	26,270,607	3.3%	8.9%
April	5,314,709	0.7%	1.8%
May	7,790,050	1.0%	2.7%
June	76,496,800	9.7%	26.0%
July	37,261,825	4.7%	12.7%
August	22,323,475	2.8%	7.6%
September	105,847,586	13.4%	36.0%
October	74,494,190	9.4%	25.4%
November	–	0.0%	0.0%
December	94,118,314	11.9%	32.0%
2015			
January	60,566,225	7.7%	20.6%
February	98,609,390	12.5%	33.6%
March	33,209,064	4.2%	11.3%
April	220,481,968	27.8%	74.6%
From 4 May 2015 to the Latest Practicable Date	264,754,749	33.3%	88.4%

Sources: Bloomberg and the website of the Stock Exchange

Notes:

1. The calculation is based on the monthly total trading volumes of the Shares divided by the total issued share capital of the Company at the end of each month (except for the period from 4 May 2015 to the Latest Practicable Date, which is at the Latest Practicable Date) during the Review Period.

2. The calculation is based on the monthly total trading volumes of the Shares divided by the public float of the Company at the end of each month (except for the period from 4 May 2015 to the Latest Practicable Date, which is at the Latest Practicable Date) during the Review Period. The public float of the Company in the context of this section is the total issued share capital of the Company less the Shares held by Sino-Capital or EPGL at the end of each month (except for the period from 4 May 2015 to the Latest Practicable Date, which is at the Latest Practicable Date) during the Review Period.

We note from the above table that the monthly trading volume of the Shares has been thin in general during the Review Period, except for certain months as explained below. During the months from the announcement to the close of the Technical MGO (i.e. January 2013 to March 2013), the monthly trading volume of the Shares over the public float of the Company was remain at double-digit percentage point. Following the close of the Technical MGO, the trading volume of the Shares shrunk to single-digit percentage point. There were notable increases in the trading volume of the Shares following the publication of the Possible Change of Control Announcement. During the period from June 2014 to October 2014 (i.e. before the suspension of trading in the Shares prior to the publication of the Announcement), the monthly trading volume of the Shares over the public float of the Company traded within the range of approximately 7.6% and 36.0% with an average of approximately 21.5%. The monthly trading volume of the Shares over the public float of the Company remained comparatively high after the publication of the Announcement and it reached approximately 32.0%, 20.6% and 33.6% in December 2014, January 2015 and February 2015 respectively. The monthly trading volume of the Shares over the public float of the Company surged further in April 2015 to approximately 74.6%. We are of the view that the significant increases in trading volume of the Shares lately (i.e. after the Possible Change of Control Announcement) was primarily due to the market reaction to the publication of the Possible Change of Control Announcement and the Announcement and, particularly in April 2015, might also relate to the general increase in trading volume in the Hong Kong stock market. As set out in the above table, the trading volume of the Shares tended to become active during an offer period, the sustainability of the recent growth in the trading volume of the Shares after the close of the Share Offer is therefore uncertain.

Given the thin historical trading volume of the Shares, it is uncertain as to whether there would be sufficient liquidity in the Shares for the Independent Shareholders to dispose of a significant number of Shares in the open market without causing an adverse impact on the market price level of the Shares. Accordingly, the market trading price of the Shares may not necessarily reflect the proceeds that the Independent Shareholders can receive by the disposal of their Shares in the open market. The Share Offer, therefore, represents an opportunity for the Independent Shareholders, particularly for those who hold a large volume of Shares, to dispose of their entire holdings at the Share Offer Price if they so wish.

(c) P/B Multiples of the Comparable Companies

The Group primarily engage in and generate substantially all of its revenue and profit or loss from its forestry operations in New Zealand and Suriname. In assessing the fairness and reasonableness of the Offers, we have attempted to compare the price to book ratios represented by the Share Offer with other Hong Kong listed companies with principal activities of forestry operations (the "**Hong Kong Forestry Companies**"). However, save for China Agroforestry Low-Carbon Holdings Limited (stock code: 1069) ("**China Agroforestry Low-Carbon**"), (i) trading in the shares of the Hong Kong Forestry Companies have been suspended (including Dejin Resources Group Company Limited (stock code: 1163), China Forestry Holdings Co. Ltd. (stock code: 930) and Superb Summit International Group Limited (stock code: 1228)); (ii) the forestry operations of Hong Kong Forestry Companies have been terminated or suspended (including Merdeka Mobile Group Limited (stock code: 8163), Sustainable Forest Holdings Limited (stock code: 723) and Yueshou Environmental Holdings Limited (stock code: 1191)) for various reasons; and/or (iii) the forestry operations of the Hong Kong Forestry Companies directly contribute less than 50% of revenue or profit (including China Resources and Transportation Group Limited (stock code: 269) and Nature Home Holding Company Limited (stock code: 2083)). Accordingly, the price to book ratios of the aforesaid Hong Kong Forestry Companies (save for China Agroforestry Low-Carbon) were not meaningful for comparison purpose. In particular, the valuations of the Hong Kong Forestry Companies with forestry operations directly contributing less than 50% of revenue and/or profit are considered not comparable for our analysis on the basis that the valuations of these companies are more likely to be based on, among other things, the other business operations or assets held by them, but not the forestry operations given their insignificance of revenue and/or profit contributions.

Given the very limited number of the Hong Kong Forestry Companies available for our analysis, we have therefore expanded our review to companies listed on stock exchanges located in Asia, North America and Western Europe with principal activities that are broadly comparable to that of the Group and market capitalisation of over HK$100 million as at the Latest Practicable Date (the "**Comparable Companies**"). Although most of the Comparable Companies are listed in different countries and may subject to different market sentiments, we are of the view that the Comparable Companies in general represent a fair and representative sample for our assessment on the basis that (i) the Comparable Companies have principal activities similar to that of the Group and therefore they face common market environment and operational risks; and (ii) the products of the Group are sold to various international destinations including China, Europe and the United States and the financial performance and the business operations of the Group are also subject to the sentiments in the different markets where the Comparable Companies are listed. Based on the criteria above, we have identified 12 Comparable Companies. We consider the selection of comparable companies with market capitalisation of over HK$100 million a reasonable criterion as we are of the view that listed companies with market capitalisation of below HK$100 million are likely to be thinly-traded and more vulnerable to extreme market movements hence they may not be a representative indication of value.

As the Group has recorded net losses in the recent years, we have adopted price-to-book multiples ("**P/B Multiple(s)**") in the analysis. The list of the Comparable Companies and their respective P/B Multiples are set out in the table below.

Company name	Stock code	Listing location	Principle activities	Market capitalisation *(HK$ million)*	P/B Multiple (times) *(Note 1)*
West Fraser Timber Company Limited	WFT	Toronto, Canada	West Fraser Timber Company Limited produces dimension lumber and related wood products, fiberboard, pulp, linerboard, kraft paper, and newsprint. The company has operations in British Columbia, Alberta and in the southern United States.	36,257.4	2.7
Canfor Corporation	CFP	Toronto, Canada	Canfor Corporation is an integrated forest products company that produces and supplies SPF lumber, oriented strand board, plywood, kraft pulp and kraft paper. The company also produces remanufactured lumber products, hardboard paneling and special baled fibre products. In addition, Canfor Corporation produces kraft pulp and newsprint through a joint venture partnership with Howe Sound Pulp and Paper.	20,440.5	2.4
Interfor Corporation	IFP	Toronto, Canada	Interfor Corporation harvests timber and manufactures and markets lumber products, logs, and wood chips. The company has logging operations and sawmills in Western Canada.	8,005.2	1.7

Company name	Stock code	Listing location	Principle activities	Market capitalisation *(HK$ million)*	P/B Multiple (times) *(Note 1)*
Deltic Timber Corporation	DEL	New York, United States of America	Deltic Timber Corporation grows and harvests timber and manufactures and markets lumber. The company is also involved in real estate development projects, owns farmland, and holds an interest in a joint venture to manufacture and market medium density fiberboard.	6,347.4	3.0
Western Forest Products Inc.	WEF	Toronto, Canada	Western Forest Products Inc. is an integrated forest products company and a coastal woodland operator located in British Columbia, Canada. The company's activities include timber harvesting, reforestation, sawmilling logs into lumber and wood chips, value-added remanufacturing, and producing NBSK pulp. Western Forest's products are sold in various countries worldwide.	5,132.4	1.9
Fujian Jinsen Forestry Company Limited	002679	Shenzhen, China	Fujian Jinsen Forestry Company Limited cultivates, creates, maintains and protects forests, and sells timber production. The company's main product includes wood, with firs and masson pines as the main species.	5,052.3	6.0

Company name	Stock code	Listing location	Principle activities	Market capitalisation *(HK$ million)*	P/B Multiple (times) *(Note 1)*
Pope Resources, A Delaware Limited Partnership	POPE	NASDAQ, United States of America	Pope Resources, a limited partnership, owns or manages acres of timberland and development property in Washington, Oregon, California, and British Colombia, Canada. The company also assists investors in building and managing timber based investment portfolios.	2,151.5	4.0
Acadian Timber Corporation	ADN	Toronto, Canada	Acadian Timber Corporation harvests and markets forest products. The company markets saw logs to lumber mills, pulp wood to paper mills, and biomass to electricity generating plants. Acadian Timber Corporation operates in New Brunswick and Maine.	2,017.6	1.2
Conifex Timber, Inc.	CFF	Toronto, Canada	Conifex Timber, Inc. manufactures forest products. The company harvests softwood trees and produces structural grade dimensional lumber.	946.8	1.2
China Agroforestry Low-Carbon	1069	Hong Kong	China Agroforestry Low-Carbon and its subsidiaries are principally engaged in upstream forestry management, such as harvesting and sale of high-quality timber logs in the PRC.	906.2	5.2
RusForest AB	RUSF	Stockholm, Sweden	RusForest AB produces sawn lumber in Russia.	203.1	0.8

Company name	Stock code	Listing location	Principle activities	Market capitalisation *(HK$ million)*	P/B Multiple (times) *(Note 1)*
Timberwell Berhad	TWB	Malaysia	Timberwell Berhad is an investment holding company. Through its subsidiaries, the company has operations in forest management, timber harvesting, manufactures and trades timber and timber related products. Timberwell Berhad also manufactures and trades plywood, block board, and invests in property.	133.6	1.9
				Average	**2.7**
				Median	**2.2**
				Maximum	**6.0**
				Minimum	**0.8**
The Share Offer					**0.6** *(Note 2)*

Source: Bloomberg and the latest annual or interim reports of the Comparable Companies.

Notes:

1. The market capitalisation and the P/B Multiples of the Comparable Companies are calculated based on the market capitalisation as at the Latest Practicable Date (for those listed in Asia) or the business day immediately before the Latest Practicable Date (for those listed in North America and Western Europe) divided by the most recent consolidated net assets value attributable to the shareholders of the Comparable Companies as shown in their respective latest published annual or interim reports.

2. The implied P/B Multiple of the Share Offer of approximately 0.6 times is calculated based on the Share Offer of HK$0.71 per Offer Share divided by the audited consolidated net assets of the Company as at 31 December 2014 per Share of approximately HK$1.10.

3. Keweenaw Land Association, Limited ("**Keweenaw Land**", stock code in the over-the-counter market of the United States of America: KEWL), a partnership association that owns more timberlands in Michigan used in forest land production and harvesting and also owns various subsurface and mineral interests, and Forst Ebnath AG ("**Forst Ebnath**", stock code in Berlin stock exchange of Germany: FEB), a company produces forestry products in the areas of Ebnath and Bayreuth in Bavaria and also owns, manages and leases real estate properties in Berlin and Potsdam, are not included in the above table as Keweenaw Land and Forst Ebnath had extreme P/B Multiples of approximately 7.3 times and approximately 9.6 times respectively, which we considered not meaningful for our analysis.

The implied P/B Multiple of the Share Offer is approximately 0.6 times, which is lower than the average of that of the Comparable Companies of approximately 2.7 times and is lightly below the lower bound of the range of that of the Comparable Companies of approximately 0.8 times.

(d) Discount of the Share Offer to the net asset value of the Group

The audited consolidated net asset value of the Group attributable to the Shareholders as at 31 December 2014 was approximately HK$1.10 per Share. The Share Offer Price of HK$0.71 per Offer Share therefore represents a discount of approximately 35.5% to audited consolidated net asset value of the Group attributable to the Shareholders as at 31 December 2014 per Share.

We have also compared the closing price of the Shares during the Review Period (up to the Last Trading Date Before Offer Period) against the then latest published consolidated net asset value per Share.

Period	The approximate lowest published consolidated net asset value per Share attributable to the Shareholders *(Note 2)*	Closing price per Share		Discount of closing share price to consolidated net asset value per Share attributable to the Shareholders	
		High	Low	Highest	Lowest
	HK$	*HK$*	*HK$*	*%*	*%*
2 January 2013 to 27 March 2013	1.34	0.79	0.56	58.2%	41.0%
28 March 2013 *(Note 1)* to 30 August 2013	1.33	0.68	0.45	66.2%	48.9%
2 September 2013 *(Note 1)* to 31 March 2014	1.24	0.66	0.44	64.5%	46.8%
1 April 2014 *(Note 1)* to 16 June 2014 (i.e. the Last Trading Day Before Offer Period)	1.28	0.56	0.50	60.9%	56.3%

Sources: Bloomberg and the Company's respective annual or interim results announcements.

Notes:

1. Being the first trading dates after the Company announced its annual or interim results.

2. The approximate lowest published consolidated net asset value per Share attributable to the Shareholders is calculated based on the consolidated net asset value of the Company as published in the then latest annual or interim results announcement and divided by the outstanding number of Shares as set out at the end of each month in the relevant monthly return published by the Company.

Based on the above, the Shares were traded at discounts to the net asset value ranging from 41.0% and 66.2% during the Review Period (up to the Last Trading Date Before Offer Period). The discount of the Share Offer Price of approximately 35.5% to the net asset value per Share attributable to the Shareholders as at 31 December 2014 compares favourably to the lowest discount as shown in the table above.

DISCUSSION AND ANALYSIS

The Group has made consecutive losses for the last three financial years with the loss attributable to the Shareholders for the FY 2014 amounted to approximately HK$133.3 million. The loss in the most recent financial year, according to the management of the Group, was attributable to, notably (i) the slump in sales and gross profit margin of the New Zealand radiata pine; (ii) a lower fair value gain on the plantation forest assets in New Zealand as compared to that of FY 2013 due to the net effect of changing production and transport cost, forest yield, harvest profile and the hybrid valuation methodology of young trees in the New Zealand forest; (iii) an increase in provision for impairment loss mainly in relation to the goodwill generated from acquisition of Suma following the substantial increase in the forest concession levy in Suriname. In the face of a host of challenges, there remains uncertainty that the financial results of the Group will achieve the turnaround what the management of the Group would hope for in the medium term. In particular, some of the challenges encountered by the Group are beyond its control, for instance, the fluctuation in the export price of New Zealand radiata pine. Equally, the challenges associated with optimising the west Suriname operation is by no means an easy feat.

The liquidity position of the Group has not been very satisfactory. To illustrate such tight liquidity position, the possible early redemption of the outstanding Convertible Notes at any time prior to the maturity date of the Convertible Notes, i.e. 17 August 2015, means the Group may need to realise certain non-current assets of the Group such as the plantation forest assets in New Zealand to meet its repayment obligation. This will substantially affect the business operations and future profitability of the Group. In addition to the above, the EPGL Loan of US$40 million (equivalent to approximately HK$312.0 million), being a majority of the Debt Interests currently held by Newforest, will become due in May 2015. While Newforest has indicated the possible extension of the repayment dates for not less than one year with similar terms, there is no assurance that will continue to extend the repayments of the Debt Interests or provide further financing to the Group in long run. The Group may encounter financial distress if the Group cannot obtain the continuing financing from Newforest in medium to long term or other financial resources are not available.

Although the P/B Multiple of the Share Offer of approximately 0.6 times compares less favourably against the average of that of the Comparable Companies of approximately 2.6 times and the Share Offer Price of HK$0.71 represents a discount of approximately 35.5% to the net asset value attributable the Shareholders as at 31 December 2014 per Share, it is worthwhile noting that the Share Offer Price represents a premium of approximately 39.2% over the closing price of HK$0.51 per Share as quoted on the Stock Exchange on the Last Trading Day Before Offer Period. The Share Offer Price also represents a premium of approximately 26.8% over the average closing prices of the Shares of approximately HK$0.56 during the Pre-Possible Change of Control Announcement Period and the closing Share price was above the Share Offer Price of HK$0.71 for only 7 trading days during the aforesaid period of approximately 1.5 years. Furthermore, the Share price has been traded at higher discounts to the net asset value during the Review Period up to the Last Trading Day Before Offer Period as compared to the discount of approximately 35.5% implied by the Share Offer Price. As at the Latest Practicable Date, the Share Offer Price represents a discount of approximately 45.0% to the closing price of the Shares.

The trading volume of the Shares has been thin in general during the Review Period. Given the thin historical trading volume of the Shares, it is uncertain as to whether there would be sufficient liquidity in the Shares for the Independent Shareholders to dispose of a significant number of Shares in the open market without causing an adverse impact on the market price level of the Shares. The Share Offer, therefore, represents an opportunity for the Independent Shareholders, particularly for those who hold a large volume of Shares, to dispose of their entire holdings at the Share Offer Price if they so wish.

On the above bases, we consider the Share Offer is fair and reasonable so far as the Independent Shareholders are concerned and would recommend the Independent Board Committee to advise the Independent Shareholders to accept the Share Offer in this regard.

Please note however the Shares have been traded at or above the Share Offer Price lately and the Independent Shareholders are reminded to closely monitor the stock market and the trading price and liquidity of the Shares during the Offer Period and shall, having regard to their own circumstances, consider selling their Shares in the open market instead of accepting the Share Offer if the net proceeds obtained from such disposal of the Shares (after deducting all transaction costs) would be higher than the proceeds from accepting the Share Offer (after deducting all transaction costs). Those Independent Shareholders who wish to retain some or all of their investments in the Shares and/or are confident in the future prospect of the Group or otherwise are reminded to closely monitor the development of the Group and any announcement of the Company in this regard.

THE OPTION OFFER

As at the Latest Practicable Date, the Company had 11,791,004 outstanding Options conferring rights on the holders of the Options to subscribe for up to an aggregate of 11,791,004 Shares. If all the outstanding Options are exercised in full, the Company will have to issue 11,791,004 new Shares, representing approximately 1.5% of the issued share capital of the Company as at the Latest Practicable Date as enlarged by the allotment and issue of the aforementioned new Shares. Acceptance of the Option Offer by the holders of the Options will result in the cancellation of those outstanding Options, together with all rights attaching thereto.

For assessing the terms of the Option Offer, we recognise it is a common market practice to adopt a "see-through" price (representing the difference between the Share Offer Price and any given exercise price of the convertible instrument) as the minimum offer/cancellation price for any convertible instrument in conjunction with a general offer for ordinary shares. We note that under the Option Offer, the Option Offer Price of HK$0.20 for each outstanding Option represents the difference between the Share Offer Price of HK$0.71 and the exercise price of the outstanding Options of HK$0.51. We consider such basis of determining the Option Offer Price acceptable.

Given our view that the Share Offer is fair and reasonable, we consider the Option Offer is fair and reasonable so far as the holders of the Options are concerned and would recommend the Independent Board Committee to advise the holders of the Options to accept the Option Offer.

Please note however that the holders of the Options are advised to exercise their Options and dispose of the Shares so converted in the open market if the market price per Share exceeds the sum of the exercise price of the Options and the Option Offer Price and the net proceeds from such actions (after deducting all transaction costs) would exceed the net amount receivable under the Option Offer (after deducting all transaction costs). The holders of the Options should exercise caution in doing so and closely monitor the stock market and trading price and liquidity of the Shares during the Offer Period. In addition, the holders of the Options are reminded that there will be a time lag between the exercise of the Options and the receipt of the Shares due to the time required for the administrative procedures for exercising the Options. Accordingly, the holders of the Options who wish to exercise their Options should be mindful of price fluctuation of the Shares during the aforesaid time lag.

Furthermore, the holders of the Options are reminded that, in accordance with the terms and conditions of the Share Option Schemes and as advised by the management of the Group, those outstanding Options not exercised within 14 days after the date on which the Share Offer becomes or is declared unconditional in all respects will automatically lapse. Accordingly, as the Share Offer has become unconditional in all respects on 14 May 2015, the holders of the Options who intend to accept the Option Offer or exercise their Options and dispose of the Shares should accept the Option Offer or exercise their Options in respect of their Options respectively before their Options become lapsed on 29 May 2015.

THE CONVERTIBLE NOTES OFFER

As at the Latest Practicable Date, the Company had outstanding Convertible Notes with principal amounted to US$17.0 million (equivalent to approximately HK$132.6 million) conferring rights to holder of the Convertible Notes to convert into 66,012,987 Shares. The offer price for the Convertible Notes of HK$2.76 for each US$1.00 (equivalent to approximately HK$7.8) face value of the Convertible Notes is determined, in accordance with Rule 13 and Practice Note 6 to the Takeovers Code, as the "see-through" consideration, which the number of Shares convertible for each US$1.00 face value of the Convertible Note (i.e. 66,012,987) is multiplied by the Share Offer Price of HK$0.71. The total amount required to satisfy full acceptance of the Convertible Notes Offer is approximately HK$46.9 million, assuming full acceptance in respect of the whole principal amount of the outstanding Convertible Notes of US$17.0 million (equivalent to approximately HK$132.6 million). We note the total amount required to satisfy the full acceptance of the Convertible Notes Offer of HK$46.9 million is far below the outstanding principal amount of the Convertible Notes of US$17.0 million (equivalent to approximately HK$132.6 million).

Pursuant to the terms and conditions of the Convertible Notes and as advised by the management of the Group, the holder of the Convertible Notes will be able to redeem full outstanding principal amount of the Convertible Notes on the maturity date of the Convertible Notes (i.e. 17 August 2015) at redemption amount. Such redemption amount is the aggregate of (i) full outstanding principal amount upon maturity; and (ii) a further sum that will result in a compounded return of 10% per annum accrued, from the date of completion of the issue of the Convertible Notes (i.e. 17 August 2010) up to but not including the date of maturity, on the full outstanding principal amount upon maturity, inclusive of any interest received (at a coupon rate of 5% per annum). The aforesaid redemption amount represents a substantial premium over the total offer consideration for the Convertible Notes Offer as detailed above.

In addition, as stated in the Announcement, Completion has already triggered the "change of control" provision as set out in the terms and conditions of the Convertible Notes, under which the holder of the Convertible Notes has become entitled to require the Company to redeem the Convertible Notes in whole or in part of such outstanding Convertible Notes at any time prior to the maturity of the Convertible Notes. In accordance with the terms and conditions of the Convertible Notes and as advised by the management of the Group, the redemption amount will be the aggregate of (i) the outstanding principal amount to be redeemed; and (ii) a further sum that will result in a compounded return of 10% per annum accrued, from the date of completion of the issue of the Convertible Notes (i.e. 17 August 2010) up to but not including the date of redemption, on the outstanding principal amount to be redeemed, inclusive of any interest received. Likewise, the aforesaid redemption amount also represents a substantial premium over the total offer consideration for the Convertible Notes Offer as detailed above.

With reference to the Group's latest available financial resources as set out in the section headed "1. Business and financial information of the Group" above, we do not consider that the Company would be unable to meet its obligations to redeem the Convertible Notes and/or pay interests thereon in accordance with the terms and conditions of the Convertible Notes. Accordingly, we consider the Convertible Notes Offer is not fair and reasonable so far as the holder of the Convertible Notes is concerned and we recommend the Independent Board Committee to advise the holder of the Convertible Notes not to accept the Convertible Notes Offer.

OPINION AND RECOMMENDATIONS

In respect of the Share Offer

On the above bases as set out in the sections above, we consider the Share Offer is fair and reasonable so far as the Independent Shareholders are concerned and would recommend the Independent Board Committee to advise the Independent Shareholders to accept the Share Offer in this regard.

Please note however the Shares have been traded at or above the Share Offer Price lately and the Independent Shareholders are reminded to closely monitor the stock market and the trading price and liquidity of the Shares during the Offer Period and shall, having regard to their own circumstances, consider selling their Shares in the open market instead of accepting the Share Offer if the net proceeds obtained from such disposal of the Shares (after deducting all transaction costs) would be higher than the proceeds from accepting the Share Offer (after deducting all transaction costs). Those Independent Shareholders who wish to retain some or all of their investments in the Shares and/or are confident in the future prospect of the Group or otherwise are reminded to closely monitor the development of the Group and any announcement of the Company in this regard.

In respect of the Option Offer

On the basis that the Share Offer Price is fair and reasonable, we consider the Option Offer is fair and reasonable so far as the holders of the Options are concerned and would recommend the Independent Board Committee to advise the holders of the Options to accept the Option Offer.

Please note however that the holders of the Options are advised to exercise their Options and dispose of the Shares so converted in the open market if the market price per Share exceeds the sum of the exercise price of the Options and the Option Offer Price and the net proceeds from such actions (after deducting all transaction costs) would exceed the net amount receivable under the Option Offer (after deducting all transaction costs). The holders of the Options should exercise caution in doing so and closely monitor the stock market and trading price and liquidity of the Shares during the Offer Period. In addition, the holders of the Options are reminded that there will be a time lag between the exercise of the Options and the receipt of the Shares due to the time required for the administrative procedures for exercising the Options. Accordingly, the holders of the Options who wish to exercise their Options should be mindful of price fluctuation of the Shares during the aforesaid time lag.

Furthermore, the holders of the Options are reminded that, in accordance with the terms and conditions of the Share Option Scheme and as advised by the management of the Group, those outstanding Options not exercised within 14 days after the date on which the Share Offer becomes or is declared unconditional in all respects will automatically lapse. Accordingly, as the Share Offer has become unconditional in all respects on 14 May 2015, the holders of the Options who intend to accept the Option Offer or exercise their Options and dispose of the Shares should accept the Option Offer or exercise their Options in respect of their Options respectively before their Options become lapsed on 29 May 2015.

In respect of the Convertible Notes Offer

Given that the redemption amount upon maturity of the Convertible Notes or upon occurrence of change of control event represents premium over the total consideration for the Convertible Notes Offer, we consider the Convertible Notes Offer is not fair and reasonable so far as the holder of the Convertible Notes is concerned and we recommend the Independent Board Committee to advise the holder of the Convertible Notes not to accept the Convertible Notes Offer.

In general

Independent Shareholders, the holders of the Options and the holder of the Convertible Notes should read carefully the procedures for accepting the Share Offer, the Option Offer and the Convertible Notes Offer as detailed in the Composite Document, the appendices to the Composite Document and the Forms of Acceptance, if they wish to accept the respective Offers.

Yours faithfully,
for and on behalf of
SOMERLEY CAPITAL LIMITED

Kenneth Chow
Managing Director

Danny Cheng
Director

Mr. Kenneth Chow is a licensed person registered with the SFC and as a responsible officer of Somerley to carry out Type 6 (advising on corporate finance) regulated activities under the SFO and has over 15 years of experience in corporate finance industry.

Mr. Danny Cheng is a licensed person registered with the SFC and as a responsible officer of Somerley to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO and has over 10 years of experience in corporate finance industry.

1. PROCEDURES FOR ACCEPTANCE

1.1 The Share Offer

(a) If the Share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) in respect of your Shares is/are in your name, and you wish to accept the Share Offer, you must send the duly completed and signed **WHITE** Form of Acceptance together with the relevant Share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) by post or by hand, to the Registrar, Tricor Tengis Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, in any event not later than 4:00 p.m. on Thursday, 4 June 2015 or such later time and/or date as the Offeror may determine and announce in accordance with the Takeovers Code.

(b) If the Share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) in respect of your Shares is/are in the name of a nominee company or a name other than your own, and you wish to accept the Share Offer in respect of your holding of Shares (whether in full or in part), you must either:

(i) lodge your Share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) with the nominee company, or other nominee, and with instructions authorising it to accept the Share Offer on your behalf and requesting it to deliver the **WHITE** Form of Acceptance duly completed together with the relevant Share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) to the Registrar; or

(ii) arrange for the Shares to be registered in your name by the Company through the Registrar, and deliver the **WHITE** Form of Acceptance duly completed and signed together with the relevant Share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) to the Registrar; or

(iii) if your Shares have been lodged with your licensed securities dealer/registered institution in securities/custodian bank through CCASS, instruct your licensed securities dealer/registered institution in securities/custodian bank to authorise HKSCC Nominees Limited to accept the Share Offer on your behalf on or before the deadline set out by HKSCC Nominees Limited. In order to meet the deadline set out by HKSCC Nominees Limited, you should check with your licensed securities dealer/registered institution in securities/custodian bank for the timing on the processing of your instruction, and submit your instruction to your licensed securities dealer/registered institution in securities/custodian bank as required by them; or

(iv) if your Shares have been lodged with your investor participant's account maintained with CCASS, give your instruction via the CCASS Phone System or CCASS Internet System on or before the deadline set by HKSCC Nominees Limited.

(c) If you have lodged transfer(s) of any of your Shares for registration in your name and have not yet received your Share certificate(s), and you wish to accept the Share Offer in respect of your Shares, you should nevertheless complete and sign the **WHITE** Form of Acceptance and deliver it to the Registrar together with the transfer receipt(s) duly signed by yourself. Such action will constitute an irrevocable authority to the Offeror and/or VMS or their respective agent(s) to collect from the Company or the Registrar on your behalf the relevant Share certificate(s) when issued and to deliver such Share certificates to the Registrar on your behalf and to authorise and instruct the Registrar to hold such Share certificate(s), subject to the terms and conditions of the Share Offer, as if it was/they were delivered to the Registrar with the **WHITE** Form of Acceptance.

(d) If the Share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) in respect of your Shares is/are not readily available and/or is/are lost, as the case may be, and you wish to accept the Share Offer in respect of your Shares, the **WHITE** Form of Acceptance should nevertheless be completed and delivered to the Registrar together with a letter stating that you have lost one or more of your Share certificate(s) and/or transfer receipt(s) and/or other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) or that it/they is/are not readily available. If you find such document(s) or if it/they become(s) available, the relevant Share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) should be forwarded to the Registrar as soon as possible thereafter. If you have lost your Share certificate(s) and/or transfer receipt(s) and/or other document(s) of title, you should also write to the Registrar for a letter of indemnity which, when completed in accordance with the instructions given, should be returned to the Registrar.

(e) Acceptance of the Share Offer will be treated as valid only if the completed **WHITE** Form of Acceptance is received by the Registrar on or before 4:00 p.m. on Thursday, 4 June 2015 and the Registrar has recorded that the acceptance and the relevant documents as required under this paragraph have been so received, and is:

(i) accompanied by the relevant Share certificate(s) and/or transfer receipt(s) and/or other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) and, if those Share certificate(s) and/or transfer receipt(s) and/or other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) is/are not in your name, such other documents (e.g. a duly stamped transfer of the relevant Share(s) in blank or in favour of you, the person accepting the Share Offer, executed by the registered holder) in order to establish your right to become the registered holder of the relevant Shares; or

(ii) from a registered Shareholder or his personal representatives (but only up to the amount of the registered holding and only to the extent that the acceptance relates to the Shares which are not taken into account under another subparagraph of this paragraph (e)).

If the **WHITE** Form of Acceptance is executed by a person other than the registered Shareholder, appropriate documentary evidence of authority (e.g. grant of probate or certified copy of a power of attorney) must be produced.

(f) Seller's ad valorem stamp duty payable by Shareholders who accept the Share Offer calculated at a rate of 0.1% of the consideration payable by the Offeror in respect of the relevant acceptances of the Share Offer will be deducted from the amount payable by the Offeror to such person on acceptance of the Share Offer. The Offeror will arrange for payment of the seller's ad valorem stamp duty on behalf of the accepting Shareholders and will pay the buyer's ad valorem stamp duty in connection with the acceptances of the Share Offer and the transfer of the Offer Shares to the Stamp Office in accordance with the Stamp Duty Ordinance (Chapter 117 of the Laws of Hong Kong).

(g) No acknowledgement of receipt of any **WHITE** Form of Acceptance, Share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) will be given.

1.2 The Option Offer

(a) If you accept the Option Offer and the certificate(s) of the Options and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) are in your name, you should complete the **YELLOW** Form of Acceptance in accordance with the instructions printed thereon in respect of the number of the Options held by you that you wish to tender to the Option Offer, which instructions form part of the terms and conditions of the Option Offer.

(b) The completed **YELLOW** Form of Acceptance should be forwarded, together with the relevant certificate(s) of the Options and/or other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) which you intend to accept the Option Offer, by post or by hand as soon as possible and in any event so as to reach the company secretary of the Company at 16/F., Dah Sing Financial Centre, 108 Gloucestor Road, Wanchai, Hong Kong no later than 4:00 p.m. on Thursday, 4 June 2015.

(c) No acknowledgement of receipt of any **YELLOW** Form of Acceptance, the certificate(s) of the Options and/or other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) will be given.

(d) As the Option Offer prices are of two decimal places, the remittances in respect of the cash consideration payable for the Options tendered for acceptance under the Option Offer will be rounded up to the nearest Hong Kong cent.

1.3 The Convertible Notes Offer

(a) If you accept the Convertible Notes Offer and the certificate(s) of the Convertible Notes and/or transfer receipts and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) are in your name, you should complete the **PINK** Form of Acceptance in accordance with the instructions printed thereon in respect of the face value of the Convertible Notes held by you that you wish to tender to the Convertible Notes Offer, which instructions form part of the terms and conditions of the Convertible Notes Offer.

(b) The completed **PINK** Form of Acceptance should be forwarded, together with the relevant certificate(s) of the Convertible Notes and/or transfer receipt(s) and/or other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) which you intend to accept the Convertible Notes Offer, by post or by hand as soon as possible and in any event so as to reach the company secretary of the Company at 16/F., Dah Sing Financial Centre, 108 Gloucestor Road, Wanchai, Hong Kong no later than 4:00 p.m. on Thursday, 4 June 2015.

(c) Seller's ad valorem stamp duty payable by the holder of Convertible Notes who accept the Convertible Notes Offer and calculated at a rate of 0.1% of consideration payable by the Offeror in respect of the relevant acceptances of the Convertible Notes Offer will be deducted from the amount payable by the Offeror to such person on acceptance of the Convertible Notes Offer. The Offeror will arrange for payment of the seller's ad valorem stamp duty on behalf of the accepting holder of Convertible Notes and will pay the buyer's ad valorem stamp duty in connection with the acceptances of the Convertible Notes Offer and the transfer of the Convertible Notes to the Stamp Office in accordance with the Stamp Duty Ordinance (Chapter 117 of the Laws of Hong Kong).

(d) No acknowledgement of receipt of any **PINK** Form of Acceptance, the certificate(s) of the Convertible Notes and/or transfer receipt(s) and/or other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) will be given.

2. ACCEPTANCE PERIOD AND REVISIONS

(a) Unless the Offers have previously been extended, with the consent of the Executive, in accordance with the Takeovers Code, the Forms of Acceptance must be received by 4:00 p.m. on Thursday, 4 June 2015 in accordance with the instructions printed on the relevant Form(s) of Acceptance, and the Offers will be closed on Thursday, 4 June 2015.

(b) If the Offers are extended or revised, the announcement of such extension or revision shall state the next Closing Date or that the Offers will remain open until further notice. For the latter case, at least 14 days' notice in writing will be given to the Shareholders, the holders of Options and the holder of Convertible Notes who have not accepted the Offers before the Offers are closed, and an announcement in respect thereof shall be released.

If the Offeror revises the terms of the Offers, the Shareholders, the holders of Options and/or the holder of Convertible Notes, whether or not they have already accepted the Share Offer, the Option Offer or the Convertible Notes Offer (as the case may be), will be entitled to accept the revised Offers under the revised terms. The revised Offers must be kept open for at least 14 days following the date on which the revised offer document is posted.

(c) If the Closing Date is extended, any reference in this Composite Document and in the Form(s) of Acceptance to the Closing Date shall, except where the context otherwise requires, be deemed to refer to the Closing Date so extended.

3. ANNOUNCEMENTS

(a) By 6:00 p.m. on the Closing Date (or such later time and/or date as the Executive may in exceptional circumstances permit), the Offeror must inform the Executive and the Stock Exchange of its decision in relation to the revision or extension of the Offers. The Offeror must publish an announcement on the Stock Exchange's website by 7:00 p.m. on the Closing Date stating whether the Offers have been closed, revised or extended. The announcement must state the following:

(i) the total number of Shares and rights over Shares for which acceptances of the Share Offer, the Options for which acceptance of the Option Offer have been received and the Convertible Notes for which acceptances of the Convertible Notes Offer;

(ii) the total number of Shares, rights over Shares, Options and Convertible Notes held, controlled or directed by the Offeror or persons acting in concert with it before the Offer Period;

(iii) the total number of Shares, rights over Shares, Options and Convertible Notes acquired by the Offeror or persons acting in concert with it during the Offer Period;

(iv) details of any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) in the Company which the Offeror or any parties acting in concert with it has borrowed or lent, save for any borrowed securities which have been either on-lent or sold; and

(v) the percentages of the issued share capital of the Company and the percentages of voting rights of the Company represented by these numbers of Shares.

(b) In computing the total number of Shares, Options and Convertible Notes represented by acceptances, only valid acceptances that have been received by the Registrar (as regards the Share Offer) or the company secretary of the Company (as regards the Option Offer and the Convertible Notes Offer) no later than 4:00 p.m. on the Closing Date shall be included.

(c) As required under the Takeovers Code, all announcements in respect of Offers will be made in accordance with the requirements of the Listing Rules.

4. RIGHT OF WITHDRAWAL

(a) Acceptance of the Offers tendered by the Shareholders, the holders of Options and the holder of Convertible Notes (as the case may be) shall be irrevocable and cannot be withdrawn, except in the circumstances set out in (b) below.

(b) If the Offeror is unable to comply with the requirements set out in the paragraph headed "ANNOUNCEMENTS" above, the Executive may require that the Shareholders, the holders of Options and the holder of Convertible Notes (as the case may be) who have tendered acceptances to the Offers be granted a right of withdrawal on terms that are acceptable to the Executive until the requirements set out in that paragraph are met. In such case, upon the Shareholders, the holders of Options and/or the holder of Convertible Notes (as the case may be) withdrawing their acceptance(s), the Offeror, Registrar or the company secretary of the Company (as the case may be) shall, as soon as possible but in any event within seven Business Days thereof, return by ordinary post the share certificate(s) and/or transfer receipt(s) and/or other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) lodged with the **WHITE** Form of Acceptance to the relevant Shareholder(s) and the certificate(s) of the Convertible Notes and/or transfer receipt(s) and/or other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) lodged with the **PINK** Form of Acceptance to the relevant holder of Convertible Notes respectively. The certificate(s) of the Options and/or other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) lodged with the **YELLOW** Form of Acceptance to the relevant holders of Options shall also be returned by the company secretary of the Company as soon as possible but in any event within seven Business Days thereof.

5. SETTLEMENT OF THE OFFERS

(a) The Share Offer

Provided that a valid **WHITE** Form of Acceptance and the relevant Share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title and/or transfer receipt(s) (and/or any satisfactory indemnity or indemnities required in respect thereof) have been received by the Registrar no later than the latest time for acceptance, a cheque for the amount due to each accepting Shareholder less seller's ad valorem stamp duty in respect of the Offer Shares tendered by him under the Share Offer will be despatched to such Shareholder by ordinary post at his own risk as soon as possible but in any event within seven Business Days of the date on which all the relevant documents are received by the Registrar to render such acceptance complete and valid.

(b) The Option Offer

Provided that a valid **YELLOW** Form of Acceptance and the relevant certificate(s) of the Options and/or other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) have been received by the company secretary of the Company no later than the latest time for acceptance, a cheque for the amount due to each accepting holder of Options in respect of the Options tendered by him under the Option Offer will be despatched to such holder of Options by ordinary post at his own risk as soon as possible but in any event within seven Business Days of the date on which all the relevant documents are received by the company secretary of the Company to render such acceptance complete and valid.

(c) The Convertible Notes Offer

Provided that a valid **PINK** Form of Acceptance and the relevant certificate(s) of the Convertible Notes and/or transfer receipt(s) and/or other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) have been received by the company secretary of the Company no later than the latest time of acceptance, a cheque for the amount due to each accepting holder of Convertible Notes less seller's ad valorem stamp duty in respect of the Convertible Notes tendered by him under the Convertible Notes Offer will be despatched to such holder of Convertible Notes by ordinary post at his own risk as soon as possible but in any event within seven Business Days of the date on which all the relevant documents are received by the company secretary of the Company to render such acceptance complete and valid.

Settlement of the consideration to which any Shareholders, the holders of Options and/or the holder of Convertible Notes are entitled under the Offers will be implemented in full in accordance with the terms of the Offers (save with respect of the payment of seller's ad valorem stamp duty), without regard to any lien, right of set-off, counterclaim or other analogous right to which the Offeror may otherwise be, or claim to be, entitled against such Shareholders, holders of Options and holder of Convertible Notes.

6. OVERSEAS HOLDERS

The making of the Offers to Overseas Holders may be prohibited or affected by the laws of the relevant jurisdictions. Overseas Holders should inform themselves of and observe any applicable legal and regulatory requirements. It is the responsibility of each Overseas Holder wishing to accept an Offer to satisfy himself as to the full observance of the laws and regulations of the relevant jurisdiction in connection therewith, including, but not limited to, the obtaining of any governmental, exchange control or other consents which may be required and the compliance with other necessary formalities or regulatory or legal requirements and the payment of any issue, transfer or other taxes due by accepting the Share Offer, Option Offer or Convertible Notes Offer (as the case may be) in such jurisdiction.

Each Overseas Holder who wishes to accept the Share Offer and/or the Option Offer and/or the Convertible Notes Offer is also fully responsible for other taxes and duties by whomsoever payable in respect of all relevant jurisdictions. The Offeror, VMS and any person involved in the Offers shall be entitled to be fully indemnified and held harmless by you for any taxes as you may be required to pay.

Acceptances of an Offer by any such person will be deemed to constitute a representation and warranty by such person to the Offeror that the local laws and requirements have been complied with and such person is permitted under all applicable laws to accept such Offer and any revision thereof, and such acceptance shall be valid and binding in accordance with all applicable laws.

7. TAXATION

Shareholders, holders of Options and holder of Convertible Notes are recommended to consult their own professional advisers if they are in doubt as to the taxation implications of their acceptance of the Offers. It is emphasised that none of the Company, the Offeror, VMS, or any of their respective directors or any other person involved in the offers accepts responsibility for any tax effects on, or liabilities of, any person or persons as a result of their acceptance(s) of the Offers.

8. GENERAL

(a) All communications, notices, accompanying Form(s) of Acceptance, Share certificates, certificate(s) of Options and Convertible Notes, transfer receipts (as the case may be), other documents of title and/or any satisfactory indemnity or indemnities required in respect thereof and remittances to settle the consideration payable under the Offers to be delivered by or sent to or from the Shareholders and/or the holders of Options and/or the holder of Convertible Notes will be delivered by or sent to or from them, or their designated agents, by ordinary post at their own risk, and none of the Company, the Offeror, VMS and any of their respective agents nor the Registrar or the company secretary of the Company or other parties involved the Offers accepts any liability for any loss in postage or any other liabilities that may arise as a result thereof.

(b) The provisions set out in the accompanying Form(s) of Acceptance form part of the terms and conditions of the Offers.

(c) The accidental omission to despatch this Composite Document and/or accompanying Form(s) of Acceptance or any of them to any person to whom the Offers are made will not invalidate the Offers in any way.

(d) The Offers and all acceptances will be governed by and construed in accordance with the laws of Hong Kong.

(e) Due execution of the accompanying Form(s) of Acceptance will constitute an authority to the Offeror, or such person or persons as the Offeror may direct to complete and execute any document on behalf of the person or persons accepting the Offers and to do any other act that may be necessary or expedient for the purposes of vesting in the Offeror or such person or persons as it may direct the Shares, the Options and/or the Convertible Notes in respect of which such person or persons has accepted the Offers.

(f) Reference to the Offers in this Composite Document and in the accompanying Form(s) of Acceptance shall include any extension or revision thereof.

(g) The English text of this Composite Document and the accompanying Form(s) of Acceptance shall prevail over their respective Chinese text in case of inconsistency.

1. FINANCIAL SUMMARY

The following is a summary of the audited financial results of the Group for each of the three years ended 31 December 2012, 2013 and 2014, as extracted from the relevant annual reports or the results announcement of the Company.

There is no exceptional item because of size, nature or incidence for each of the three years ended 31 December 2012, 2013 and 2014. The Company has not declared any dividend for each of the three years ended 31 December 2012, 2013 and 2014.

The Company's auditors have not issued any qualified opinion on the Group's financial statements for each of the three years ended 31 December 2012, 2013 and 2014.

RESULTS

	2014	**2013**	**2012**
	HK$'000	*HK$'000*	*HK$'000*
	(Audited)	(Restated)	(Audited)
REVENUE	673,604	724,583	495,226
Cost of sales/goods sold *(Note)*	(528,571)	(480,164)	(308,810)
Gross profit *(Note)*	145,033	244,419	186,416
Fair value gain on plantation forest assets	32,433	108,847	94,764
Selling and distribution costs	(214,689)	(224,155)	(169,708)
Administrative expenses	(65,946)	(89,135)	(79,489)
Finance costs	(43,435)	(47,344)	(39,966)
Others	(36,608)	(6,557)	(122,737)
LOSS BEFORE TAX	(183,212)	(13,925)	(130,720)
Tax	(6,701)	(46,372)	(13,657)
LOSS FOR THE YEAR	(189,913)	(60,297)	(144,377)
OTHER COMPREHENSIVE INCOME			
Item that may be reclassified subsequently to profit or loss			
Exchange differences on translation of foreign operations	(6,547)	(1,254)	8,544
Item that will not be reclassified subsequently to profit or loss			
Revaluation gain on forestry land	(61)	695	2,612

	2014	2013	2012
	HK$'000	*HK$'000*	*HK$'000*
	(Audited)	(Restated)	(Audited)
OTHER COMPREHENSIVE (LOSS)/ INCOME FOR THE YEAR, NET OF TAX OF NIL	(6,608)	(559)	11,156
TOTAL COMPREHENSIVE LOSS FOR THE YEAR	(196,521)	(60,856)	(133,221)
LOSS FOR THE YEAR ATTRIBUTABLE TO:			
Equity holders of the Company	(133,303)	(5,739)	(76,777)
Non-controlling interests	(56,610)	(54,558)	(67,600)
	(189,913)	(60,297)	(144,377)
TOTAL COMPREHENSIVE LOSS FOR THE YEAR ATTRIBUTABLE TO:			
Equity holders of the Company	(139,911)	(6,298)	(65,621)
Non-controlling interests	(56,610)	(54,558)	(67,600)
	(196,521)	(60,856)	(133,221)
LOSS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY			
Basic and diluted	HK$(0.169)	HK$(0.007)	HK$(0.098)

Note: As disclosed in the results announcement of the Company for the year ended 31 December 2014 dated 25 February 2015 ("the 2014 Annual Results Announcement"), the Group's gross profit was defined as revenue less cost of goods sold in prior years. Other expenses such as unallocated production overheads, write-down/write-back of inventories, amortisation of harvest roading and provisions for impairment are separately disclosed in "Other operating expenses" (i.e. "Others" in the table above) in the consolidated statement of comprehensive income.

For the year ended 31 December 2014, the Group's gross profit was re-defined. The unallocated production overheads, write-down/write-back of inventories, impairment of prepayments, deposits and other receivables related to inventories and amortization of harvest roading were classified as "Cost of sales" in the consolidated statement of comprehensive income and provisions for impairment is separately disclosed in the consolidated statement of comprehensive income for the year ended 31 December 2014. Accordingly, the comparative amounts for the year ended 31 December 2013 (for the avoidance of doubt, not for the year ended 31 December 2012) have been reclassified to conform to the presentation for the year ended 31 December 2014.

ASSETS AND LIABILITIES

	2014	**2013**	**2012**
	HK$'000	*HK$'000*	*HK$'000*
Non-current assets	1,747,316	1,726,371	1,684,179
Current assets	240,555	436,168	322,061
Total assets	1,987,871	2,162,539	2,006,240
Total current liabilities	678,835	593,377	633,396
Total assets less current liabilities	1,309,036	1,569,162	1,372,844
Non-current liabilities	363,076	428,968	179,947
Net assets	945,960	1,140,194	1,192,897
Non-controlling interests	73,594	130,204	184,762

2. AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE GROUP FOR THE YEAR ENDED 31 DECEMBER 2014

Set out below is the audited financial information of the Group for the year ended 31 December 2014 extracted from the 2014 Annual Results Announcement.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2014

	Notes	2014 HK$'000	2013 HK$'000 (Restated)
REVENUE	4	673,604	724,583
Cost of sales		(528,571)	(480,164)
Gross profit		145,033	244,419
Other income and gains	4	4,087	8,547
Fair value gain on plantation forest assets		32,433	108,847
Selling and distribution costs		(214,689)	(224,155)
Administrative expenses		(65,946)	(89,135)
Provisions for impairment		(35,947)	(11,228)
Other operating expenses, net		(2,461)	(816)
Non-cash share option expenses		(2,287)	(3,060)
Finance costs	5	(43,435)	(47,344)
LOSS BEFORE TAX	6	(183,212)	(13,925)
Tax	7	(6,701)	(46,372)
LOSS FOR THE YEAR		(189,913)	(60,297)
OTHER COMPREHENSIVE (LOSS)/INCOME			
Item that may be reclassified subsequently to profit or loss			
Exchange differences on translation of foreign operations		(6,547)	(1,254)
Item that will not be reclassified subsequently to profit or loss			
Revaluation (loss)/gain on forestry land		(61)	695

	Notes	2014 HK$'000	2013 HK$'000 (Restated)
OTHER COMPREHENSIVE LOSS FOR THE YEAR, NET OF TAX OF NIL		(6,608)	(559)
TOTAL COMPREHENSIVE LOSS FOR THE YEAR		(196,521)	(60,856)
LOSS FOR THE YEAR ATTRIBUTABLE TO:			
Equity holders of the Company		(133,303)	(5,739)
Non-controlling interests		(56,610)	(54,558)
		(189,913)	(60,297)
TOTAL COMPREHENSIVE LOSS FOR THE YEAR ATTRIBUTABLE TO:			
Equity holders of the Company		(139,911)	(6,298)
Non-controlling interests		(56,610)	(54,558)
		(196,521)	(60,856)
LOSS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY			
Basic and diluted	8	HK$(0.169)	HK$(0.007)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2014

	Notes	2014 HK$'000	2013 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment		471,877	458,294
Prepaid land lease payments		30,548	14,684
Goodwill		7,624	7,624
Timber concessions and cutting rights		758,707	710,817
Other intangible assets		2,382	6,970
Plantation forest assets		466,231	521,764
Prepayments, deposits and other receivables		9,947	6,218
Total non-current assets		1,747,316	1,726,371
CURRENT ASSETS			
Inventories		46,441	58,966
Trade receivables	9	35,991	64,242
Prepayments, deposits and other receivables		38,629	108,367
Due from affiliated companies	13(b)(ii)	7,370	–
Tax recoverable		4,068	579
Cash and cash equivalents		108,056	204,014
Total current assets		240,555	436,168
CURRENT LIABILITIES			
Trade payables	10	32,603	46,451
Other payables and accruals		30,164	20,337
Finance lease payables		10,117	10,600
Loan from an intermediate holding company	13(a)(i)	312,000	312,000
Due to affiliated companies	13(b)(ii)	4,757	145
Loan from the immediate holding company	13(a)(ii)	62,400	–
Deposit received from a fellow subsidiary	13(b)(i)	22,565	22,565
Convertible bonds	11	166,981	155,919
Tax payable		37,248	25,360
Total current liabilities		678,835	593,377
NET CURRENT LIABILITIES		(438,280)	(157,209)
TOTAL ASSETS LESS CURRENT LIABILITIES		1,309,036	1,569,162

	Notes	2014 HK$'000	2013 HK$'000
NON-CURRENT LIABILITIES			
Loans from the immediate holding company	13(a)(ii)	42,642	89,700
Interest-bearing bank borrowings	12	195,000	195,000
Finance lease payables		8,699	19,717
Deferred tax liabilities		116,735	124,551
Total non-current liabilities		363,076	428,968
NET ASSETS		945,960	1,140,194
EQUITY			
Equity attributable to equity holders of the Company			
Issued capital		7,899	7,899
Reserves		864,467	1,002,091
		872,366	1,009,990
Non-controlling interests		73,594	130,204
TOTAL EQUITY		945,960	1,140,194

Notes:

1.1. CORPORATE INFORMATION

Greenheart Group Limited is a limited liability company incorporated in Bermuda, the issued shares of which are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

As at 31 December 2014, the immediate holding company of the Company was Sino-Capital Global Inc. ("Sino-Capital" or "Immediate Holding Company"), which is incorporated in the British Virgin Islands ("BVI") which held 496,189,028 shares, representing approximately 62.82% of the issued share capital of the Company. The ultimate holding company of the Company was Emerald Plantation Holdings Limited ("EPHL" or "Ultimate Holding Company"), a company incorporated in the Cayman Islands with limited liability.

1.2. BASIS OF PRESENTATION

The Group had net current liabilities of approximately HK$438,280,000 as at 31 December 2014, of which HK$312,000,000 and HK$62,400,000 represented loans from Emerald Plantation Group Limited ("EPGL" or "Intermediate Holding Company") and Sino-Capital, which are repayable on 17 May 2015 ("Intermediate Holding Company Loan") and 26 March 2015 ("Immediate Holding Company Loan"), respectively and convertible bonds of HK$166,981,000 ("Convertible Bonds") held by Greater Sino Holdings Limited ("Greater Sino or "Noteholder"), a company in which a director of the Company has an indirect interest, which mature on 17 August 2015.

On 31 October 2014, Sino-Capital, EPGL and Newforest Limited ("Newforest") entered into sale and purchase agreements regarding the sales of Sino-Capital's entire shareholding, and Sino-Capital's and EPGL's debt interests, in the Company and the Group to Newforest, including the Intermediate Holding Company Loan and Immediate Holding Company Loan ("Sales"). As at the date of this announcement, completion of the Sales is conditional mainly upon the approval from the New Zealand Overseas Investment Office ("OIO").

Upon completion of the Sales, Newforest will assume all the rights and benefits of both of the Intermediate Holding Company Loan and the Immediate Holding Company Loan and on this basis, Newforest confirms its intention to extend the repayment dates of both Intermediate Holding Company Loan and Immediate Holding Company Loan to at least one year from the date of the approval of these consolidated financial statements.

In addition, the Group has also obtained confirmation from the Ultimate Holding Company, the parent company of EPGL, that it intends to extend the repayment dates of both Intermediate Holding Company Loan and Immediate Holding Company Loan to a later date until the Sales are completed.

On the basis above, in the opinion of the Directors, the Group will have sufficient working capital to finance its operations and to meet its financial obligations as and when they fall due in the foreseeable future, based on the cash flow projections of the Group and after taking into consideration the following:

(i) on 28 January 2015 and 11 March 2015, supplemental agreements relating to the loan agreement dated 19 June 2014 were signed with Sino-Capital, pursuant to which Sino-Capital agreed to provide additional loans of US$515,000 and US$518,000, respectively, to Greenheart Resources Holdings Limited, a non-wholly owned subsidiary of the Company which is owned as to 60.39% by the Group and as to 39.61% by Sino-Capital, to finance the Group's capital investments in west Suriname. The additional loans are repayable on 19 June 2017;

(ii) as at 31 December 2014, the Group had an unutilized banking facility of US$4,348,000 (equivalent to HK$33,914,000) from the Bank of New Zealand. The Group determined this figure after taking into account the debt coverage ratio as set out in the financial covenants under the facility;

(iii) the bio-energy plant in west Suriname commenced operations in the third quarter of 2014 and according to its specifications, it will reduce the reliance of the sawmill on diesel powered generators by up to 80%. The Group has been working to improve operational efficiency by, inter alia, upgrading the capacity of the sawmill in west Suriname, including plant layout and streamlining material flows, optimization of the product and species mix, and subcontracting out certain services. The final stage of the sawmill enhancement programme in west Suriname ("Enhancement Program") is expected to be completed by mid-2015. By then, the annual log input volume is expected to increase from 60,000m^3 to 100,000m^3 (on a double shift basis). After completion of the Enhancement Program, the Group's capital investment needs in Suriname will be largely reduced and the efficiency and output of the west Suriname sawmill should improve;

(iv) the Group is exploring different options to obtain alternative sources of funding, in particular, to finance the Group's capital expenditure by way of, inter alia, leases and long term loans;

(v) if necessary, the Group will consider disposing of certain of its non-current assets to meet its financial obligations; and

(vi) various cost control measures have been taken by the Group, and are continuing, to reduce the cost of operations and to reduce various general and administrative expenses.

Accordingly, the consolidated financial statements have been prepared on the going concern basis.

Should the Group be unable to continue as a going concern, adjustments would have to be made to restate the values of assets at their recoverable amounts, to provide for any further liabilities which might arise and to reclassify non-current assets and liabilities as current assets and liabilities, respectively. The effects of these adjustments have not been reflected in these consolidated financial statements.

1.3. BASIS OF PREPARATION

These consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"), accounting principles generally accepted in Hong Kong and Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for plantation forest assets, forestry land and derivative financial instruments. Plantation forest assets are measured at fair value less cost to sell and forestry land and derivative financial instruments are measured in fair value. These consolidated financial statements are presented in Hong Kong dollars and all values are rounded to the nearest thousand except when otherwise indicated.

2. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the following new and revised HKFRSs for the first time in preparing this Year's consolidated financial statements:

Amendments to HKFRS 10, HKFRS 12 and HKAS 27 (2011)	*Investment Entities*
Amendments to HKAS 32	*Offsetting Financial Assets and Financial Liabilities*
Amendments to HKAS 36	*Recoverable Amount Disclosures for Non-Financial Assets*
Amendments to HKAS 39	*Novation of Derivatives and Continuation of Hedge Accounting*
HK(IFRIC)-Int 21	*Levies*
Amendment to HKFRS 13 included in Annual Improvements 2010-2012 Cycle	*Short-term Receivables and Payables*
Amendment to HKFRS 1 included in Annual Improvements 2011-2013 Cycle	*Meaning of Effective HKFRSs*

Other than as further explained below regarding the impact of amendments in HKAS 36, the adoption of the new and revised HKFRSs has had no significant financial effect on these consolidated financial statements.

The amendments to HKAS 36 modify the disclosure requirements for impaired non-financial assets. Among them, the amendments expand the disclosures required for an impaired asset or CGU whose recoverable amount is based on fair value less costs of disposal. The required disclosures are included in these consolidated financial statements.

3. OPERATING SEGMENT INFORMATION

The Group has adopted HKFRS 8 *Operating Segments* which requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision makers (i.e. the Directors) in order to allocate resources to segments and to assess their performance.

The Group manages its businesses by geographical location and the chief operating decision makers also review the segment information by such category to allocate resources to segments and to assess their performance. The Group has presented the following three reportable segments:

Suriname: Selective hardwood log harvesting, timber processing, marketing and sale of logs and timber products

New Zealand: Softwood plantation management, log harvesting, marketing and sale of logs

Elsewhere: Trading of logs and timber products

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on reportable segment profit/(loss), which is a measure of earnings/(loss) before finance costs, tax, depreciation, forest depletion costs as a result of harvesting and amortization ("EBITDA"). EBITDA is further adjusted to exclude fair value gains or losses on plantation forest assets, government grants, interest income, write-down of inventories, impairment losses/reversal and non-cash share option expenses ("Adjusted EBITDA"), which is also a measure evaluated by management.

Segment assets exclude unallocated head office and corporate assets as these assets are managed on a group basis.

Segment liabilities exclude unallocated head office and corporate liabilities as these liabilities are managed on a group basis.

The following table presents revenue, profit/(loss), assets and liabilities information regarding the Group's operating segments for the Year:

Year ended 31 December 2014

	Suriname^	New Zealand^	Elsewhere^	Unallocated	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
SEGMENT REVENUE	81,437	591,718	449	–	673,604
SEGMENT RESULTS ("Adjusted EBITDA")	(87,006)	149,960	18	(28,819)	34,153
Reconciliation of the segment results: Items other than finance costs, tax, forest depletion costs as a result of harvesting, depreciation and amortization					
Fair value gain on plantation forest assets	–	32,433	–	–	32,433
Interest income	277	13	–	17	307
Impairment of goodwill***	(27,854)	–	–	–	(27,854)
Impairment of property, plant and equipment***	(5,117)	–	–	–	(5,117)
Impairment of trade receivables***	(500)	–	–	–	(500)
Impairment of prepayments, deposits and other receivables***	(2,476)	–	–	–	(2,476)
Write-down of inventories, net*	(6,609)	–	–	–	(6,609)
Non-cash share options expenses	–	–	–	(2,287)	(2,287)
SEGMENT RESULTS ("EBITDA")	(129,285)	182,406	18	(31,089)	22,050
Finance costs	(6,721)	(19,022)	–	(17,692)	(43,435)
Forest depletion cost as a result of harvesting*	–	(98,266)	–	–	(98,266)
Depreciation	(26,386)	(2,519)	–	(1,463)	(30,368)
Amortization of harvest roading*	–	(21,215)	–	–	(21,215)
Amortization of timber concessions and cutting rights*	(9,827)	–	–	–	(9,827)
Amortization of prepaid land lease payments**	(1,874)	–	–	–	(1,874)
Amortization of other intangible assets*	(277)	–	–	–	(277)
LOSS BEFORE TAX					(183,212)
SEGMENT ASSETS	1,150,480	825,295	–	12,096	1,987,871
SEGMENT LIABILITIES	254,253	618,562	–	169,096	1,041,911
Other segment information					
Capital expenditures#	(31,730)	(49,168)	–	(42)	(80,940)

^ Reportable Segments

Capital expenditure consists of additions to property, plant and equipment, prepaid land lease payments, timber concessions and cutting rights, harvest roading and plantation forest assets and excluding assets from the acquisition of subsidiary.

* Included in "Cost of sales" in the consolidated statement of comprehensive income.

** Included in "Administrative expenses" in the consolidated statement of comprehensive income.

*** Included in "Provisions for impairment" in the consolidated statement of comprehensive income.

Year ended 31 December 2013

	Suriname^	New Zealand^	Elsewhere^	Unallocated	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
SEGMENT REVENUE	59,945	663,833	805	–	724,583
SEGMENT RESULTS (“Adjusted EBITDA”)	(76,514)	211,216	233	(47,911)	87,024
Reconciliation of the segment results: Items other than finance costs, tax, forest depletion costs as a result of harvesting, depreciation and amortization					
Fair value gain on plantation forest assets	–	108,847	–	–	108,847
Government grant of carbon credits	–	3,164	–	–	3,164
Interest income	2,214	22	–	207	2,443
Reversal of impairment of other intangible assets***	–	652	–	–	652
Impairment of trade receivables***	(74)	–	–	–	(74)
Impairment of timber concessions and cutting rights***	(11,695)	–	–	–	(11,695)
Impairment of prepayments, deposits and other receivables****	(2,375)	–	–	–	(2,375)
Write-down of inventories, net*	(2,125)	–	–	–	(2,125)
Non-cash share options expenses	–	–	–	(3,060)	(3,060)
SEGMENT RESULTS (“EBITDA”)	(90,569)	323,901	233	(50,764)	182,801
Finance costs	(5,906)	(19,090)	–	(22,348)	(47,344)
Forest depletion cost as a result of harvesting*	–	(99,360)	–	–	(99,360)
Depreciation	(22,862)	(1,896)	–	(2,482)	(27,240)
Amortization of harvest roading*	–	(15,433)	–	–	(15,433)
Amortization of timber concessions and cutting rights*	(6,629)	–	–	–	(6,629)
Amortization of prepaid land lease payments**	(444)	–	–	–	(444)
Amortization of other intangible assets*	(276)	–	–	–	(276)
LOSS BEFORE TAX					(13,925)
SEGMENT ASSETS	1,179,625	876,018	–	106,896	2,162,539
SEGMENT LIABILITIES	238,420	624,928	–	158,997	1,022,345
Other segment information					
Capital expenditures#	(63,275)	(47,499)	–	(633)	(111,407)

^ Reportable Segments

Capital expenditure consists of additions to property, plant and equipment, prepaid land lease payments, timber concessions and cutting rights, harvest roading and plantation forest assets.

* Included in “Cost of sales” in the consolidated statement of comprehensive income.

** Included in “Administrative expenses” in the consolidated statement of comprehensive income.

*** Included in “Provisions for impairment” in the consolidated statement of comprehensive income.

**** HK$2,264,000 and HK$111,000 are included in “Cost of sales” and “Provisions for impairment” in the consolidated statement of comprehensive income, respectively.

Geographical Information

(a) Revenue is attributed to the following geographical regions according to customer location:

	2014	2013
	HK$'000	*HK$'000*
Mainland China	516,873	567,711
India	55,519	81,532
New Zealand	37,894	35,246
Belgium	32,804	13,527
Suriname	22,591	15,084
Hong Kong	3,841	3,282
United States	1,570	–
Denmark	1,413	166
Germany	792	–
Taiwan	185	–
Thailand	122	–
The Netherlands	–	7,158
United Kingdom	–	630
Singapore	–	247
	673,604	724,583

(b) Non-current assets below is based on the locations of the assets:

	2014	2013
	HK$'000	*HK$'000*
Suriname	1,084,393	1,015,014
New Zealand	657,091	703,862
Hong Kong	5,832	7,495
	1,747,316	1,726,371

Information on major customers

During the Year, the Group had transactions with two (2013: three) customers from New Zealand segment who each contributed over 10% of the Group's total gross revenue before export tax for the Year. A summary of revenue earned from each of these major customers is set out below:

	2014	2013
	HK$'000	*HK$'000*
Customer 1	133,138	126,905
Customer 2	70,655	N/A*
Customer 3	N/A*	106,947
Customer 4	N/A*	73,576
	203,793	307,428

* The corresponding revenue of the related customers did not contribute over 10% of the Group's total gross revenue before export tax.

4. REVENUE, OTHER INCOME AND GAINS

	2014	2013
	HK$'000	*HK$'000*
Revenue		
Sales of logs and timber products	673,604	724,583
Other income and gains		
Bank interest income	49	255
Other interest income	258	2,188
Rental income for lease of plant and machinery	2,915	2,120
Government grants of carbon credits	–	3,164
Others	865	820
	4,087	8,547

5. FINANCE COSTS

	2014	2013
	HK$'000	*HK$'000*
Interest on Convertible Bonds	17,691	17,253
Interest on a loan from the Intermediate Holding Company	11,821	11,949
Interest on loans from the Immediate Holding Company	4,742	3,553
Interest on finance leases	1,979	2,353
Interest on interest-bearing bank borrowings	7,202	7,141
Loss on partial early redemption of Convertible Bonds *(Note 11)*	–	5,095
	43,435	47,344

6. LOSS BEFORE TAX

The Group's loss before tax is arrived at after charging/(crediting):

	2014	2013
	HK$'000	*HK$'000*
Cost of inventories sold*	313,009	283,123
Amortization of timber concessions and cutting rights	5,696	15,616
Amount released from/(capitalized in) inventories	4,131	(8,987)
Current year expenditure*	9,827	6,629
Forest harvested as agricultural produce	98,304	97,523
Amount (capitalized in)/released from inventories	(38)	1,837
Forest depletion cost as a result of harvesting*	98,266	99,360
Depreciation	30,368	27,240
Amortization of		
harvesting roading*	21,215	15,433
prepaid land lease payments**	1,874	444
other intangible assets*	277	276
Impairment/(reversal of impairment) of		
property, plant and equipment***	5,117	–
goodwill***	27,854	–
timber concession and cutting rights***	–	11,695
trade receivables***	500	74
prepayments, deposits and other receivables****	2,476	2,375
other intangible assets***	–	(652)
Write-down of inventories, net*	6,609	2,125
Gain on disposal of carbon credits	(2,705)	–
Loss on disposal of items of property, plant and equipment	5,331	506
Fair value gain on derivative financial instruments	(500)	–
Minimum lease payments under operating leases for land and buildings	11,057	7,971
Auditor's remuneration	1,620	1,550

	2014	2013
	HK$'000	*HK$'000*
Employee benefit expense (including directors' remuneration):		
Wages and salaries	91,895	104,108
Equity-settled share option expense	2,287	3,060
Pension scheme contributions (defined contribution scheme)	307	317
	94,489	107,485
Foreign exchange differences, net	(403)	(1,270)

* Included in "Cost of sales" in the consolidated statement of comprehensive income.

** Included in "Administrative expenses" in the consolidated statement of comprehensive income.

*** Included in "Provisions for impairment" in the consolidated statement of comprehensive income.

**** For the year ended 31 December 2014, HK$2,476,000 is included in "Provision for impairment" in the consolidated statement of comprehensive income. For the year ended 31 December 2013, HK$2,264,000 and HK$111,000 are included in "Cost of sales" and "Provisions for impairment" in the consolidated statement of comprehensive income, respectively.

7. TAX

Hong Kong profits tax has been provided at the rate of 16.5% (2013: 16.5%) on the estimated assessable profits arising in Hong Kong during the Year.

New Zealand income tax has been provided at the rate of 28% on the estimated assessable profits arising in New Zealand (2013: 28%).

Subsidiaries established in Suriname and New Zealand are subject to the relevant tax rules and regulations of Suriname and New Zealand at the statutory tax rate of 36% and 28%, respectively. One of the Company's major subsidiaries in Suriname is currently enjoying a local income tax exemption for an original period of nine years from 2007 to 2016, which, subject to the approval by the Suriname authorities, may be renewable or extended for a further period upon expiry.

During the Year, the New Zealand Inland Revenue has commenced a transfer pricing audit on an indirect subsidiary of the Company which relates primarily to the interest rate paid for an inter-company loan. Up to the date of these financial statements, the tax audit is still ongoing and therefore it is not practicable to state the outcome, amount and timing of additional income tax payment, if any. The Directors of the Company are of the opinion that it is not probable that the New Zealand Inland Revenue will succeed in assessing any additional income tax and, accordingly, no provision for any liability has been made in these financial statements.

	2014	2013
	HK$'000	*HK$'000*
Current – Hong Kong		
Charge for the Year	11,889	13,369
Current – Elsewhere		
Charge for the Year	2,270	1,324
Foreign exchange difference on income tax recoverable/payable	409	6
Deferred	(5,556)	30,686
Foreign exchange difference on deferred tax liabilities	(2,311)	(63)
Withholding	–	1,050
	6,701	46,372

8. LOSS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

The calculation of basic loss per share amount is based on the loss for the Year attributable to equity holders of the Company, and the weighted average of 789,889,104 (2013: 787,854,501) ordinary shares in issue during the Year.

In respect of the diluted loss per share amounts presented, no adjustment has been made to the basic loss per share amounts presented for the years ended 31 December 2014 and 2013 as the impact of the share options and Convertible Bonds outstanding during these years either had no dilutive effect or had an anti-dilutive effect on the basic loss per share amounts presented.

9. TRADE RECEIVABLES

	2014	2013
	HK$'000	*HK$'000*
Trade receivables	36,427	64,316
Less: impairment	(436)	(74)
	35,991	64,242

The Group's trading terms with its customers are mainly letters of credit at sight or on open account with credit terms of 5 days to 60 days. Each open account customer has a maximum credit limit. The Group seeks to maintain strict control over its outstanding receivables so as to minimize credit risk. Overdue balances are reviewed regularly by senior management. The Group does not hold any collateral or other credit enhancements over its trade receivable balances. Trade receivables are non-interest-bearing.

An aged analysis of the trade receivables as at the end of the reporting period, based on the invoice date and net of impairment, is as follows:

	2014	2013
	HK$'000	*HK$'000*
Within 1 month	29,291	62,916
From 1 to 3 months	6,532	194
Over 3 months	168	1,132
	35,991	64,242

10. TRADE PAYABLES

An aged analysis of the trade payables as at the end of the reporting period, based on the invoice date, is as follows:

	2014	2013
	HK$'000	*HK$'000*
Within 1 month	32,270	45,690
From 1 to 3 months	35	536
Over 3 months	298	225
	32,603	46,451

The trade payables are non-interest-bearing and are normally settled on 30-day terms.

11. CONVERTIBLE BONDS

In August 2010, the Company issued US dollar denominated convertible notes with an aggregate principal amount of US$25,000,000 (the "Convertible Bonds") with a maturity date of 17 August 2015 to the Noteholder, a company in which a director of the Company has an indirect interest, for a total cash consideration of US$24,750,000. The Noteholder has the right to convert the whole or part of the principal amount of the Convertible Bonds into ordinary shares of the Company at HK$2.002 each from time to time and may require the Company to redeem all or part of the Convertible Bonds on each of the dates falling on the third anniversary (i.e. 17 August 2013) and on the fourth anniversary (i.e. 17 August 2014) of the issuance date of the Convertible Bonds at the redemption amount as defined in the terms and conditions of the Convertible Bonds. In addition, the Noteholder may require the Company to redeem the Convertible Bonds in whole or in part following the occurrence of a "Change of Control".

On 30 January 2013, Sino-Forest Corporation ("Sino-Forest"), the former ultimate holding company of the Company, announced that it had implemented its plan of compromise and reorganization as approved by the creditors of Sino-Forest on 3 December 2012 and as sanctioned by the Ontario Superior Court of Justice on 10 December 2012 pursuant to the Companies' Creditors Arrangement Act (the "Plan") and under which, among other things, all of the shares held by Sino-Forest in its directly owned subsidiaries, including the entire issued share capital of Sino-Capital were transferred to EPGL, a newly formed entity which is ultimately owned by EPHL, a company incorporated in the Cayman Islands with limited liability. The implementation of the Plan triggered the "Change of Control" provisions of the Convertible Bonds. Accordingly, the Noteholder became entitled to require the Company to redeem the Convertible Bonds in whole or in part and, on 20 February 2013, the Company redeemed US$8,000,000 (equivalent to approximately HK$62,400,000) of the principal amount of the Convertible Bonds at a redemption amount of approximately US$9,542,000 (equivalent to approximately HK$74,426,000) upon the partial exercise by the Noteholder of its redemption right following the occurrence of a "Change of Control". Accordingly, the difference between the redemption amount allocated to the liability component of the Convertible Bonds and the carrying amount of the liability component as at the redemption date of approximately US$653,000 (equivalent to approximately HK$5,095,000 (note 5)) was recognized as loss on partial early redemption of convertible bonds and was charged to the profit or loss during the year ended 31 December 2013.

Following the early redemption as mentioned above and as at 31 December 2014, the outstanding principal amount of the Convertible Bonds was reduced to US$17,000,000 (equivalent to approximately HK$132,600,000). Under the terms and conditions of the Convertible Bonds, the Noteholder may subsequently exercise its redemption right (in whole or in part of its outstanding Convertible Bonds), by giving an exercise notice of at least 30 days prior to such further redemption, at any time prior to the maturity of the Convertible Bonds. Accordingly, the entire outstanding liability component of the Convertible Bonds was classified as a current liability as at 31 December 2014.

As at the date of this announcement, the Group has not received any further notice from the Noteholder with regard to its intention regarding the remaining outstanding principal amount of the Convertible Bonds of US$17,000,000 (equivalent to approximately HK$132,600,000).

12. INTEREST-BEARING BANK BORROWINGS

During the Year, the Group's bank loan facilities were renegotiated with the interest rate reduced to base rate ("Base Rate"), as determined by Bank of New Zealand ("Bank"), plus 1.65% per annum and the final maturity date was extended to 28 February 2017.

As at 31 December 2014, the Group's bank borrowings were denominated in United States dollars and amounted to HK$195,000,000 (equivalent to US$25,000,000), bearing interest at the base rate determined by the Bank plus 1.65% per annum (2013: Base Rate plus 1.75% per annum). The Group's bank loan facilities are subject to the fulfillment of certain financial covenants as required by the Bank. During the Year, none of the financial covenants relating to the bank loan facilities were breached.

As at 31 December 2014, the Group has available unutilized bank loan facilities amounting to HK$33,914,000 (equivalent to US$4,348,000) (2013: HK$39,000,000 (equivalent to US$5,000,000)), bearing interest at the Base Rate plus 1.35% per annum (2013: Base Rate plus 1.5% per annum). The Group determined this figure after taking into account the debt coverage ratio as set out in the financial covenants under the facility.

As at 31 December 2014 and 2013, the Group's bank loan facilities are secured by:

(i) All the present and after-acquired property (the "Personal Property") of certain indirect wholly owned subsidiaries of the Company (the "Selected Group Companies"); and

(ii) A Fixed Charge over:

(a) the Group's forestry land (located in New Zealand) with a net carrying value of approximately HK$103,713,000 (2013: HK$109,324,000) ("Forestry Land") (note 14);

(b) the Group's plantation forest assets (located in New Zealand) with a net carrying value of approximately HK$466,231,000 (2013: HK$521,764,000) and all other estates and interests in the Forestry Land and all buildings, structures and fixtures on the Forestry Land; and

(c) all other present and after-acquired property that is not Personal Property of the Selected Group Companies.

13. RELATED PARTY DISCLOSURES

(a) In addition to the transactions detailed elsewhere in this announcement, the Group entered into the following transactions with related parties during the Year:

Related party	Nature of transaction	*Notes*	2014 *HK$'000*	2013 *HK$'000*
The Intermediate Holding Company	Interest expenses paid and payable on a loan	(i)	11,821	11,949
The Immediate Holding Company	Interest expenses paid and payable on a loan	(ii)	4,742	3,553
Noteholder	Interest expenses paid and payable on the Convertible Bonds	(iii)	17,691	17,253
The Ultimate Holding Company and a Fellow Subsidiary	Recharge of license fee and administrative expenses received and receivable	(iv)	6,252	–
Fellow subsidiary	Sales of logs and timber products	(v)	6,433	–
Fellow subsidiary	Reimbursements	(vi)	289	4,888

Notes:

(i) The interest expenses on the Intermediate Holding Company Loan, which is unsecured and repayable on 17 May 2015, were charged based on the London Interbank Offered Rate plus 3.5% per annum.

(ii) The interest expenses were charged based on the Hong Kong Prime Rate on the following loans from the Immediate Holding Company:

- an unsecured loan with principal amount of HK$62,400,000 (i.e. US$8,000,000) which is repayable on 26 March 2015;
- an unsecured loan with principal amount of HK$27,300,000 (i.e. US$3,500,000) which is repayable on 28 June 2016; and
- an unsecured loan with principal amount of HK$15,342,000 (i.e. US$1,967,000) which is repayable on 19 June 2017.

(iii) The amounts disclosed above represents the imputed interest expenses charged to profit or loss for accounting purposes for the Convertible Bonds. The actual coupon calculated based on the coupon rate of 5% per annum as set out in the terms and conditions of the Convertible Bonds is HK$6,629,000 (2013: HK$6,661,000).

(iv) The license fee and administrative expenses were recharged to the Ultimate Holding Company and fellow subsidiary with reference to the actual costs incurred.

(v) The sales of logs and timber products to a fellow subsidiary were made with reference to the prevailing market prices and under normal commercial terms of the sales of similar type of products.

(vi) The reimbursements for the Year were recharged by a fellow subsidiary with reference to the actual costs incurred and paid on behalf of the Group in relation to certain administrative expenses. The reimbursements for the year ended 31 December 2013 were recharged by a fellow subsidiary with reference to the actual costs incurred and paid on behalf of the Group in relation to the remuneration and out of pocket expenses of a director of the Company.

(b) Outstanding balances with related parties

(i) The deposit received from a fellow subsidiary is trade in nature, and is unsecured and interest-free.

(ii) Included in the amounts due from affiliated companies is a trade balance with a fellow subsidiary of HK$3,031,000 (2013: nil) with credit terms of 60 days which is unsecured and interest-free. The remaining balances with the Ultimate Holding Company and fellow subsidiary are unsecured, interest-free and repayable within one year.

The amounts due to affiliated companies represented interest payables in relation to the Immediate Holding Company Loan and Intermediate Holding Company Loans amounting to HK$4,756,000 and HK$1,000 (2013: HK$15,000 and HK$130,000), respectively, which are unsecured, interest-free and repayable within one year.

(c) Compensation of key management personnel of the Group

	2014	**2013**
	HK$'000	*HK$'000*
Short-term employee benefits	8,128	19,187
Compensation for loss of office	3,402	–
Equity-settled share options	1,157	1,474
Pension scheme contributions	22	44
	12,709	20,705

14. EVENTS AFTER THE REPORTING PERIOD

The following significant events occurred subsequent to the end of the reporting period:

(a) On 31 October 2014, the Company announced that EPGL, Sino-Capital and Newforest, had entered into certain sales and purchase agreements, pursuant to which Newforest conditionally agreed to purchase (i) from Sino-Capital of approximately 62.82% of the issued share capital of the Company for a total consideration of US$45,000,000 (equivalent to approximately HK$351,000,000); (ii) from Sino-Capital of approximately 39.61% equity interest in Greenheart Resources Holdings Limited ("Greenheart Resources", a non-wholly owned subsidiary of the Company), being 3,036,000,000 ordinary shares of Greenheart Resources, for a total consideration of US$10,000,000 (equivalent to approximately HK$78,000,000); and (iii) the debt interests of EPGL and Sino-Capital in the Group in the aggregate sum of US$53,466,960 (equivalent to approximately HK$417,042,288) together with any further principal amount to be borrowed by Greenheart Resources from Sino-Capital plus accrued but unpaid interest thereon.

Upon completion of the aforesaid transaction, a mandatory unconditional cash offer will be made by Newforest under The Hong Kong Code on Takeovers and Mergers for all the issued ordinary shares of the Company (other than those already owned by or agreed to be acquired by Newforest and parties acting in concert with it) and the cancellation of all outstanding options granted by the Company under the share option scheme of the Company and the Convertible Bonds of the Company.

Further details of the aforesaid transaction are set out in the Company's announcement dated 11 December 2014 and circular to shareholders dated 23 January 2015.

(b) On 22 January 2015, representatives of the Suriname government and the coalition of the forestry industry signed an agreement in principle regarding the proposed change to the forest concession levy and harvest royalty fee requirements. The concession levy of SR$20 per hectare per year as originally announced by the Suriname government in early 2014 is to be revoked as if it has never taken effect and commencing from 1 January 2015, the concession fee will be levied at SR$5 per hectare per year while at the same time the harvest royalty fee will be reduced from the range of US$5.5 per cbm to US$6 per cbm to US$3.95 per cbm from 1 March 2015 onwards. The outcome of the agreement in principle was approved by the Board of Ministers on 30 January 2015. A new Ministerial Order with the revised concession levy and royalty fees was subsequently enacted by the Minister of Forestry and the Minister of Finance and was published in the official Gazette in Suriname on 2 March 2015. As at 31 December 2014, the Group has made an accrual in respect of the increased concession levy of HK$15,751,000, of which HK$13,441,000 has been charged to profit or loss for the Year and the remaining HK$2,310,000 has been capitalized in closing inventory as at 31 December 2014. No levy payments were made during 2014 pending clarification of the new concession levy. As a result of the enactment of the said Ministerial Order, the entire amount of HK$15,751,000 will be reversed, of which HK$13,441,000 will be credited as other income in 2015 and the remaining HK$2,310,000 will be reversed from inventory in 2015.

15. COMPARATIVE AMOUNTS

In prior years, the Group's gross profit was defined as revenue less cost of goods sold and other expenses such as unallocated production overheads, write down/write back of inventories, amortization of harvest roading and provisions for impairment, were separately disclosed in "Other operating expenses" in the consolidated statement of comprehensive income.

During the Year, in order to provide a better understanding of the Group's performance, the Group's gross profit was redefined and the unallocated production overheads, write-down/write back of inventories, impairment of prepayments, deposits and other receivables related to inventories and amortization of harvest roading were classified as "Cost of Sales" in the consolidated statement of comprehensive income and "Provisions For Impairment" are separately disclosed in the consolidated statement of comprehensive income for the current Year. Accordingly, certain comparative amounts have been reclassified to conform to the presentation of the current Year.

16. EXTRACTS FROM INDEPENDENT AUDITOR'S REPORT

The following is an extract of the independent auditor's report on the Group audited consolidated financial statements for the year ended 31 December 2014:

Emphasis of matter

Without qualifying our opinion, we draw attention to note 2[#] to the consolidated financial statements which indicates that the Group incurred a consolidated net loss attributable to the equity holders of the Company of HK$133,303,000 for the year ended 31 December 2014 and, as of that date, the Group's current liabilities exceeded its current assets by HK$438,280,000. These conditions indicate the existence of a material uncertainty that may cast significant doubt about the Group's ability to continue as a going concern. As further detailed in note 2[#] to the consolidated financial statements, as at the date of approval of the consolidated financial statements, the Group has obtained consent from the ultimate holding company to extend the repayment dates of both the "Intermediate Holding Company Loan" of HK$312,000,000 and the "Immediate Holding Company Loan" of HK$62,400,000 until the sales of the immediate holding company's entire shareholding and debt interests (including both the Intermediate Holding Company Loan and the Immediate Holding Company Loan) in the Company and the Group are completed. Upon completion of the sales, the purchaser will assume all the rights and benefits of the debt interests. On this basis, the purchaser confirms its intention to extend the respective repayment dates of the debt interests for at least one year from the date of approval of the consolidated financial statements. The consolidated financial statements have been prepared on a going concern basis, the validity of which is dependent on the Group extending the repayment dates of the debt interests. The consolidated financial statements do not include any adjustments that would result should the Group be unable to operate as a going concern.

Being Note 1.2 in this results announcement.

3. AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE GROUP FOR THE YEAR ENDED 31 DECEMBER 2013

Consolidated Statement of Comprehensive Income
Year ended 31 December 2013

	Notes	**2013** *HK$'000*	**2012** *HK$'000*
REVENUE	6	724,583	495,226
Cost of goods sold		(389,112)	(308,810)
Gross profit		335,471	186,416
Other income and gains	6	8,547	10,948
Fair value gain on plantation forest assets		108,847	94,764
Selling and distribution costs		(224,155)	(169,708)
Administrative expenses		(89,135)	(79,489)
Other operating expenses		(103,096)	(132,324)
Non-cash share option expenses		(3,060)	(1,361)
Finance costs	7	(47,344)	(39,966)
LOSS BEFORE TAX	8	(13,925)	(130,720)
Tax	11	(46,372)	(13,657)
LOSS FOR THE YEAR		(60,297)	(144,377)
OTHER COMPREHENSIVE INCOME			
Item that may be reclassified subsequently to profit or loss			
Exchange differences on translation of foreign operations		(1,254)	8,544
Item that will not be reclassified subsequently to profit or loss			
Revaluation gain on forestry land		695	2,612
OTHER COMPREHENSIVE (LOSS)/INCOME FOR THE YEAR, NET OF TAX OF NIL		(559)	11,156
TOTAL COMPREHENSIVE LOSS FOR THE YEAR		(60,856)	(133,221)

	Notes	2013 HK$'000	2012 HK$'000
LOSS FOR THE YEAR ATTRIBUTABLE TO:			
Equity holders of the Company	12	(5,739)	(76,777)
Non-controlling interests		(54,558)	(67,600)
		(60,297)	(144,377)
TOTAL COMPREHENSIVE LOSS FOR THE YEAR ATTRIBUTABLE TO:			
Equity holders of the Company		(6,298)	(65,621)
Non-controlling interests		(54,558)	(67,600)
		(60,856)	(133,221)
LOSS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY			
Basic and diluted	13	HK$(0.007)	HK$(0.098)

Consolidated Statement of Financial Position

31 December 2013

	Notes	2013 HK$'000	2012 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment	14	458,294	407,489
Prepaid land lease payments	15	14,684	15,128
Goodwill	16	7,624	7,624
Timber concessions and cutting rights	17	710,817	738,128
Other intangible assets	18	6,970	3,409
Plantation forest assets	19	521,764	500,738
Prepayments, deposits and other receivables	23	6,218	11,663
Total non-current assets		1,726,371	1,684,179
CURRENT ASSETS			
Inventories	21	58,966	42,271
Trade receivables	22	64,242	35,263
Prepayments, deposits and other receivables	23	108,367	98,333
Tax recoverable		579	1,909
Cash and cash equivalents	24	204,014	144,285
Total current assets		436,168	322,061
CURRENT LIABILITIES			
Trade payables	25	46,451	31,961
Other payables and accruals	26	20,337	32,617
Finance lease payables	27	10,600	7,472
Loan from the intermediate holding company	36(a)(i)	312,000	–
Loan from the former ultimate holding company	36(a)(i)	–	312,000
Due to affiliated companies	36(b)(ii)	145	132
Deposit received from a fellow subsidiary	36(b)(i)	22,565	22,565
Convertible bonds	28	155,919	214,658
Tax payable		25,360	11,991
Total current liabilities		593,377	633,396
NET CURRENT LIABILITIES		(157,209)	(311,335)
TOTAL ASSETS LESS CURRENT LIABILITIES		1,569,162	1,372,844

	Notes	2013 HK$'000	2012 HK$'000
NON-CURRENT LIABILITIES			
Loans from the immediate holding company	36(a)(ii)	89,700	62,400
Interest-bearing bank borrowings	29	195,000	–
Finance lease payables	27	19,717	23,669
Deferred tax liabilities	30	124,551	93,878
Total non-current liabilities		428,968	179,947
NET ASSETS		1,140,194	1,192,897
EQUITY			
Equity attributable to equity holders of the Company			
Issued capital	31	7,899	7,797
Reserves	33(a)	1,002,091	1,000,338
		1,009,990	1,008,135
Non-controlling interests		130,204	184,762
TOTAL EQUITY		1,140,194	1,192,897

Consolidated Statement of Changes in Equity

Year ended 31 December 2013

		Attributable to equity holders of the Company												
	Notes	Issued capital HK$'000	Share premium account HK$'000	Contributed surplus HK$'000	Share option reserve HK$'000 (note 33(a)(iii))	Convertible bond equity reserve HK$'000	Capital reserve HK$'000	Land revaluation reserve HK$'000	Merger reserve HK$'000 (note 33(a)(iii))	Exchange fluctuation reserve HK$'000	Accumulated losses HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
At 1 January 2012		7,797	1,451,590	83,274	26,537	7,328	846	9,052	265	14,556	(528,850)	1,072,395	252,362	1,324,757
Loss for the year		–	–	–	–	–	–	–	–	–	(76,777)	(76,777)	(67,600)	(144,377)
Other comprehensive income for the year:														
Exchange differences on translation of foreign operations		–	–	–	–	–	–	–	–	8,544	–	8,544	–	8,544
Fair value gain on forestry land		–	–	–	–	–	–	2,612	–	–	–	2,612	–	2,612
Total comprehensive income/(loss) for the year		–	–	–	–	–	–	2,612	–	8,544	(76,777)	(65,621)	(67,600)	(133,221)
Equity-settled share option arrangements	32(a)	–	–	–	1,361	–	–	–	–	–	–	1,361	–	1,361
Share options lapsed		–	–	–	(1,945)	–	–	–	–	–	1,945	–	–	–
At 31 December 2012 and 1 January 2013		7,797	1,451,590*	83,274*	25,953*	7,328*	846*	11,664*	265*	23,100*	(603,682)*	1,008,135	184,762	1,192,897
Loss for the year		–	–	–	–	–	–	–	–	–	(5,739)	(5,739)	(54,558)	(60,297)
Other comprehensive income/(loss) for the year:														
Exchange differences on translation of foreign operations		–	–	–	–	–	–	–	–	(1,254)	–	(1,254)	–	(1,254)
Fair value gain on forestry land		–	–	–	–	–	–	695	–	–	–	695	–	695
Total comprehensive income/(loss) for the year		–	–	–	–	–	–	695	–	(1,254)	(5,739)	(6,298)	(54,558)	(60,856)
Exercise of share options	31(a)	102	7,642	–	(2,651)	–	–	–	–	–	–	5,093	–	5,093
Equity-settled share option arrangements	32(a)	–	–	–	3,060	–	–	–	–	–	–	3,060	–	3,060
Share options lapsed		–	–	–	(10,814)	–	–	–	–	–	10,814	–	–	–
Share options cancelled		–	–	–	(15,548)	–	–	–	–	–	15,548	–	–	–
Partial redemption of convertible bonds	28	–	–	–	–	(2,345)	–	–	–	–	2,345	–	–	–
At 31 December 2013		7,899	1,459,232*	83,274*	–*	4,983*	846*	12,359*	265*	21,846*	(580,714)*	1,009,990	130,204	1,140,194

* These reserve accounts comprise the consolidated reserves of HK$1,002,091,000 (2012: HK$1,000,338,000) in the consolidated statement of financial position.

Consolidated Statement of Cash Flows
Year ended 31 December 2013

	Notes	2013 HK$'000	2012 HK$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss before tax		(13,925)	(130,720)
Adjustments for:			
Finance costs	7	47,344	39,966
Bank interest income	6	(255)	(460)
Government grant of carbon credits	6	(3,164)	(5,840)
Loss on disposal of property, plant and equipment	8	506	32
Depreciation	5	27,240	16,588
Amortisation of:			
Depletion cost	5	99,360	85,972
Harvest roading	5	15,433	7,662
Prepaid land lease payments	5	444	444
Other intangible assets	5	276	92
Timber concessions and cutting rights	5	6,629	6,287
Write-down of inventories to net realizable value	5	2,125	2,958
(Reversal of impairment)/Impairment of:			
Other intangible assets	5	(652)	3,882
Trade receivables	5	74	–
Property, plant and equipment	5	–	632
Timber concessions and cutting rights	5	11,695	63,601
Prepayments, deposits and other receivables	5	2,375	–
Equity-settled share option expense	5	3,060	1,361
Fair value gain on plantation forest assets	5	(108,847)	(94,764)
		89,718	(2,307)
Increase in inventories		(14,152)	(29,490)
Increase in trade receivables		(29,053)	(730)
Increase in prepayments, deposits and other receivables		(28,950)	(30,434)
Increase in trade payables		14,541	13,448
(Decrease)/increase in other payables and accruals		(5,416)	10,648
Increase in amounts due to affiliated companies		15	–

	Notes	2013 HK$'000	2012 HK$'000
Cash generated from/(used in) operations		26,703	(38,865)
Interest received		255	460
Overseas taxes paid		(1,050)	–
Interest paid		(29,446)	(24,130)
Net cash flows used in operating activities		(3,538)	(62,535)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of items of property, plant and equipment		(69,815)	(119,927)
Increase in prepayment for the purchase of of items of property, plant and equipment		(1,632)	(9,208)
Proceeds from disposal of property, plant and equipment		963	83
Additions of plantation forest assets	19	(9,702)	(6,415)
Acquisition of assets		–	(11,700)
Decrease in pledged deposits		–	20,118
Addition to other intangible assets		(230)	(1,069)
Increase in other receivables	23(b)	(169)	(4,435)
Net cash flows used in investing activities		(80,585)	(132,553)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of shares	31(a)	5,093	–
Capital element of finance lease rental payments		(6,826)	(6,373)
Interest paid on finance leases		(2,223)	(2,965)
New bank loan	29	195,000	–
Loan from the immediate holding company	36(a)(ii)	27,300	62,400
Partial repayment of convertible bonds	28	(74,426)	–
Net cash flows from financing activities		143,918	53,062
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		59,795	(142,026)
Cash and cash equivalents at beginning of year		144,285	285,018
Effect of foreign exchange rate change, net		(66)	1,293
CASH AND CASH EQUIVALENTS AT END OF YEAR	24	204,014	144,285

	2013 *HK$'000*	2012 *HK$'000*
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	166,401	112,627
Non-pledged time deposits with original maturity of less than three months when acquired	37,613	31,658
Cash and cash equivalents as stated in the consolidated statement of cash flows	204,014	144,285

During the Year, the Group entered into finance lease arrangements in respect of property, plant and equipment with a total capital value at the inception of the leases amounted to HK$9,304,000 (2012: HK$5,773,000) (note 27).

Statement of Financial Position

31 December 2013

	Notes	2013 HK$'000	2012 HK$'000
NON-CURRENT ASSETS			
Investments in subsidiaries	20	1,040,139	1,171,041
Prepayments, deposits and other receivables	23	1,209	–
Total current liabilities		1,041,348	1,171,041
CURRENT ASSETS			
Prepayments, deposits and other receivables	23	642	72
Cash and cash equivalents	24	98,158	45,990
Total current assets		98,800	46,062
CURRENT LIABILITIES			
Accruals	26	2,176	2,830
Convertible bonds	28	155,919	214,658
Total current liabilities		158,095	217,488
NET CURRENT LIABILITIES		(59,295)	(171,426)
TOTAL ASSETS LESS CURRENT LIABILITIES		982,053	999,615
Net assets		982,053	999,615
EQUITY			
Issued capital	31	7,899	7,797
Reserves	33(b)	974,154	991,818
Total equity		982,053	999,615

Notes to Financial Statements

31 December 2013

1. CORPORATE INFORMATION

Greenheart Group Limited is a limited liability company incorporated in Bermuda, the issued shares of which are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

During the Year, on 30 January 2013, Sino-Forest Corporation ("Sino-Forest" or "Former Ultimate Holding Company") announced that it has implemented its plan of compromise and reorganization as approved by the creditors of Sino-Forest on 3 December 2012 and sanctioned by the Ontario Superior Court of Justice on 10 December 2012 pursuant to the Companies' Creditors Arrangement Act (the "Plan") and under which, among other things, all of the shares held by Sino-Forest in its directly owned subsidiaries, including the entire issued share capital of Sino-Capital Global Inc. ("Sino-Capital" or "Immediate Holding Company") were transferred to Emerald Plantation Group Limited ("EPGL" or "Intermediate Holding Company"), a newly formed entity which is ultimately owned by Emerald Plantation Holdings Limited ("EPHL" or "Ultimate Holding Company"), a company incorporated in the Cayman Islands with limited liability.

As at 31 December 2013, the immediate holding company of the Company was Sino-Capital, which is incorporated in the British Virgin Islands ("BVI") and held 496,189,028 shares, representing approximately 62.82% of the issued share capital of the Company, and the ultimate holding company of the Company was EPHL.

2. BASIS OF PRESENTATION

The Group had net current liabilities of approximately HK$157,209,000 as at 31 December 2013, of which HK$312,000,000 represented a loan from EPGL, which is repayable on 17 May 2014 pursuant to the supplemental letters signed on 26 March 2012, 28 June 2013, 7 October 2013 and 13 January 2014 ("Intermediate Holding Company Loan"). Notwithstanding the foregoing and up to the date of these financial statements, the Group is still in discussion with the Ultimate Holding Company, the parent company of EPGL, concerning a further extension of the repayment date of the Intermediate Holding Company Loan. On the basis that an extension will be agreed, in the opinion of the Directors, the Group will have sufficient working capital to finance its operations and to meet its financial obligations as and when they fall due in the foreseeable future, based on the cash flow projections of the Group and after taking into consideration the following:

(i) as at 31 December 2013, the Group had an unutilized banking facility of US$5,000,000 (equivalent to HK$39,000,000) from the Bank of New Zealand;

(ii) the Group is prioritizing completion of construction of its new sawmill in west Suriname, which will bring to an end substantially all of the capital expenditure which has been incurred in Suriname over the past two years. The Directors anticipate that the west Suriname operation can become cash flow neutral by the end of 2014;

(iii) the Group is exploring different options to obtain alternative sources of funding, in particular to finance the Group's capital expenditure by way of, inter alia, leases and long term loans;

(iv) if necessary, the Group will consider disposing of certain of its non-current assets to meet its financial obligations; and

(v) various cost control measures have been taken by the Group, and are continuing, to tighten the costs of operations and to reduce various general and administrative expenses.

Accordingly, these consolidated financial statements have been prepared on the going concern basis.

Should the Group be unable to continue as a going concern, adjustments would have to be made to restate the values of assets to their recoverable amounts, to provide for any further liabilities which might arise and to reclassify non-current assets and liabilities as current assets and liabilities, respectively. The effects of these adjustments have not been reflected in these consolidated financial statements.

3.1 BASIS OF PREPARATION

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"), accounting principles generally accepted in Hong Kong and the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for plantation forest assets and forestry land which are measured at fair value less costs to sell and fair value, respectively. These financial statements are presented in Hong Kong dollars and all values are rounded to the nearest thousand except when otherwise indicated.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 December 2013. The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Profit or loss and each component of other comprehensive income are attributed to the owners of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described in the accounting policy for subsidiaries below. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in profit or loss. The Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

3.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the following new and revised HKFRSs for the first time for the current Year's financial statements:

HKFRS 1 Amendments	Amendments to HKFRS 1 *First Time Adoption of Hong Kong Financial Reporting Standards – Government Loan*
HKFRS 7 Amendments	Amendments to HKFRS 7 *Financial instruments: Disclosures – Offsetting Financial Assets and Financial Liabilities*
HKFRS 10	*Consolidated Financial Statements*
HKFRS 11	*Joint Arrangements*
HKFRS 12	*Disclosure of Interests in Other Entities*
HKFRS 10, HKFRS 11 and HKFRS 12 Amendments	Amendments to HKFRS 10, HKFRS 11 and HKFRS 12 *– Transition Guidance*
HKFRS 13	*Fair Value Measurement*
HKAS 1 Amendments	Amendments to HKAS 1 *Presentation of Financial Statements – Presentation of Items of Other Comprehensive Income*
HKAS 19 (2011)	*Employee Benefits*
HKAS 27 (2011)	*Separate Financial Statements*
HKAS 28 (2011)	*Investments in Associates and Joint Ventures*
HK(IFRIC)-Int 20	*Stripping Costs in the Production Phase of a Surface Mine*
Annual improvements 2009-2011 Cycle	Amendments to a number of HKFRSs issued in June 2012

Other than as further explained below regarding the impact of HKFRS 10, HKFRS 12, HKFRS 13, amendments to HKFRS 10, HKFRS 12 and certain amendments included in *Annual Improvements 2009-2011 Cycle (Include other standards as appropriate)*, the adoption of the new and revised HKFRSs has had no significant financial effect on these financial statements.

The principal effects of adopting these new and revised HKFRSs are as follows:

(a) HKFRS 10 replaces the portion of HKAS 27 *Consolidated and Separate Financial Statements* that addresses the accounting for consolidated financial statements and addresses the issues in HK(SIC)-Int 12 *Consolidation – Special Purpose Entities*. It establishes a single control model used for determining which entities are consolidated. To meet the definition of control in HKFRS 10, an investor must have (a) power over an investee, (b) exposure, or rights, to variable returns from its involvement with the investee, and (c) the ability to use its power over the investee to affect the amount of the investor's returns. The changes introduced by HKFRS 10 require management of the Group to exercise significant judgement to determine which entities are controlled.

As a result of the application of HKFRS 10, the Group has changed the accounting policy with respect to determining which investees are controlled by the Group.

The application of HKFRS 10 does not change any of the consolidation conclusions of the Group in respect of its involvement with investees as at 1 January 2013.

(b) HKFRS 12 sets out the disclosure requirements for subsidiaries, joint arrangements, associates and structured entities previously included in HKAS 27 *Consolidated and Separate Financial Statements*, HKAS 31 *Interests in Joint Ventures* and HKAS 28 *Investments in Associates*. It also introduces a number of new disclosure requirements for these entities. Details of the disclosures for subsidiaries are included in note 20 to the financial statements.

(c) The HKFRS 10 and HKFRS 12 Amendments clarify the transition guidance in HKFRS 10 and provide further relief from full retrospective application of these standards, limiting the requirement to provide adjusted comparative information to only the preceding comparative period. The amendments clarify that retrospective adjustments are only required if the consolidation conclusion as to which entities are controlled by the Group is different between HKFRS 10 and HKAS 27 or HK(SIC)-Int 12 at the beginning of the annual period in which HKFRS 10 is applied for the first time.

(d) HKFRS 13 provides a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across HKFRSs. The standard does not change the circumstances in which the Group is required to use fair value, but rather provides guidance on how fair value should be applied where its use is already required or permitted under other HKFRSs. HKFRS 13 is applied prospectively and the adoption has had no material impact on the Group's fair value measurements. As a result of the guidance in HKFRS 13, the policies for measuring fair value have been amended.

(e) The HKAS 1 Amendments change the grouping of items presented in other comprehensive income ("OCI"). Items that could be reclassified (or recycled) to profit or loss at a future point in time (for example, exchange differences on translation of foreign operations, net movement on cash flow hedges and net loss or gain on available-for-sale financial assets) are presented separately from items which will never be reclassified (for example, the revaluation of land and buildings). The amendments have affected the presentation only and have had no impact on the financial position or performance of the Group. The consolidated statement of comprehensive income has been restated to reflect the changes.

(f) *Annual Improvements 2009-2011 Cycle* issued in June 2012 sets out amendments to a number of standards. There are separate transitional provisions for each standard. While the adoption of some of the amendments may result in changes in accounting policies, none of these amendments have had a significant financial impact on the financial statements of the Group. Details of the key amendments most applicable to the Group are as follows:

- HKAS 1 *Presentation of Financial Statements*: Clarifies the difference between voluntary additional comparative information and the minimum required comparative information. Generally, the minimum required comparative period is the previous period. An entity must include comparative information in the related notes to the financial statements when it voluntarily provides comparative information beyond the previous period. The additional comparative information does not need to contain a complete set of financial statements.

  In addition, the amendment clarifies that the opening statement of financial position as at the beginning of the preceding period must be presented when an entity changes its accounting policies; makes retrospective restatements or makes reclassifications, and that change has a material effect on the statement of financial position. However, the related notes to the opening statement of financial position as at the beginning of the preceding period are not required to be presented.

- HKAS 32 *Financial Instruments: Presentation*: Clarifies that income taxes arising from distributions to equity holders are accounted for in accordance with HKAS 12 *Income Taxes*. The amendment removes existing income tax requirements from HKAS 32 and requires entities to apply the requirements in HKAS 12 to any income tax arising from distributions to equity holders.

3.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

The Group has not applied the following new and revised HKFRSs, that have been issued but are not yet effective, in these financial statements:

HKFRS 9	*Financial Instruments* [4]
HKFRS 9, HKFRS 7 and KAS 39	*Hedge Accounting and amendments to HKFRS 9, HKFRS 7 and HKAS 39 Amendments* [4]
HKFRS 10, HKFRS 12 and HKAS 27 (2011) Amendments	Amendments to HKFRS 10, HKFRS 12 and HKAS 27 (2011) – *Investment Entities* [1]
HKFRS 14	*Regulatory Deferral Accounts*[3]
HKAS 19 Amendments	Amendments to HKAS 19 Employee Benefits – *Defined Benefit Plans: Employee Contributions* [2]
HKAS 32 Amendments	Amendments to HKAS 32 *Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities* [1]
HKAS 36 Amendments	Amendments to HKAS 36 *Impairment of Assets – Recoverable Amount Disclosures for Non-Financial Assets* [1]
HKAS 39 Amendments	Amendments to HKAS 39 Financial Instruments: Recognition and Measurement – *Novation of Derivatives and Continuation of Hedge Accounting* [1]
HK(IFRIC)-Int 21	*Levies* [1]
Annual Improvements 2010-2012 Cycle	Amendments to a number of HKFRSs issued in January 2014
Annual Improvements 2011-2013 Cycle	Amendments to a number of HKFRSs issued in January 2014

1 Effective for annual periods beginning on or after 1 January 2014
2 Effective for annual periods beginning on or after 1 July 2014
3 Effective for annual periods beginning on or after 1 January 2016
4 No mandatory effective date yet determined but is available for adoption

Further information about those HKFRSs that are expected to be applicable to the Group is as follows:

(a) HKFRS 9 issued in November 2009 is the first part of phase 1 of a comprehensive project to entirely replace HKAS 39 *Financial Instruments: Recognition and Measurement*. This phase focuses on the classification and measurement of financial assets. Instead of classifying financial assets into four categories, an entity shall classify financial assets as subsequently measured at either amortised cost or fair value, on the basis of both the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. This aims to improve and simplify the approach for the classification and measurement of financial assets compared with the requirements of HKAS 39.

In November 2010, the HKICPA issued additions to HKFRS 9 to address financial liabilities (the "Additions") and incorporated in HKFRS 9 the current derecognition principles of financial instruments of HKAS 39. Most of the Additions were carried forward unchanged from HKAS 39, while changes were made to the measurement of financial liabilities designated as at fair value through profit or loss using the fair value option ("FVO"). For these FVO liabilities, the amount of change in the fair value of a liability that is attributable to changes in credit risk must be presented in OCI. The remainder of the change in fair value is presented in profit or loss, unless presentation of the fair value change in respect of the liability's credit risk in OCI would create or enlarge an accounting mismatch in profit or loss. However, loan commitments and financial guarantee contracts which have been designated under the FVO are scoped out of the Additions.

In December 2013, the HKICPA added to HKFRS 9 the requirements related to hedge accounting and made some related changes to HKAS 39 and HKFRS 7 which include the corresponding disclosures about risk management activity for applying hedge accounting. The amendments to HKFRS 9 relax the requirements for assessing hedge effectiveness which result in more risk management strategies being eligible for hedge accounting. The amendments also allow greater flexibility on the hedged items and relax the rules on using purchased options and non-derivative financial instruments as hedging instruments. In addition, the amendments to HKFRS 9 allow an entity to apply only the improved accounting for own credit risk-related fair value gains and losses arising on FVO liabilities as introduced in 2010 without applying the other HKFRS 9 requirements at the same time.

(b) HKAS 39 is aimed to be replaced by HKFRS 9 in its entirety. Before this entire replacement, the guidance in HKAS 39 on impairment of financial assets continues to apply. The previous mandatory effective date of HKFRS 9 was removed by the HKICPA in December 2013 and a mandatory effective date will be determined after the entire replacement of HKAS 39 is completed. However, the standard is available for application now. The Group will quantify the effect in conjunction with other phases, when the final standard including all phases is issued.

(c) The Amendments to HKFRS 10 include a definition of an investment entity and provide an exception to the consolidation requirement for entities that meet the definition of an investment entity. Investment through profit or loss in accordance with HKFRS 9 rather than consolidate them. Consequential amendments were made to HKFRS 12 and HKAS 27 (2011). The amendments to HKFRS 12 also set out the disclosure requirements for investment entities. The Group expects that these amendments will not have any impact on the Group as the Company is not an investment entity as defined in HKFRS 10.

(d) The HKAS 32 Amendments clarify the meaning of "currently has a legally enforceable right to set off" for offsetting financial assets and financial liabilities. The amendments also clarify the application of the offsetting criteria in HKAS 32 to settlement systems (such as central clearing house systems) which apply gross settlement mechanisms that are not simultaneous. The amendments are not expected to have any impact on the financial position or performance of the Group upon adoption on 1 January 2014.

3.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Subsidiaries

A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

When the Company has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

(a) the contractual arrangement with the other vote holders of the investee;

(b) rights arising from other contractual arrangements; and

(c) the Group's voting rights and potential voting rights.

The results of subsidiaries are included in the Company's profit or loss to the extent of dividends received and receivable. The Company's investments in subsidiaries that are not classified as held for sale in accordance with HKFRS 5 are stated at cost less any impairment losses.

Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The consideration transferred is measured at the acquisition date fair value which is the sum of the acquisition date fair values of assets transferred by the Group, liabilities assumed by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of net assets in the event of liquidation either at fair value or at the proportionate share of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at fair value. Acquisition-related costs are expensed as incurred.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, the previously held equity interest in the acquiree is remeasured at its acquisition date fair value and any resulting gain or loss is recognized in profit or loss.

Any contingent consideration to be transferred by the acquirer is recognized at fair value at the acquisition date. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of HKAS 39 is measured at fair value with changes in fair value either recognized in profit or loss or as a change to other comprehensive income. If the contingent consideration is not within the scope of HKAS 39, it is measured in accordance with the appropriate HKFRS. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is accounted for within equity.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred, the amount recognized for non-controlling interests and any fair value of the Group's previously held equity interests in the acquiree over the identifiable net assets acquired and liabilities assumed. If the sum of this consideration and other items is lower than the fair value of the net assets acquired, the difference is, after reassessment, recognized in profit or loss as a gain on bargain purchase.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. The Group performs its annual impairment test of goodwill as at 31 December. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognized. An impairment loss recognized for goodwill is not reversed in a subsequent period.

Where goodwill has been allocated to a cash-generating unit (or group of cash-generating units) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on the disposal. Goodwill disposed of in these circumstances is measured based on the relative value of disposed operation and the portion of the cash-generating unit retained.

Fair value measurement

The Group measures its plantation forest assets and forestry land at fair value less costs to sell and fair value, respectively, at the end of each reporting period. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 – based on quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly

Level 3 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognized in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories, financial assets and goodwill), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs to sell, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognized only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to profit or loss in the period in which it arises in those expense categories consistent with the function of the impaired asset.

An assessment is made at the end of each reporting period as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognized impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortization) had no impairment loss been recognized for the asset in prior years. A reversal of such an impairment loss is credited to profit or loss in the period in which it arises.

Related parties

A party is considered to be related to the Group if:

(a) the party is a person or a close member of that person's family and that person

- (i) has control or joint control over the Group;
- (ii) has significant influence over the Group; or
- (iii) is a member of the key management personnel of the Group or of a parent of the Group; or

(b) the party is an entity where any of the following conditions applies:

- (i) the entity and the Group are members of the same group;
- (ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);
- (iii) the entity and the Group are joint ventures of the same third party;
- (iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;
- (v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;
- (vi) the entity is controlled or jointly controlled by a person identified in (a); and
- (vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

Plantation forest assets

Plantation forest assets predominately consist of standing trees in a forest on which the Group undertakes agricultural activities to transform the standing trees into agricultural produce for sale. The forest establishment and maintenance expenses are charged to profit or loss in the period in which they are incurred.

Plantation forest assets are stated at fair value less costs to sell at the end of each reporting period and the gain or loss arising from the changes in the fair value less costs to sell of the plantation forest assets is recognized in profit or loss in the period in which it arises.

If an active market exists for standing trees with reference to the distribution of the forest area by age-class, land tenure, forest health, expected growth and yield of the tree crops are adopted for determining the fair value of these assets. If an active market does not exist, the Group uses the most recent market transaction price, provided that there has not been a significant change in economic circumstances between the transaction date and the end of reporting period, or the market prices for similar assets adjusted to reflect differences to determine fair values or as determined by independent professional valuers.

At the time the tree is harvested, the agricultural produce is measured at its fair value less costs to sell at the point of harvest. It is taken out of the plantation forest assets (non-current assets) and accounted for under inventories (current assets). Depletion of plantation forest assets is calculated based on the net present value of the harvest in the current year from the most recent forest revaluation, spread over the planned harvest volume for the current year.

Property, plant and equipment and depreciation

Forestry land

Forestry land of the Group is freehold land, which is measured initially at cost, including transaction costs. Subsequent to initial recognition, forestry land is stated at fair value and is not depreciated.

Valuations are performed frequently enough to ensure that the fair value of the forestry land does not differ materially from its carrying amount. Changes in the values of the forestry land are dealt with as movements in the land revaluation reserve. If the total of this reserve is insufficient to cover a deficit, on an individual asset basis, the excess of the deficit is charged to profit or loss. Any subsequent revaluation surplus is credited to profit or loss to the extent of the deficit previously charged. On disposal of the forestry land, the relevant portion of the land revaluation reserve realized in respect of previous valuations is transferred to retained profits/accumulated losses as a movement in reserves.

Forestry land is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognized in profit or loss in the period the forestry land is derecognized is the difference between the net sales proceeds and its then carrying amount.

Other property, plant and equipment

Other property, plant and equipment, other than construction in progress, are stated at cost less accumulated depreciation and any accumulated impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalized in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognizes such parts as individual assets with specific useful lives and depreciates them accordingly.

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The principal annual rates used for this purpose are as follows:

Buildings and capital roadings	2.5% to 10%
Leasehold improvements	Over the shorter of the lease terms and 10%
Plant and machinery	
Sawmill facilities	4%
Others	10% – 20%
Furniture, fixtures and office equipment	20% – 33.3%
Motor vehicles	10% to 20%

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

An item of property, plant and equipment including any significant part initially recognized is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognized in profit or loss in the year the asset is derecognized is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Construction in progress represents a building under construction and forestry heavy equipments under installation, which is stated at cost less any impairment losses, and is not depreciated. Cost comprises the direct costs of construction during the period of construction. Construction in progress is reclassified to the appropriate category of property, plant and equipment when completed and ready for use.

Timber concessions and cutting rights

Timber concessions and cutting rights acquired separately by the Group are intangible assets and are stated at cost less accumulated amortization and any accumulated impairment losses. These timber concessions and cutting rights give the Group rights to harvest trees in the allocated concession forests in designated areas in the Republic of Suriname ("Suriname"). Amortization is charged on a unit-of-production basis, whereby the annual amortization amount is determined based on the actual logging volume for the year to the projected total standing log volume of the timber concessions and cutting rights. These timber concessions and cutting rights are assessed for impairment whenever there is an indication that the timber concessions and cutting rights may be impaired. The amortization period and the amortization method for timber concessions and cutting rights with a finite useful life are reviewed at least at each financial year end.

Other intangible assets (other than goodwill)

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets granted to the Group is the fair value at the date of grant. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are subsequently amortized over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at least at each financial year end.

Intangible assets with indefinite useful lives are tested for impairment annually either individually or at the cash-generating unit level. Such intangible assets are not amortized. The useful life of an intangible asset with an indefinite life is reviewed annually to determine whether the indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is accounted for on a prospective basis.

Carbon credits

Carbon credits with indefinite useful life are stated at cost less any impairment losses.

Research and development costs

All research costs are charged to profit or loss as incurred.

Expenditures incurred on projects for FSC certification and computer software programs are capitalized and deferred only when the Group can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, its intention to complete and its ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete the project and the ability to measure reliably the expenditure during the development. Development expenditure which does not meet these criteria is expensed when incurred. Directly attributable costs that are capitalized as part of the assets include the staff costs and an appropriate portion of relevant overheads.

Deferred development costs are stated at cost less any impairment losses and are amortized using the straight-line basis over the commercial lives of the underlying products not exceeding five years, commencing from the date when the products are put into commercial production.

Leases

Leases that transfer substantially all the rewards and risks of ownership of assets to the Group, other than legal title, are accounted for as finance leases. At the inception of a finance lease, the cost of the leased asset is capitalized at the present value of the minimum lease payments and recorded together with the obligation, excluding the interest element, to reflect the purchase and financing. Assets held under capitalized finance leases, under finance leases, are included in property, plant and equipment, and depreciated over the shorter of the lease terms and the estimated useful lives of the assets. The finance costs of such leases are charged to profit or loss so as to provide a constant periodic rate of charge over the lease terms.

Assets acquired through hire purchase contracts of a financing nature are accounted for as finance leases, but are depreciated over their estimated useful lives.

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Where the Group is the lessor, assets leased by the Group under operating leases are included in non-current assets, and rentals receivable under the operating leases are credited to profit or loss on the straight-line basis over the lease terms. Where the Group is the lessee, rentals payable under operating leases, net of any incentives received from the lessor, are charged to profit or loss on the straight-line basis over the lease terms.

Prepaid land lease payments under operating lease are initially stated at cost and subsequently amortized on the straight-line basis over the lease terms.

Investments and other financial assets

Initial recognition and measurement

Financial assets within the scope of HKAS 39 are classified as loans and receivables. The Group determines the classification of its financial assets at initial recognition. When financial assets are recognized initially, they are measured at fair value plus transaction costs, except in the case of financial assets recorded at fair value through profit or loss.

All regular way purchases and sales of financial assets are recognized on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

Subsequent measurement

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such assets are subsequently measured at amortized cost using the effective interest rate method less any allowance for impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and includes fees or costs that are an integral part of the effective interest rate. The effective interest rate amortization is included in other income and gains in profit or loss. The loss arising from impairment is recognized in finance costs for loans and in other expenses for receivables.

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognized when:

- the rights to receive cash flows from the asset have expired; or

- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risk and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognized to the extent of the Group's continuing involvement in the asset. In that case, the Group also recognizes an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Impairment of financial assets

The Group assesses at the end of each reporting period whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (an incurred "loss event") and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that a debtor or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganization and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Financial assets carried at amortized cost

For financial assets carried at amortized cost, the Group first assesses individually whether objective evidence of impairment exists for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognized are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition). If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate.

The carrying amount of the asset is reduced either directly or through the use of an allowance account and the amount of the loss is recognized in profit or loss. Interest income continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. Loans and receivables together with any associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realized or has been transferred to the Group.

If, in a subsequent period, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognized, the previously recognized impairment loss is increased or reduced by adjusting the allowance account. If a future write-off is later recovered, the recovery is credited to other operating expenses in profit or loss.

Financial liabilities

Initial recognition and measurement

Financial liabilities within the scope of HKAS 39 are classified as loans and borrowings. The Group determines the classification of its financial liabilities at initial recognition. All financial liabilities are recognized initially at fair value plus, in the case of loans and borrowings, directly attributable transaction costs.

The Group's financial liabilities include trade and other payables, amounts due to and loan from the ultimate holding company, loan from the intermediate holding company, loan from the immediate holding company, interest-bearing bank borrowing, deposit received, financial lease payable and liability component of convertible bonds.

Subsequent measurement

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortized cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognized in profit or loss when the liabilities are derecognized as well as through the effective interest rate method amortization process.

Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortization is included in finance costs in profit or loss.

Convertible bonds

The component of convertible bonds that exhibits characteristics of a liability is recognized as a liability in the statement of financial position, net of transaction costs. On issuance of convertible bonds, the fair value of the liability component is determined using a market rate for an equivalent non-convertible bond; and this amount is carried as a non-current liability on the amortized cost basis until extinguished on conversion or redemption. The remainder of the proceeds is allocated to the conversion option that is recognized and included in shareholders' equity, net of transaction costs. The carrying amount of the conversion option is not remeasured in subsequent years. Transaction costs are apportioned between the liability and equity components of the convertible bonds based on the allocation of proceeds to the liability and equity components when the instruments are first recognized.

Upon the exercise of the conversion options, the resulting ordinary shares issued are recorded by the Company as additional share capital at the nominal value of the ordinary shares issued,and the excess of the total carrying amount of the liability and equity components of the convertible bonds over the nominal value of the ordinary shares issued is recorded in the share premium account.

When the convertible bonds are redeemed before maturity, through an early redemption or repurchase in which the original conversion privileges are unchanged, the Company allocates the consideration paid and any transaction costs for the repurchase or redemption to the liability and equity components of the instrument at the date of the transaction. The method used in allocating the consideration paid and transaction costs to the separate components is consistent with that used in the original allocation to the separate components of the proceeds received by the Company when the convertible bonds was issued. Any difference between the allocated consideration paid and carrying amount of the liability component is recognized in profit or loss whereas the allocated consideration relating to the equity component is recognized directly in equity.

When the conversion option lapses or remains unexercised at the expiry date, the respective balance of the equity component of the convertible bonds will be transferred to retained profits/accumulated losses as a movement in reserves. No gain or loss is recognized in profit or loss upon conversion or expiration of the conversion option.

Derecognition of financial liabilities

A financial liability is derecognized when the obligation under the liability is discharged or cancelled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognized in profit or loss.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the assets and settle the liabilities simultaneously.

Inventories

Inventories are stated at the lower of cost and net realizable value.

Cost for the Group's logs and timber products in Suriname is determined using standard costing basis and, in the case of work in progress and finished goods, comprises direct materials, direct labour and an appropriate proportion of overheads and amortization of timber concessions and cutting rights.

Cost for the Group's logs in New Zealand is determined on the first-in, first-out basis. In respect of felled trees harvested from the plantation forest assets, their costs are measured on initial recognition at their fair value less costs to sell at the point of harvest.

Net realizable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

For the purpose of the statement of financial position, cash and cash equivalents comprise cash on hand and at banks, including term deposits, and assets similar in nature to cash, which are not restricted as to use.

Provisions

A provision is recognized when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognized for a provision is the present value at the end of the reporting period of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in profit or loss.

Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognized outside profit or loss is recognized outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period, taking into consideration interpretations and practices prevailing in the countries in which the Group operates.

Deferred tax is provided, using the liability method, on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognized for all taxable temporary differences, except:

- when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of taxable temporary differences associated with investments in subsidiaries, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognized for all deductible temporary differences, the carryforward of unused tax credits and any unused tax losses. Deferred tax assets are recognized to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, the carryforward of unused tax credits and unused tax losses can be utilized, except:

- when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of deductible temporary differences associated with investments in subsidiaries, deferred tax assets are only recognized to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. Unrecognized deferred tax assets are reassessed at the end of each reporting period and are recognized to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Government grants

Government grants are recognized at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. Where the Group receives a non-monetary grant, the asset and the grant are recorded at the fair value of the non-monetary asset and released to profit or loss over the expected useful life of the relevant asset.

Revenue recognition

Revenue is recognized when it is probable that the economic benefits will flow to the Group and when the revenue can be measured reliably, on the following bases:

(a) from the sale of goods, when the significant risks and rewards of ownership have been transferred to the buyer, provided that the Group maintains neither managerial involvement to the degree usually associated with ownership, nor effective control over the goods sold;

(b) rental income, on the straight-line basis over the lease terms; and

(c) interest income, on an accrual basis using the effective interest rate method by applying the rate that exactly discounts the estimated future cash receipts through the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset; and

Share-based payments

The Company participates in a share option scheme for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Employees (including directors) of the Group receive remuneration in the form of share-based payment transactions, whereby employees render services as consideration for equity instruments ("equity-settled transactions").

The cost of equity-settled transactions with eligible participants is measured by reference to the fair value at the date at which they are granted. The fair value is determined by an external valuer using a binomial model, further details of which are given in note 32 to these financial statements.

The cost of equity-settled transactions is recognized, together with a corresponding increase in the share option reserve, over the period in which the performance and/or service conditions are fulfilled. The cumulative expense recognized for equity-settled transactions at the end of each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The charge or credit to profit or loss for a period represents the movement in the cumulative expense recognized as at the beginning and end of that period.

No expense is recognized for awards that do not ultimately vest, except for equity-settled transactions where vesting is conditional upon a market or non-vesting condition, which are treated as vesting irrespective of whether or not the market condition or non-vesting condition is satisfied, provided that all other performance or service conditions are satisfied.

Where the terms of an equity-settled award are modified, as a minimum an expense is recognized as if the terms had not been modified, if the original terms of the award are met. In addition, an expense is recognized for any modification that increases the total fair value of the share-based payments, or is otherwise beneficial to the eligible participant as measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognized for the award is recognized immediately. This includes any award where non-vesting conditions within the control of either the Group or the employee are not met. However, if a new award is substituted for the cancelled award, and is designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph.

The dilutive effect of outstanding options is reflected as additional share dilution in the computation of earnings per share.

Upon the exercise of share options, the resulting shares issued are recorded by the Company as additional share capital at the nominal value of the shares, and the excess of the exercise price per share over the nominal value of the shares is recorded by the Company in the share premium account. In addition, at the time when the share options are exercised, the amount previously recognized in the share option reserve will be transferred to the share premium account.

Options which are cancelled prior to their exercise date or lapse are deleted from the register of outstanding options. When the share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognized in the share option reserve will be transferred to retained profits/accumulated losses as a movement in reserves.

Other employee benefits

Pension scheme

The Group operates a defined contribution Mandatory Provident Fund retirement benefit scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance for all of its employees in Hong Kong. Contributions are made based on a percentage of the employees' basic salaries and are charged to profit or loss as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, i.e., assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalized as part of the cost of those assets. The capitalization of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs capitalized. All other borrowing costs are expensed in the period in which they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Foreign currencies

These financial statements are presented in Hong Kong dollars. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates ruling at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rates of exchange ruling at the end of the reporting period. All differences arising on settlement or transaction of monetary items are taken to profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

The functional currencies of the Company and certain overseas subsidiaries are currencies other than the Hong Kong dollar. As at the end of the reporting period, the assets and liabilities of these entities are translated into the presentation currency of the Company at the exchange rates ruling at the end of the reporting period and their statements of comprehensive income are translated into Hong Kong dollars at the weighted average exchange rates for the year.

The resulting exchange differences are recognized in other comprehensive income and accumulated in the exchange fluctuation reserve. On disposal of a foreign operation, the component of the exchange fluctuation reserve relating to that particular foreign operation is recognized in profit or loss.

Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on acquisition are treated as assets and liabilities of the foreign operation and translated at the closing rate.

For the purpose of the consolidated statement of cash flows, the cash flows of the Company and overseas subsidiaries are translated into Hong Kong dollars at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows of overseas subsidiaries which arise throughout the year are translated into Hong Kong dollars at the weighted average exchange rates for the year.

4. SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES

The preparation of the Group's financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

The major judgments, estimates and assumptions that have the most significant effect on the amounts recognized in the financial statements and have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are set out below:

(a) Fair value of forestry land and plantation forest assets

The Group's forestry land and plantation forest assets are stated at fair value and at fair value less costs to sell, respectively. In determining the fair value of the plantation forest assets, the professional valuer has applied a net present value approach. This combines both a sales comparison approach and an income approach (as defined by the relevant valuation standards). The methodologies require key assumptions and estimates regarding discount rate, log price projections, harvest age, plantation management costs, growth and yield, and harvesting costs. In comparison the professional valuer of the underlying forestry land has restricted their assessment to a sales comparison approach.

Both sets of valuers have identified as their respective targets the fair value of the assets. This is also referred to as the market value, or in other instances again the fair market value. The relevant definition, whichever definition is used is the estimated amount for which an asset should exchange on the date of valuation between a willing buyer and a willing seller in an arm's-length transaction after proper marketing wherein the parties have each acted knowledgeably, prudently, and without compulsion. Any change in the valuation assumptions may affect the fair value of the forestry land and the plantation forest assets significantly.

The management reviews the assumptions and estimates periodically to identify any significant change in the fair value of the forestry land and the plantation forest assets. The carrying amounts of the Group's forestry land and plantation forest assets as at 31 December 2013 were HK$109,324,000 and HK$521,764,000 (2012: HK$109,608,000 and HK$500,738,000), respectively. Further details of which are set out in notes 14 and 19 to the financial statements.

The following table demonstrates the sensitivity at the end of the reporting period to a reasonable possible change in production cost, transport cost, log price and discount rate, with all other variables held constant, of the Group's loss before tax (due to changes in the fair value of plantation forest assets).

Change in production cost	Increase/(decrease) in production cost	(Increase)/decrease in loss before tax
	%	*HK$'000*
If the production cost increases	5	(43,750)
If the production cost decreases	(5)	43,750

Change in transport cost	Increase/(decrease) in transport cost	(Increase)/decrease in loss before tax
	%	*HK$'000*
If the transport cost increases	5	(22,456)
If the transport cost decreases	(5)	22,456

Change in log price	Increase/(decrease) in log price	(Increase)/decrease in loss before tax
	%	*HK$'000*
If the log price increases	5	96,899
If the log price decreases	(5)	(96,899)

Change in discount rate	Increase/(decrease) in discount rate	(Increase)/decrease in loss before tax
	Percentage point	*HK$'000*
If the discount rate increases	1	(16,442)
If the discount rate decreases	(1)	18,330

(b) Useful lives and depreciation of property, plant and equipment

The Group determines the estimated useful lives and related depreciation charges of its property, plant and equipment. These estimates are based on the historical experience of the actual useful lives of property, plant and equipment of similar nature and functions. The Group will increase the depreciation charge where useful lives are less than previously estimated lives, and will write off or write down technically obsolete or non-strategic assets that have been abandoned or sold. Actual economic lives may differ from estimated useful lives. Periodic review could result in a change in depreciable lives and therefore depreciation charge in the future periods.

(c) Amortization of timber concessions and cutting rights

Amortization is charged to profit or loss on a unit-of-production basis, by reference to the estimated total standing log volume of the timber concessions and cutting rights, as further detailed in the accounting policy for "Timber concessions and cutting rights" set out in note 3.4 to the financial statements. The estimate of the total logging volume is based on the total proven and probable reserves of the total forestry exploitation volume or contractual period from the date of commencement of commercial exploitation.

(d) Impairment of non-financial assets

The Group assesses whether there are any indicators of impairment for all non-financial assets at the end of each reporting period. Such assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. An impairment exists when the carrying value of an asset or a cash-generating unit exceeds its recoverable amount, which is the higher of its fair value less costs to sell and its value in use. To calculate the fair value less costs to sell, the management estimates the expected future cash flows from the asset or cash-generating unit and chooses a suitable discount rate in order to derive the present value of those cash flows.

(e) Impairment of goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the recoverable amount of the cash-generating units to which the goodwill is allocated. Estimating the recoverable amount requires the Group to make an estimate of the expected future cash flows from the cash-generating units and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying amount of goodwill at 31 December 2013 was HK$7,624,000 (2012: HK$7,624,000). Further details are given in note 16 to the financial statements.

(f) Net realizable value of inventories

Net realizable value of inventories is the estimated selling price in the ordinary course of business, less estimated costs of completion and variable selling expenses. These estimates are based on the current market condition and the historical experience of manufacturing and selling products of similar nature. It could change significantly as a result of changes in customer taste and competitor actions in response to severe industry cycle. The directors reassess the estimations at the end of each reporting period.

(g) Deferred tax liabilities

The accounting for deferred tax required judgements in assessing the likely future tax consequence of events that have been recognized in the financial statements or tax returns. These judgements, which are completed on a taxing jurisdiction basis, takes into account a number of types of evidence, including the following: the sources of future taxable income, mix of earnings among different tax jurisdictions, tax planning strategies, the timing of reversal of deferred tax assets and liabilities and the likelihood of the change of the tax exemptions or concessions granted to the particular legal entity or tax group based on our interaction with local tax authorities and discussion with the relevant experts in that particular tax jurisdiction. As at 31 December 2013, the Group had total deferred tax liabilities of HK$124,551,000 (2012: HK$93,878,000), of which HK$72,680,000 (2012: HK$72,680,000) mainly arising from the fair value adjustment in relation to the acquisitions of 60.39% Greenheart Resources Holdings Limited and its subsidiaries in 2007. Although management believes that the judgments and estimates discussed herein are reasonable, actual result could differ, and the Group may be exposed to increases or decreases in deferred tax expenses that could be material.

5. OPERATING SEGMENT INFORMATION

The Group has adopted HKFRS 8 *Operating Segments* which requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision makers (i.e. the Directors) in order to allocate resources to segments and to assess their performance.

The Group manages its businesses by geographical location and the chief operating decision makers also review the segment information by such category to allocate resources to segments and to assess their performance. The Group has presented the following three reportable segments:

Suriname: Engaging in hardwood log harvesting, timber processing, marketing and sale of logs and timber products

New Zealand: Engaging in softwood log harvesting, marketing and sale of logs

Elsewhere: Engaging in trading of logs and timber products

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on reportable segment profit/(loss), which is a measure of earnings/(loss) before finance costs, tax, depreciation, forest depletion costs as a result of harvesting and amortization (the "EBITDA"). The EBITDA is further adjusted to exclude fair value gains or losses on plantation forest assets, government grants, interest income, impairment losses/reversal and non-cash share option expenses (the "Adjusted EBITDA"), which is also a measure evaluated by management.

Segment assets exclude unallocated head office and corporate assets as these assets are managed on a group basis.

Segment liabilities exclude unallocated head office and corporate liabilities as these liabilities are managed on a group basis.

The following table presents revenue, profit/(loss), assets and liabilities information regarding the Group's operating segments for the Year:

Year ended 31 December 2013

	Suriname^	New Zealand^	Elsewhere^	Unallocated	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
SEGMENT REVENUE	59,945	663,833	805	–	724,583
SEGMENT RESULTS ("Adjusted EBITDA")	(76,514)	211,216	233	(47,911)	87,024
Reconciliation of the segment results:					
Items other than finance costs, tax, forest depletion costs as a result of harvesting, depreciation and amortization					
Fair value gain on plantation forest assets	–	108,847	–	–	108,847
Government grant of carbon credits	–	3,164	–	–	3,164
Interest income	2,214	22	–	207	2,443
Reversal of impairment of other intangible assets***	–	652	–	–	652
Impairment of trade receivables***	(74)	–	–	–	(74)
Impairment of timber concessions and cutting rights***	(11,695)	–	–	–	(11,695)
Impairment of prepayments, deposits and other receivables***	(2,375)	–	–	–	(2,375)
Write-down of inventories, net***	(2,125)	–	–	–	(2,125)
Non-cash share options expenses	–	–	–	(3,060)	(3,060)
SEGMENT RESULTS ("EBITDA")	(90,569)	323,901	233	(50,764)	182,801
Finance costs	(5,906)	(19,090)	–	(22,348)	(47,344)
Forest depletion cost as a result of harvesting*	–	(99,360)	–	–	(99,360)
Depreciation	(22,862)	(1,896)	–	(2,482)	(27,240)
Amortization of harvest roading***	–	(15,433)	–	–	(15,433)
Amortization of timber concessions and cutting rights*	(6,629)	–	–	–	(6,629)
Amortization of prepaid land lease payments**	(444)	–	–	–	(444)
Amortization of other intangible assets***	(276)	–	–	–	(276)
LOSS BEFORE TAX					(13,925)
SEGMENT ASSETS	1,179,625	876,018	–	106,896	2,162,539
SEGMENT LIABILITIES	238,420	624,928	–	158,997	1,022,345
Other segment information					
Capital expenditures#	(63,275)	(47,499)	–	(633)	(111,407)

^ Reportable Segments

Capital expenditure consists of additions to property, plant and equipment, prepaid land lease payments, timber concessions and cutting rights, harvest roading and plantation forest assets.

* Included in "Cost of goods sold" in the consolidated statement of comprehensive income.

** Included in "Administrative expenses" in the consolidated statement of comprehensive income.

*** Included in "Other operating expenses" in the consolidated statement of comprehensive income.

Year ended 31 December 2012

	Suriname^	New Zealand^	Elsewhere^	Unallocated	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
SEGMENT REVENUE	42,489	450,280	2,457	–	495,226
SEGMENT RESULTS ("Adjusted EBITDA")	(59,499)	94,963	385	(40,333)	(4,484)
Reconciliation of the segment results:					
Items other than finance costs, tax, forest depletion costs as a result of harvesting, depreciation and amortization					
Fair value gain on plantation forest assets	–	94,764	–	–	94,764
Government grant of carbon credits	–	5,840	–	–	5,840
Interest income	2,245	56	–	304	2,605
Impairment of other intangible assets***	–	(3,882)	–	–	(3,882)
Impairment of timber concessions and cutting rights***	(63,601)	–	–	–	(63,601)
Impairment of property, plant and equipment***	(632)	–	–	–	(632)
Write-down of inventories, net***	(2,958)	–	–	–	(2,958)
Non-cash share options expenses	–	–	–	(1,361)	(1,361)

	Suriname^ HK$'000	New Zealand^ HK$'000	Elsewhere^ HK$'000	Unallocated HK$'000	Total HK$'000
SEGMENT RESULTS ("EBITDA")	(124,445)	191,741	385	(41,390)	26,291
Finance costs	(4,570)	(12,574)	–	(22,822)	(39,966)
Forest depletion cost as a result of harvesting*	–	(85,972)	–	–	(85,972)
Depreciation	(12,829)	(1,348)	–	(2,411)	(16,588)
Amortization of harvest roading***	–	(7,662)	–	–	(7,662)
Amortization of timber concessions and cutting rights*	(6,287)	–	–	–	(6,287)
Amortization of prepaid land lease payments**	(444)	–	–	–	(444)
Amortization of other intangible assets***	(92)	–	–	–	(92)
LOSS BEFORE TAX					(130,720)
SEGMENT ASSETS	1,159,375	787,747	–	59,118	2,006,240
SEGMENT LIABILITIES	222,966	372,475	–	217,902	813,343
Other segment information					
Capital expenditures#	(119,661)	(41,980)	–	(499)	(162,140)

^ Reportable Segments

Capital expenditure consists of additions to property, plant and equipment, prepaid land lease payments, timber concessions and cutting rights, harvest roading and plantation forest assets.

* Included in "Cost of goods sold" in the consolidated statement of comprehensive income.

** Included in "Administrative expenses" in the consolidated statement of comprehensive income.

*** Included in "Other operating expenses" in the consolidated statement of comprehensive income.

Geographical Information

Revenue is attributed to the following geographical regions of the customers:

	2013	2012
	HK$'000	*HK$'000*
Mainland China	567,711	357,727
India	81,532	77,200
New Zealand	35,246	26,064
Suriname	15,084	14,929
Belgium	13,527	260
Netherlands	7,158	10,260
Hong Kong	3,282	2,167
United Kingdom	630	101
Singapore	247	–
Denmark	166	293
South Korea	–	6,225
	724,583	495,226

Information on major customers

During the Year, the Group had transactions with three (2012: three) customers who each contributed over 10% of the Group's total gross revenue before export tax for the Year. A summary of revenue earned from each of these major customers is set out below:

	2013	2012
	HK$'000	*HK$'000*
Customer 1	126,905	53,847
Customer 2	106,947	N/A*
Customer 3	73,576	56,335
Customer 4	N/A*	63,908
	307,428	174,090

* The corresponding revenue of the related customers did not contribute over 10% of the Group's total gross revenue before export tax.

6. REVENUE, OTHER INCOME AND GAINS

Revenue, which is also the Group's turnover, represents the aggregate of the invoiced value of goods sold, net of export tax and after allowances for returns and trade discounts.

An analysis of revenue, other income and gains is as follows:

	2013	2012
	HK$'000	*HK$'000*
Revenue		
Sales of logs and timber products	724,583	495,226
Other income and gains		
Bank interest income	255	460
Other interest income	2,188	2,145
Rental income for lease of plant and machinery	2,120	2,257
Government grants of carbon credits	3,164	5,840
Others	820	246
	8,547	10,948

7. FINANCE COSTS

An analysis of finance costs is as follows:

		2013	2012
	Notes	*HK$'000*	*HK$'000*
Interest on convertible bonds		17,253	22,822
Interest on a loan from the Intermediate Holding Company		11,949	–
Interest on a loan from the Former Ultimate Holding Company		–	12,574
Interest on loans from the Immediate Holding Company		3,553	1,830
Interest on finance leases		2,353	2,740
Interest on an interest-bearing bank loan		7,141	–
Loss on partial early redemption of convertible bonds	28	5,095	–
		47,344	39,966

8. LOSS BEFORE TAX

The Group's loss before tax is arrived at after charging/(crediting):

	Notes	2013 HK$'000	2012 HK$'000
Cost of inventories sold*		283,123	216,551
Forest harvested as agricultural produce	19	97,523	90,009
Less: Amount reversed from/(capitalized in) inventories		1,837	(4,037)
Forest depletion cost as a result of harvesting*	5	99,360	85,972
Amortization of timber concessions and cutting rights	17	15,616	10,167
Less: Amount capitalized in inventories		(8,987)	(3,880)
Current year expenditure*	5	6,629	6,287
Amortization of			
harvest roading***		15,433	7,662
prepaid land lease payments**		444	444
other intangible assets***		276	92
Depreciation		27,240	16,588
(Reversal of impairment)/impairment of:			
property, plant and equipment***		–	632
timber concessions and cutting rights***		11,695	63,601
other intangible assets***		(652)	3,882
trade receivables***		74	–
prepayments, deposits and other receivables***		2,375	–
Write-down of inventories, net***		2,125	2,958
Loss on disposal of items of property, plant and equipment		506	32
Minimum lease payments under operating leases for land and buildings		7,971	8,164
Auditor's remuneration		1,550	1,550

	2013	2012
	HK$'000	*HK$'000*
Employee benefit expense (including directors' remuneration *(note 9)*):		
Wages and salaries	104,108	76,452
Equity-settled share option expense	3,060	1,361
Pension scheme contributions (defined contribution scheme)	317	393
	107,485	78,206
Foreign exchange differences, net	(1,270)	(1,134)

* Included in "Costs of goods sold" in the consolidated statement of comprehensive income.

** Included in "Administrative expenses" in the consolidated statement of comprehensive income.

*** Included in "Other operating expenses" in the consolidated statement of comprehensive income.

9. DIRECTORS' REMUNERATION

Directors' remuneration for the year, disclosed pursuant to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and Section 161 of the Hong Kong Companies Ordinance, is as follows:

	Group	
	2013	2012
	HK$'000	*HK$'000*
Fees	570	480
Other emoluments:		
Salaries, allowances and benefits in kind	6,188	1,300
Equity-settled share option expense	–	–
Pension scheme contributions	–	–
	6,188	1,300
	6,758	1,780

An analysis of directors' remuneration, on a named basis, is as follows:

	Fees	Salaries, allowances and benefits in kind	Equity-settled share option expense	Pension scheme contributions	Total remuneration
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Year ended 31 December 2013					
Executive directors:					
Mr. Paul Jeremy Brough#	–	–	–	–	–
Mr. Hui Tung Wah, Samuel	–	1,300	–	–	1,300
Mr. William Judson Martin*	–	4,888	–	–	4,888
	–	6,188	–	–	6,188
Non-executive directors:					
Mr. Wang Tong Sai, Eddie#	60	–	–	–	60
Mr. Colin Denis Keogh#	30	–	–	–	30
Mr. Simon Murray	–	–	–	–	–
	90	–	–	–	90
Independent non-executive directors:					
Mr. Tong Yee Yung, Joseph	120	–	–	–	120
Mr. Wong Che Keung, Richard	120	–	–	–	120
Mr. Wong Kin Chi	240	–	–	–	240
	480	–	–	–	480
Total	570	6,188	–	–	6,758

Mr. Brough, Mr. Wang and Mr. Keogh were appointed as directors of the Company on 10 May 2013.

* Mr. Martin resigned as director of the Company on 30 September 2013.

	Fees	Salaries, allowances and benefits in kind	Equity-settled share option expense	Pension scheme contributions	Total remuneration
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Year ended 31 December 2012					
Executive directors:					
Mr. William Judson Martin	–	–	–	–	–
Mr. Hui Tung Wah, Samuel	–	1,300	–	–	1,300
		1,300	–	–	1,300
Non-executive directors:					
Mr. Simon Murray	–	–	–	–	–
	–	–	–	–	–
Independent non-executive directors:					
Mr. Wong Che Keung, Richard	120	–	–	–	120
Mr. Tong Yee Yung, Joseph	120	–	–	–	120
Mr. Wong Kin Chi	240	–	–	–	240
	480	–	–	–	480
Total	480	1,300	–	–	1,780

No bonus (2012: nil) was paid to the Directors. No emoluments (2012: nil) were paid by the Group to the Directors as an inducement to join or upon joining the Group or as compensation for loss of office.

There was no arrangement under which a director waived or agreed to waive any remuneration during the Year.

10. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included one (2012: nil) director, details of whose remuneration are set out in note 9 above. Details of the remuneration of the remaining four (2012: five) non-director, highest paid employees for the year are as follows:

	Group	
	2013	**2012**
	HK$'000	*HK$'000*
Salaries, allowances and benefits in kind	12,429	14,084
Equity-settled share option expense	1,474	2,086
Pension scheme contributions	44	41
	13,947	16,211

The number of non-director, highest paid employees whose remuneration fell within the following bands is as follows:

	Number of employees	
	2013	**2012**
HK$1,500,001 to HK$2,000,000	–	1
HK$2,000,001 to HK$2,500,000	1	1
HK$3,000,001 to HK$3,500,000	2	1
HK$3,500,001 to HK$4,000,000	–	1
HK$4,500,001 to HK$5,000,000	1	–
HK$5,000,001 to HK$5,500,000	–	1
	4	5

No bonus (2012: HK$1,014,000) was paid to the remaining four (2012: five) non-directors, highest paid employees. No emoluments (2012: nil) were paid by the Group to the remaining four (2012: five) non-directors, highest paid employees as an inducement to join or upon joining the Group or as compensation for loss of office.

During the current and prior years, share options with or without a vesting period were granted to the four (2012: five) non-director, highest paid employees in respect of their services to the Group, further details of which are included in the disclosures in note 32 to the financial statements. The fair values of the options without a vesting period have been recognized in profit or loss in the year in which such share options were granted; and those of the options with a vesting period have been recognized in profit or loss over the vesting period. The amounts of the fair values of the options recognized in profit or loss are included in the above non-director, highest paid employees' remuneration disclosures.

11. TAX

Hong Kong profits tax has been provided at the rate of 16.5% (2012:16.5%) on the estimated assessable profits arising in Hong Kong during the year.

New Zealand income tax has been provided at the rate of 28% on the estimated assessable profits arising in New Zealand during the Year. No overseas income tax has been provided during the year ended 31 December 2012 as the subsidiaries operating in overseas countries did not generate any assessable profits arising during the year ended 31 December 2012 based on existing legislation, interpretations and practices in respect thereof.

Subsidiaries established in Suriname and New Zealand are subject to relevant tax rules and regulations of Suriname and New Zealand at the statutory tax rate of 36% and 28%, respectively. One of the Company's major subsidiaries in Suriname is currently enjoying a local income tax exemption for an original period of nine years from 2007 to 2016, which, subject to the approval by the Suriname's tax authorities, may be renewable or extended for a further period upon expiry. During the Year, the effective tax rate, calculated on the basis of total current and deferred tax expenses to as a percentage of operating results, of the Group's New Zealand operation is 24.1% (2012: 16.2%).

		2013	**2012**
	Notes	*HK$'000*	*HK$'000*
Group:			
Current – Hong Kong			
Charge for the year		13,369	9,524
Current – Elsewhere			
Charge for the year		1,324	–
Foreign exchange difference on income tax recoverable/payable		6	(60)
Deferred	30	30,686	2,824
Foreign exchange difference on deferred tax liabilities	30	(63)	1,369
Withholding		1,050	–
		46,372	13,657

A reconciliation of the tax credit applicable to loss before tax at the statutory rate of Hong Kong, where the Company is headquartered, to the tax expense at the effective tax rate, is as follows:

	2013	**2012**
	HK$'000	*HK$'000*
Loss before tax	(13,925)	(130,720)
Tax at the Hong Kong statutory tax rate of 16.5% (2012: 16.5%)	(2,298)	(21,569)
Difference in tax rates of subsidiaries operating in other jurisdictions	8,725	(9,287)
Expenses not deductible for tax	35,413	36,248
Income not subject to tax	(13,279)	(7,190)
Tax losses not recognized	17,163	14,703
Others	648	752
Tax expense	46,372	13,657

12. LOSS FOR THE YEAR ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

The consolidated loss attributable to equity holders of the Company for the Year includes a loss of HK$33,837,000 (2012: HK$39,281,000) that has been dealt with in the financial statements of the Company.

A reconciliation of the amount of consolidated loss for the year attributable to equity holders of the Company dealt with in the financial statements of the Company to the Company's loss for the year is as follows:

		2013	**2012**
	Notes	*HK$'000*	*HK$'000*
Amount of consolidated loss for the year attributable to equity holders of the Company dealt with in the financial statements of the Company		(33,837)	(39,281)
Dividend from subsidiaries attributable to the profits approved and paid during the year		64,100	–
Impairment loss on amount due from a subsidiary		(55,978)	(12,039)
Company's loss for the year	33(b)	(25,715)	(51,320)

13. LOSS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

The calculation of basic loss per share amounts is based on the loss for the Year attributable to equity holders of the Company, and the weighted average of 787,854,501 (2012: 779,724,104) ordinary shares in issue during the Year.

In respect of the diluted loss per share amounts presented, no adjustment has been made to the basic loss per share amounts presented for the years ended 31 December 2013 and 2012 as the impact of the share options and convertible bonds outstanding during these years either had no dilutive effect or had an anti-dilutive effect on the basic loss per share amounts presented.

14. PROPERTY, PLANT AND EQUIPMENT

Group

	Forestry land	Buildings and capital roadings	Leasehold improve–ments	Plant and machinery	Furniture, fixtures and office equipment	Motor vehicles	Construction in progress	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	(notes (a))			*(notes (b))*			*(notes (b))*	
Year ended 31 December 2013								
At 1 January 2013:								
Cost or valuation	109,608	85,258	4,864	132,589	12,177	12,353	80,167	437,016
Accumulated depreciation	–	(4,141)	(2,566)	(16,154)	(3,845)	(2,821)	–	(29,527)
Net carrying amount	109,608	81,117	2,298	116,435	8,332	9,532	80,167	407,489
Net carrying amount:								
At 1 January 2013	109,608	81,117	2,298	116,435	8,332	9,532	80,167	407,489
Additions	–	18,371	22	9,152	2,323	2,291	47,638	79,797
Surplus on revaluation	695	–	–	–	–	–	–	695
Transfers	–	13,267	2,112	7,434	86	73	(22,972)	–
Depreciation provided during the year *(note 5)*	–	(4,310)	(1,548)	(16,162)	(2,872)	(2,348)	–	(27,240)
Disposals	–	–	–	(728)	(13)	(398)	(329)	(1,468)
Exchange realignment	(979)	–	–	–	–	–	–	(979)
At 31 December 2013	109,324	108,445	2,884	116,131	7,856	9,150	104,504	458,294
At 31 December 2013:								
Cost or valuation	109,324	116,896	6,998	145,818	14,563	14,056	104,504	512,159
Accumulated depreciation	–	(8,451)	(4,114)	(29,687)	(6,707)	(4,906)	–	(53,865)
Net carrying amount	109,324	108,445	2,884	116,131	7,856	9,150	104,504	458,294

	Forestry land HK$'000 (notes (a))	Buildings and capital roadings HK$'000	Leasehold improve-ments HK$'000	Plant and machinery HK$'000 (notes (b))	Furniture, fixtures and office equipment HK$'000	Motor vehicles HK$'000	Construction in progress HK$'000 (notes (b))	Total HK$'000
Year ended 31 December 2012								
At 1 January 2012:								
Cost or valuation	100,337	44,133	4,052	31,453	7,966	5,440	106,683	300,064
Accumulated depreciation	–	(1,854)	(1,173)	(6,930)	(1,710)	(1,447)	–	(13,114)
Net carrying amount	100,337	42,279	2,879	24,523	6,256	3,993	106,683	286,950
Net carrying amount:								
At 1 January 2012	100,337	42,279	2,879	24,523	6,256	3,993	106,683	286,950
Additions	–	24,764	88	9,951	4,256	3,084	86,455	128,598
Surplus on revaluation	2,612	–	–	–	–	–	–	2,612
Transfers	–	16,655	724	91,183	3	4,071	(112,636)	–
Impairment during the year recognized in the income statement *(note 5)*	–	(297)	–	–	–	–	(335)	(632)
Depreciation provided during the year *(note 5)*	–	(2,287)	(1,393)	(9,224)	(2,171)	(1,513)	–	(16,588)
Disposals	–	–	–	–	(12)	(103)	–	(115)
Exchange realignment	6,659	3	–	2	–	–	–	6,664
At 31 December 2012	109,608	81,117	2,298	116,435	8,332	9,532	80,167	407,489
At 31 December 2012:								
Cost or valuation	109,608	85,258	4,864	132,589	12,177	12,353	80,167	437,016
Accumulated depreciation	–	(4,141)	(2,566)	(16,154)	(3,845)	(2,821)	–	(29,527)
Net carrying amount	109,608	81,117	2,298	116,435	8,332	9,532	80,167	407,489

Notes:

(a) The forestry land represents a parcel of freehold land in New Zealand. The Group uses the revaluation model of HKAS 16 Property, Plant and Equipment to account for the forestry land, which requires that revaluation should be performed with sufficient regularity to ensure that the carrying amount does not differ materially from that which would be determined using fair value at the end of the year.

The following table illustrates the fair value measurement hierarchy of the Group's forestry land:

	Fair value measurement using			
	Quoted prices in active markets (Level 1)	**Significant observable inputs (Level 2)**	**Significant unobservable inputs (Level 3)**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
As at 31 December 2013				
Recurring fair value measurement for:				
Forestry land	–	109,324	–	109,324

During the Year, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3.

Valuation techniques used to derive level 2 fair value

The Group's forestry land was revalued on 31 December 2013 by Telfer Young (Northland) Limited, independent professionally qualified valuers, with reference to the market price transactions on arm's length terms for land comparable in size and location to that held by the Group. The most significant input into this valuation approach is price per land area.

Had the forestry land been carried under the cost model, the carrying amount of the forestry land of the Group would have been approximately HK$88,761,000 (equivalent to approximately US$11,380,000) as at 31 December 2013 and 2012.

At 31 December 2013 and 2012, all the Group's forestry land with net carrying amount of approximately HK$109,324,000 was pledged to secure Bank Loan Facilities granted to the Group (note 29).

(b) The net carrying amounts of the Group's property, plant and equipment held under finance leases included in the total amounts of plant and machinery and construction in progress as at 31 December 2013 amounted to HK$46,246,000 (2012: HK$54,117,000) and HK$9,304,000 (2012: nil), respectively.

15. PREPAID LAND LEASE PAYMENTS

		Group	
		2013	**2012**
	Notes	*HK$'000*	*HK$'000*
Carrying amount at beginning of year		15,572	16,016
Amortization provided during the year	5	(444)	(444)
Carrying amount at end of year		15,128	15,572
Current portion included in current portion of prepayments, deposits and other receivables	23	(444)	(444)
Non-current portion		14,684	15,128

The leasehold land of the Group is situated in Suriname and is held under medium term leases.

As disclosed in the Company's 2012 annual report, the Group was in the process of obtaining the land use right certificate for one parcel of land located in Suriname from the local government authority. The directors of the Company consider that the relevant land use right certificate will be obtained upon completion of the registration process with local government authority in due course.

16. GOODWILL

	Group	
	2013	**2012**
	HK$'000	*HK$'000*
At beginning of year and end of year:		
Cost and net carrying amount	7,624	7,624
At end of year:		
Cost	8,925	8,925
Accumulated impairment	(1,301)	(1,301)
Net carrying amount	7,624	7,624

Impairment testing

Goodwill, which arose on the acquisitions of subsidiaries, have been allocated to the logs and timber products business cash-generated unit of the Group for impairment testing.

The goodwill is attributable to the acquisition of the 100% equity interest in Dynasty Forestry Industry N.V. ("Dynasty") by Beach Paradise N.V., a 60.39% indirectly owned subsidiary of the Company.

The directors allocated the goodwill, certain property, plant and equipment and timber concessions and cutting rights to the cash-generating unit of the forestry and timber business in west Suriname and central Suriname segments for the purpose of testing its impairment. The recoverable amount of the cash-generating unit is determined based on fair value less costs to sell. The key assumptions are based upon the discount rates, budgeted profit margin and revenue during the forecast period. The projections (including profit margin, revenue and the growth rates) are based on the anticipations of the most likely actions which will be taken in the operation of the business with reference to sustainable annual allowable cut and expectations for future market development.

Key assumptions on which management has based its cash flow projections for the fair value less cost to sell calculations are as follows:

Revenue and budgeted gross margins	–	The basis used to determine the value assigned is based on benchmarking data about the forestry and timber business segment's ability to progress and to generate economic income stream through the sale of the timber products to its customers.
Discount rates	–	The discount rates used are before tax and reflect specific risks relating to the relevant units. The discount rate applied to cash flow projections is 12%-13%.

For the estimation of the product price increment rate and the long term growth rate, the directors have taken the growth of the forestry and timber product industry and the global economy as a whole.

The directors of the Company are of the opinion that, based on the fair value less costs to sell calculations prepared in accordance with the above key assumptions, no impairment loss provision against the goodwill as at 31 December 2013 is considered necessary.

17. TIMBER CONCESSIONS AND CUTTING RIGHTS

		Group	
		2013	**2012**
	Notes	*HK$'000*	*HK$'000*
At beginning of year			
Cost		826,873	815,178
Accumulated amortization and impairment		(88,745)	(14,977)
Net carrying amount		738,128	800,201
Net carrying amount:			
At beginning of year		738,128	800,201
Acquisition of subsidiary		–	11,695
Impairment during the year	5	(11,695)	(63,601)
Amortization provided during the year	8	(15,616)	(10,167)
At the end of year		710,817	738,128
At end of year:			
Cost		826,873	826,873
Accumulated amortization and impairment		(116,056)	(88,745)
Net carrying amount		710,817	738,128

The Group is a natural forest concession owner and operator in Suriname and currently manages and operates certain forest concessions and cutting rights for the exploitation of timbers on parcels of land in Suriname with the terms ranging from 10 to 20 years.

On 3 April 2013, the Group was informed by the license holder, an independent third party (the "License Holder") that the Suriname government had withdrawn, on 21 December 2012, the concession right of the License Holder of a forest concession of a gross area of approximately 128,000 hectares in East Suriname of which the Group has the right to harvest, transport and sell timber from that concession pursuant to a subcontracting agreement between the License Holder and the Group. Accordingly, impairment of timber concessions and cutting rights of HK$63,601,000 was recognized in profit or loss during the year ended 31 December 2012. Further details are set out in the Company's announcement dated 5 April 2013.

On 19 December 2013, the Group announced the acquisition of certain forest concessions of approximately 91,750 hectares of natural tropical hardwood forest in Suriname. The acquisition was completed on 12 February 2014. Further details are set out in the Company's announcement dated 19 December 2013.

The Directors had performed an impairment testing on the Group's timber concessions and cutting rights as at 31 December 2013 and concluded that the carrying amount of certain timber concession rights was in excess of its recoverable amount. Accordingly, a full provision for impairment of HK$11,695,000 in relation to timber concession rights was charged to profit or loss during the Year. Further details of the impairment testing are disclosed in note 16 to the financial statements.

As at 31 December 2013, the Group's total concessions and cutting rights under management in Suriname covered land areas of approximately 322,000 hectares (2012: 322,000 hectares).

18. OTHER INTANGIBLE ASSETS

Group

	Notes	**Carbon credits** *HK$'000*	**Deferred development costs** *HK$'000*	**Total** *HK$'000*
Year ended 31 December 2013				
At 1 January 2013:				
Cost		6,314	1,069	7,383
Accumulated amortization and impairment		(3,882)	(92)	(3,974)
Net carrying amount		2,432	977	3,409
Net carrying amount:				
At 1 January 2013		2,432	977	3,409
Additions		3,164	230	3,394
Amortization of other intangible assets	5	–	(276)	(276)
Reversal of impairment during the year	5	652	–	652
Exchange realignment		(209)	–	(209)
At 31 December 2013		6,039	931	6,970
At 31 December 2013:				
Cost		9,269	1,299	10,568
Accumulated amortization and impairment		(3,230)	(368)	(3,598)
Net carrying amount		6,039	931	6,970

Group

	Notes	Carbon credits HK$'000	Deferred development costs HK$'000	Total HK$'000
Year ended 31 December 2012				
At 1 January 2012:				
Cost and net carrying amount		–	–	–
Net carrying amount:				
At 1 January 2012		–	–	–
Additions		5,840	1,069	6,909
Amortization of other intangible assets	5	–	(92)	(92)
Impairment during the year	5	(3,882)	–	(3,882)
Exchange realignment		474	–	474
At 31 December 2012		2,432	977	3,409
At 31 December 2012:				
Cost		6,314	1,069	7,383
Accumulated amortization and impairment		(3,882)	(92)	(3,974)
Net carrying amount		2,432	977	3,409

During the year ended 31 December 2013, 241,000 (2012: 151,000) New Zealand Carbon Credits ("NZUs") were granted by the New Zealand Ministry for Primary Industries and the fair value as at the grant date was recognized to profit or loss. In view that the NZUs have indefinite useful lives, they are not amortized but are tested for impairment annually.

Deferred development costs represent direct costs incurred in the development of timber tracking system and preparations for FSC certification whereby the Group has now successfully achieved FSC controlled wood status in the West Suriname and full FSC certification in Central Suriname.

19. PLANTATION FOREST ASSETS

As at 31 December 2013, the Group intensively managed radiata pine plantation forest assets in Northland region of New Zealand (the "Mangakahia Forest"), which had a total freehold title land base of approximately 13,000 hectares, of which approximately 11,000 hectares was net productive area. All the production area was owned as freehold, except for approximately 66 hectares which are subject to the restrictions as set out in relevant New Zealand regulations.

The Group's plantation forest assets in New Zealand are regarded as biological assets which are measured at fair value less costs to sell at the end of each reporting period in accordance with HKAS 41 Agriculture. These assets were independently valued by Indufor Asia Pacific Limited ("Indufor") as at 31 December 2013. Indufor is an independent professional forest specialist consulting firm. The key consultant involved in this valuation being a member of the New Zealand Institute of Forestry, and has no present or prospective interest in the Group's plantation forest assets, and no personal interest or bias with respect to the Group. In the opinion of the directors of the Company, Indufor is independent and competent to determine the fair value of the Group's plantation forest assets.

Indufor has applied a net present value approach. This combines both a sales comparison approach and an income approach (as defined by the relevant valuation standards). The methodologies require key assumptions and estimates in determining the fair value of the plantation assets. Indufor and the directors of the Company review these assumptions and estimates periodically to identify any significant change in the fair value. A sensitivity analysis to reasonably possible changes in certain assumptions and estimates underlying the calculation, to the Group's loss before tax is set out in note 4(a) to the financial statements.

As at 31 December 2013 and 2012, all the Group's plantation forest assets were pledged to secure Bank Loan Facilities granted to the Group (note 29).

Fair value hierarchy

The following table illustrates the fair value measurement hierarchy of the Group's plantation forest assets:

	Fair value measurement using			
	Quoted prices in active markets (Level 1)	**Significant observable inputs (Level 2)**	**Significant unobservable inputs (Level 3)**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
As at 31 December 2013				
Recurring fair value measurement for:				
Plantation forest assets	–	–	521,764	521,764

During the Year, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3.

Reconciliation of fair value measurements categorized within Level 3 of the fair value hierarchy:

		Group	
		2013	**2012**
	Notes	*HK$'000*	*HK$'000*
Net carrying amount at 1 January		500,738	489,568
Transfer to/(from) Level 3		–	–
Additions		9,702	6,415
Harvested as agricultural produce	8	(97,523)	(90,009)
Changes in fair value less costs to sell		108,847	94,764
Net carrying amount at 31 December		521,764	500,738

Under the discounted cash flow method, fair value is estimated using assumptions regarding the benefits and liabilities of ownership over the asset's life. This method involves the projection of a series of cash flows on an asset interest. A market-derived discount rate is applied to the projected cash flow in order to establish the present value of the income stream associated with the asset.

The duration of the cash flows and the specific timing of inflows and outflows are determined by events such as forecasted yields across the years. The periodic cash flow is estimated as gross income less production costs, land holding costs, forestry management costs and forestry overhead costs. The series of periodic net operating income, along with an estimate of the terminal value anticipated at the end of the projection period, is then discounted.

The principal assumptions adopted in the discounted cash flow valuation are as follows:

- the cash flows are those arising from the current rotation of trees only. No account was taken of revenues or costs from re-establishment following harvest, or of land not yet planted;
- the cash flows do not take into account income taxation and finance costs;
- the cash flows have been prepared in real terms and have not therefore included inflationary effects;

The key inputs in the valuation of the plantation forest assets in New Zealand as at 31 December 2013 comprised of yield, current and forecast log prices, current and forecast production costs, current and forecast transport costs and discount rate. Below is a quantitative summary of the key inputs to the valuation of plantation forest assets under discounted cash flow technique:

	Range	**Average/Applied**
Significant unobservable input		
Forecast unit log price at wharf gate	US$62-77/$m^3$	US$69/$m^3$
Significant observable inputs		
Yield (m^3/ha)	568-715	633
Production costs	US$27-61/$m^3$	US$32/$m^3$
Transport costs	US$14-18/$m^3$	US$16/$m^3$
Discount rate	8.5%	8.5%

A pre-tax discount rate of 8.5% (2012: 8.5%) was used in the valuation of the plantation forest assets in New Zealand as at 31 December 2013, which was determined by reference to discount rates published by public entities and government agencies in New Zealand, weighted average cost of capital analysis, internal rate of return analysis, surveyed opinion of forest valuers practice and the implied discount rate of forest sales transactions mainly in New Zealand over a period of time.

A ground inspection was conducted by Indufor in relation to certain areas of the Group's plantation forest assets so as to verify the physical existence and quality in 2012 and 2013. In addition, a high level area validation exercise using satellite imagery was performed in order to provide confidence in the accuracy of the area statements and to consistent with the required level of precision for the plantation forest assets valuation.

The area verification sample was approximately 8% (i.e. 813 hectares) of the total forest area. The sample was randomly selected by placing a numbered grid over the entire forest estate. A random number generator was used for selecting the grids for analysis.

The quality of the radiata pine is assessed based on three criteria: the forest health, yield and grade mix. A high-level review of the status and general health and quality of the plantation forest assets mainly included:

a. Reliance on the forest health surveillance report prepared by an independent third party specializing in forest health and no forest health issues were identified that would have a material bearing on the forest valuation result.

b. Assessment of the yield and grade mix of the plantation forest assets based on (i) the actual harvesting records obtained from forest manager since the acquisition of the plantation forest assets. The harvested area of the Group's plantation forest assets up to 31 December 2013 is around 2,927 hectares or 30% of the plantation forest assets' total area. The actual yield data for the full extent of the harvesting was considered; and (ii) the yield tables prepared by the previous owner of the plantation forest assets which the Group obtained during due diligence works in 2010.

c. Comparing the forest planted area maps provided by forest manager with the planted area that Indufor independently assessed from satellite imagery.

20. INTERESTS IN SUBSIDIARIES

		Company	
		2013	**2012**
	Notes	*HK$'000*	*HK$'000*
Unlisted shares, at cost		1	1
Due from subsidiaries	(a)	1,702,490	1,777,414
		1,702,491	1,777,415
Impairment	(b)	(662,352)	(606,374)
		1,040,139	1,171,041

Notes:

(a) The amounts advanced to the subsidiaries included in the interests in subsidiaries above are unsecured, interest-free and have no fixed terms of repayment. In the opinion of the directors, these advances are considered as quasi-equity loans to the subsidiaries.

(b) An impairment was recognized for amounts due from subsidiaries of HK$1,702,490,000 (before deducting the impairment loss) (2012: HK$1,777,414,000) because these subsidiaries have been loss-making for some time.

The movement in provision for impairment of the amounts due from subsidiaries during the year is as follows:

	Company	
	2013	**2012**
	HK$'000	*HK$'000*
At beginning of year	606,374	594,335
Impairment loss recognized	55,978	12,039
At end of year	662,352	606,374

(c) Particulars of the principal subsidiaries are as follows:

Company name	Place of incorporation/ registration and operation	Nominal value of issued ordinary/ registered share capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Silver Mount Group Limited	BVI/Hong Kong	US$1	100	–	Investment holding
Greenheart Resources Holdings Limited	BVI/Hong Kong	–	–	60.39	Investment holding
Superb Able Industrial Limited	BVI/Hong Kong	US$1,155	–	60.39	Provision of corporate service
Greenheart Resources (Hong Kong) Company Limited	Hong Kong	HK$1	–	60.39	Provision of administrative and management services
Topwood Holdings Limited	BVI/Hong Kong	US$1	–	60.39	Provision of administrative and management services
Greenheart (Suriname) N.V.	Suriname	Surinamese dollar ("SRD") 200	–	60.39	Timber concession holding, harvesting and sale of logs and timber products
Epro N.V.	Suriname	SRD500	–	60.39	Timber concession holding
Dynasty Forestry Industry N.V.	Suriname	SRD3,000	–	60.39	Timber concession holding
Beach Paradise N.V.	Suriname	SRD1,000	–	60.39	Manufacturing and sale of timbers products

Company name	Place of incorporation/ registration and operation	Nominal value of issued ordinary/ registered share capital	Percentage of equity attributable to the Company Direct	Indirect	Principal activities
Greenheart Grand Forest Limited	BVI/Hong Kong	US$1	–	60.39	Sale of logs and timber products
Greenheart Grand Forest Limited	Hong Kong	HK$1	–	60.39	Sale of logs and timber products
Greenheart (Overseas) Company Limited	BVI/Hong Kong	US$1	–	100	Sale of logs
Mega Harvest International Limited	BVI/Hong Kong	–	–	100	Investment holding
Greenheart MFV Limited	New Zealand	–	–	100	Investment in commercial forestry and investment holding
Greenheart Mangakahia Forest Land Limited	New Zealand	–	–	100	Forestry land holding and investment holding
Greenheart Mangakahia Forest Maori Land Limited	New Zealand	–	–	100	Forestry land holding
Greenheart Forest Technologies N.V.	Suriname	SRD1,000	–	60	Administration of forestry operations
Forest Technologies N.V.	Suriname	SRD10,000	–	60	Administration of forestry operations
Caribbean Pallet Company N.V.	Suriname	SRD1,000	–	60	Manufacturing and sale of pallet

Company name	Place of incorporation/ registration and operation	Nominal value of issued ordinary/ registered share capital	Percentage of equity attributable to the Company Direct	Indirect	Principal activities
Greenheart Forest Suriname Suma Limited	BVI/Hong Kong	US$1	–	100	Investment holding
Greenheart Forest Central N.V.	Suriname	SRD2,000	–	100	Administration of forestry operations
Greenheart Forest Technology Limited	BVI/Hong Kong	US$1	–	100	Sale of logs
Greenheart Forest Suma Limited	BVI/Hong Kong	US$1	–	100	Sale of logs and timber products
Greenheart Forest Suma Limited	Hong Kong	HK$1	–	100	Sale of logs and timber products
Greenheart Forest Central Limited	BVI/Suriname	USD201	–	100	Investment and timber concession holding

The above table lists the subsidiaries of the Company which, in the opinion of the directors, principally affected the results for the year or formed a substantial portion of the net assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

(d) Details of the Group's subsidiaries that have material non-controlling interests are set out below:

	2013	**2012**
Percentage of equity interest held by non-controlling interests:		
Greenheart (Suriname) N.V.	39.61%	39.61%
Greenheart Forest Technologies N.V.	40.00%	40.00%

	2013 *HK$'000*	**2012** *HK$'000*
Loss for the year allocated to non-controlling interests:		
Greenheart (Suriname) N.V.	28,815	22,866
Greenheart Forest Technologies N.V.	10,211	8,249

The following tables illustrate the summarized financial information of the above subsidiaries. The amounts disclosed are before any inter-company eliminations:

2013	**Greenheart (Suriname) N.V.** *HK$'000*	**Greenheart Forest Technologies N.V.** *HK$'000*
Revenue	25,200	5,233
Total expenses	(97,947)	(30,760)
Loss for the year	(72,747)	(25,527)
Total comprehensive loss for the year	(72,747)	(25,527)
Current assets	140,248	19,868
Non-current assets	193,322	39,238
Current liabilities	(577,965)	(116,894)
Non-current liabilities	(9,390)	–
Net liabilities	(253,785)	(57,788)
Net liabilities allocated to non-controlling interests	(100,524)	(23,115)
Net cash flows used in operating activities	(63,891)	(11,445)
Net cash flows used in investing activities	(36,451)	(47)
Net cash flows from financing activities	98,869	12,666
Net (decrease)/increase in cash and cash equivalents	(1,473)	1,174

2012	Greenheart (Suriname) N.V. HK$'000	Greenheart Forest Technologies N.V. HK$'000
Revenue	22,703	1,743
Total expenses	(80,432)	(22,366)
Loss for the year	(57,729)	(20,623)
Total comprehensive loss for the year	(57,729)	(20,623)
Current assets	111,631	12,284
Non-current assets	177,809	43,905
Current liabilities	(461,981)	(88,739)
Non-current liabilities	(8,549)	–
Net liabilities	(181,090)	(32,550)
Net liabilities allocated to non-controlling interests	(71,730)	(13,020)
Net cash flows used in operating activities	(33,268)	(17,054)
Net cash flows used in investing activities	(100,115)	(17,832)
Net cash flows from financing activities	139,710	27,340
Net increase/(decrease) in cash and cash equivalents	6,327	(7,546)

21. INVENTORIES

	Group	
	2013 HK$'000	2012 HK$'000
Logs	31,996	31,964
Timber products	26,970	10,307
	58,966	42,271

22. TRADE RECEIVABLES

		Group	
		2013	**2012**
	Note	*HK$'000*	*HK$'000*
Trade receivables		64,316	35,263
Less: impairment	5	(74)	–
		64,242	35,263

The Group's trading terms with its customers are mainly letters of credit at sight or on open account with credit terms of 5 days to 35 days, where a 10% to 40% deposit is normally required. Each customer has a maximum credit limit. The Group seeks to maintain strict control over its outstanding receivables so as to minimize credit risk. Overdue balances are reviewed regularly by senior management. The Group does not hold any collateral or other credit enhancements over its trade receivable balances. Trade receivables are non-interest-bearing.

(a) An aged analysis of the trade receivables as at the end of the reporting period, based on the invoice date and net of impairment, is as follows:

	Group	
	2013	**2012**
	HK$'000	*HK$'000*
Within 1 month	62,916	32,496
1 to 3 months	194	2,267
Over 3 months	1,132	500
	64,242	35,263

(b) The movements in provision for impairment of trade receivables during the year are as follows:

	Group	
	2013	**2012**
	HK$'000	*HK$'000*
At beginning of year	–	–
Provision for impairment	74	–
At end of year	74	–

(c) An aged analysis of the trade receivables that are not individually nor collectively considered to be impaired is as follows:

	Group	
	2013	**2012**
	HK$'000	*HK$'000*
Neither past due nor impaired	63,110	32,496
Less than 3 months past due	1,132	2,767
	64,242	35,263

Receivables that were neither past due nor impaired relate to a large number of diversified customers for whom there was no recent history of default.

Receivables that were past due but not impaired relate to a number of independent customers that have a good track record with the Group and have no recent history of default. Based on past experience, the directors of the Company are of the opinion that no provision for impairment is necessary in respect of these balances as there has not been any significant change in credit quality and the balances are still considered fully recoverable.

23. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

Non-current portion

	Group		Company	
	2013	**2012**	**2013**	**2012**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Deposits paid for the purchase of items of property, plant and equipment	1,707	11,283	–	–
Rental deposits	2,954	–	–	–
Prepayments	1,557	380	1,209	–
	6,218	11,663	1,209	–

Current portion

		Group		Company	
		2013	**2012**	**2013**	**2012**
	Notes	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Current portion of prepaid land lease payments	15	444	444	–	–
Prepayments		48,221	37,127	591	–
Deposits		718	2,294	5	40
Other receivables	(b)	58,984	58,468	46	32
		108,367	98,333	642	72

Notes:

(a) None of the above assets is either past due or impaired. The financial assets included in the above balances relate to receivables for which there was no recent history of default.

(b) Included in the Group's other receivables under current portion of HK$56,211,000 (2012: HK$56,042,000), with respect to a loan of approximately US$7,207,000 (2012: US$7,185,000) granted by the Group to an independent third party pursuant to a loan agreement date 8 December 2011. The loan is secured by the borrower's major assets and entire issued share capital and interest-bearing at the rate of 3.9% per annum. Further details of which are set out in the Company's announcements dated 8 December 2011 and 19 December 2013.

24. CASH AND CASH EQUIVALENTS

	Group		Company	
	2013	**2012**	**2013**	**2012**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Cash and bank balances other than time deposits	166,401	112,627	60,545	15,351
Time deposits with original maturity of less than three months when acquired	37,613	31,658	37,613	30,639
Cash and cash equivalents	204,014	144,285	98,158	45,990

Bank balances other than time deposits earn interest at floating rates based on daily bank deposit rates. Short term time deposits are made for varying periods of between one day and three months depending on the immediate cash requirements of the Group, and earn interest at the respective short term time deposit rates. The bank deposits are deposited with creditworthy banks with no recent history of default.

25. TRADE PAYABLES

An aged analysis of the trade payables as at the end of the reporting period, based on the invoice date, is as follows:

	Group	
	2013	**2012**
	HK$'000	*HK$'000*
Within 1 month	45,690	30,746
1 to 3 months	536	795
Over 3 months	225	420
	46,451	31,961

The trade payables are non-interest-bearing and are normally settled on 30-day terms.

26. OTHER PAYABLES AND ACCRUALS

	Group		Company	
	2013	**2012**	**2013**	**2012**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Other payables	8,838	21,982	–	–
Deposits received	5,984	3,552	–	–
Accruals	5,515	7,083	2,176	2,830
	20,337	32,617	2,176	2,830

Other payables are non-interest-bearing and have an average term of three months.

27. FINANCE LEASE PAYABLES

The Group leases certain of its plant and machinery under a hire purchase arrangement for its division in Suriname. These hire purchases are classified as finance leases with hire purchase terms of five years.

At 31 December 2013, the total future minimum lease payments under finance leases and their present values were as follows:

Group

	Minimum lease payments 2013	**Minimum lease payments 2012**	**Present value of minimum lease payments 2013**	**Present value of minimum lease payments 2012**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Amounts payable:				
Within one year	12,589	9,667	10,600	7,472
In the second year	11,389	9,115	10,179	7,494
In the third to fifth years, inclusive	9,910	17,508	9,538	16,175
Total minimum finance lease payments	33,888	36,290	30,317	31,141
Future finance charges	(3,571)	(5,149)		
Total net finance lease payables	30,317	31,141		
Portion classified as current liabilities	(10,600)	(7,472)		
Non-current portion	19,717	23,669		

28. CONVERTIBLE BONDS

In August 2010, the Company issued US$ denominated convertible notes with an aggregate principal amount of US$25,000,000 (the "CN") to Greater Sino Holdings Limited ("Greater Sino" or "Noteholder"), a company in which a director of the Company has an indirect interest, for a total cash consideration of US$24,750,000 pursuant to a convertible note subscription agreement entered into between the Company and Greater Sino on 22 June 2010 (the "Subscription Agreement"). The Noteholder has the right to convert the whole or part of the principal amount of the CN into ordinary shares of the Company anytime commencing from six months after the issuance of the CN and from time to time in an amount of not less than US$100,000 on each conversion based on the terms as set out in the Subscription Agreement.

The Noteholder may require the Company to redeem all or part of the CN on each of the dates falling on the third anniversary and on the fourth anniversary of the issuance date of the CN at the redemption amount as defined in the Subscription Agreement (the "Redemption Amount"). In addition, the Noteholder may require the Company to redeem in whole or in part of the CN following the occurrence of a "Change of Control". One of the "Change of Control" events is where Sino-Forest and its subsidiaries as a group disposes, directly or indirectly, any beneficial interest in the shareholding in the Company to the effect that such group ceases to be the single largest shareholder which owns more than 30% of the then issued share capital of the Company for more than a consecutive of 30 days.

The implementation of the Plan mentioned in note 1 to the financial statements triggered the "Change of Control" provisions of the CN. Accordingly, the Noteholder became entitled to require the Company to redeem the CN in whole or in part and on 20 February 2013, the Company redeemed US$8,000,000 (equivalent to approximately HK$62,400,000) of the principal amount of the CN at a redemption amount of approximately US$9,542,000 (equivalent to approximately HK$74,426,000) upon the partial exercise by the Noteholder of its redemption right following the occurrence of a "Change of Control". Accordingly, the difference between the redemption amount allocated to the liability component of the CN and the carrying amount of the liability component as at the redemption date of approximately US$653,000 (equivalent to approximately HK$5,095,000) was recognized as loss on partial early redemption of CN and was charged to profit or loss during the Year.

Following the early redemption as mentioned above and as at 31 December 2013, the outstanding principal amount of the CN was reduced to US$17,000,000 (equivalent to approximately HK$132,600,000). Under the terms and conditions of the CN, the Noteholder may subsequently exercise its redemption right (in whole or in part of its outstanding CN), by giving an exercise notice of at least 30 days prior to such further redemption, at any time prior to the maturity of the CN. Accordingly, the entire outstanding liability component of the CN was classified as a current liability as at 31 December 2013.

As at the date of these financial statements, the Group has not received any further notice from the Noteholder with regard to its intention regarding the remaining outstanding principal amount of the CN of US$17,000,000.

The summarized information of the CN as at 31 December 2013 is set out as follows:

Issuance date	17 August 2010
Maturity date	17 August 2015
Original principal amount	US$25,000,000
Outstanding principal amount as at 31 December 2013	US$17,000,000
Coupon rate	5%
Conversion price per ordinary share (HK$)	2.002

The CN is bifurcated into a liability component and an equity component for accounting purpose. The following tables summarize the movements in the principal amounts, liability and equity components of the Company's CN during the Year:

	Notes	2013 HK$'000	2012 HK$'000
Principal amount outstanding			
At beginning of year		195,000	195,000
Early partial redemption of CN		(62,400)	–
At end of year		132,600	195,000
Liability component			
At beginning of year		214,658	201,553
Interest expense	7	17,253	22,822
Interest paid and payable		(6,661)	(9,717)
Early partial redemption of CN		(69,331)	–
At end of year		155,919	214,658
Equity component (included in convertible bonds equity reserve)			
At beginning of year		7,328	7,328
Partial early redemption of CN		(2,345)	–
At end of year		4,983	7,328

29. INTEREST-BEARING BANK BORROWING

As at 31 December 2013, the Group's bank borrowings were denominated in United States dollars and amounted to HK$195,000,000 (equivalent to US$25,000,000), bearing interest at the base rate determined by Bank of New Zealand plus 1.75% per annum. The loan will mature on 30 November 2015. The Group's Bank Loan Facilities are subject to the fulfillment of certain financial covenants as required by the bank which may require the Group to begin repayment of the loan based on the extent of forest depletion. During the Year, none of the financial covenants relating to the Bank Loan Facilities were breached.

As at 31 December 2013, the Group has available unutilized Bank Loan Facilities amounting to HK$39,000,000 (equivalent to US$5,000,000).

As at 31 December 2013 and 2012, the Group's Bank Loan Facilities are secured by:

(i) the Personal Property of the Selected Group Companies; and

(ii) A fixed charge over

a. the Forestry Land with the net carrying amount of approximately HK$109,324,000 (2012: HK$109,608,000);

b. the Group's plantation forest assets with the net carrying amount of approximately HK$521,764,000 (2012: HK$500,738,000) and all other estates and interests in the Forestry Land and all buildings, structures and fixtures on the Forestry Land; and

c. all other present and after-acquired property that is not Personal Property of the Selected Group Companies.

30. DEFERRED TAX

The movement in deferred tax liabilities of the Group, which arose from the fair value adjustment in connection with acquisition of subsidiaries, during the year is as follows:

	Attributable to						
	Fair value adjustments arising from acquisition of subsidiaries	Revaluation of plantation forest assets	Tax losses	Deprecation allowance in excess of related depreciation	Fair value of interest-bearing loan	Others	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1 January 2012	72,680	10,221	(3,358)	3,032	7,124	55	89,754
Deferred tax charge/(credited) to the profit or loss during the year *(note 11)*	–	6,386	(12,478)	1,846	7,332	(262)	2,824
Exchange difference charged/(credited) to the profit or loss during the year *(note 11)*	–	1,236	(594)	274	448	5	1,369
Exchange difference charged/(credited) to other comprehensive income during the year	–	–	(70)	1	–	–	(69)
At 31 December 2012 and 1 January 2013	72,680	17,843	(16,500)	5,153	14,904	(202)	93,878
Deferred tax charge/(credited) to the profit or loss during the year *(note 11)*	–	18,667	16,100	2,149	(6,532)	302	30,686
Exchange difference credited to the profit or loss during the year *(note 11)*	–	(25)	350	71	(461)	2	(63)
Exchange difference charged/(credited) to other comprehensive income during the year	–	–	50	–	–	–	50
As at 31 December 2013	72,680	36,485	–	7,373	7,911	102	124,551

As at 31 December 2013, the Group had aggregate tax losses arising in Hong Kong of approximately HK$99,249,000 (2012: HK$85,168,000) that are available indefinitely for offsetting future taxable profits of the companies in which the losses arose. The Group also had tax losses arising in Suriname of HK$96,185,000 (2012: HK$52,386,000) that will expire in one to five years which are available for offsetting future taxable profits. Deferred tax assets have not been recognized in respect of these losses as they have arisen in the Company and subsidiaries that have been loss-making for some time and it is not considered probable that taxable profits will be available against which the tax losses can be utilized. These tax losses are subject to agreement with the tax authorities of aforementioned jurisdictions.

31. SHARE CAPITAL

Shares

	2013	**2012**
	HK$'000	*HK$'000*
Authorised:		
15,000,000,000 ordinary shares of HK$0.01 each	150,000	150,000
Issued and fully paid:		
789,889,104 (2012: 779,724,104) ordinary shares of HK$0.01 each	7,899	7,797

A summary of the movements in the Company's issued share capital during the years ended 31 December 2013 and 2012 is as follows:

	Notes	**Number of shares in issue**	**Issued capital** *HK$'000*	**Share premium account** *HK$'000*	**Total** *HK$'000*
At 1 January 2012, 31 December 2012 and 1 January 2013		779,724,104	7,797	1,451,590	1,459,387
Shares issued upon exercise of share options	(a)	10,165,000	102	7,642	7,744
At 31 December 2013		789,889,104	7,899	1,459,232	1,467,131

(a) During the Year, the subscription rights attaching to 10,165,000 (2012: nil) share options were exercised at the subscription price of HK$0.501 (2012: nil) per share, resulting in the issue of 10,165,000 ordinary shares of the Company for a total cash consideration of HK$5,093,000 (2012: nil). As a result of the exercise of these share options, their fair value of HK$2,651,000 (2012: nil) previously recognized in the share option reserve was transferred to the share premium account.

Share options

Details of the Company's share option scheme and the share options issued under the scheme are included in note 32 to the financial statements.

32. SHARE OPTION SCHEME

The exercise price of options is determined by the board of directors at its sole discretion, save that such price will not be less than the highest of (a) the closing price of the Shares as stated in the Stock Exchange's daily quotation sheet on the date of grant, which must be a business day; (b) the average of the closing prices of the Shares as stated in the Stock Exchange's daily quotation sheets for the five business days immediately preceding the date of grant; and (c) the nominal value of a Share.

The number of Shares issued and to be issued upon exercise of the options granted to each participate in any 12-month period is limited to 1% of the Company's ordinary shares in issue.

The following share options were outstanding under the Scheme during the year:

		2013		2012	
		Weighted average exercise price	**Number of options**	**Weighted average exercise price**	**Number of options**
	Notes	*HK$ per share*	*'000*	*HK$ per share*	*'000*
At beginning of year		1.66	46,222	2.18	35,082
Granted during the year	(a)	–	–	0.50	14,710
Lapsed/cancelled/forfeited during the year		1.99	(36,057)	1.94	(3,570)
Exercised during the year	(b)	0.50	(10,165)	–	–
At end of the year	(c)	–	–	1.66	46,222

Notes:

(a) The fair values of the options granted during 2012 were calculated using the Binomial Option Pricing Model. The inputs to the model are as follows:

	11 October 2012
Share price at the date of grant	HK$0.49
Exercise price per share	HK$0.501
Expected volatility (%)	87.00
Risk-free interest rate (%)	0.326

No share options were granted during the Year (2012: fair value of the share options granted of HK$3,836,000, HK$0.26 each), and the Group recognized a share option expense of HK$3,060,000 (2012: HK$1,361,000) during the Year.

(b) 10,165,000 (2012: nil) share options were exercised during the Year, resulted in the issue of 10,165,000 ordinary shares of the Company and new share capital of HK$102,000 and share premium of HK$7,642,000 (before issue expenses), as further detailed in note 31 to these financial statements.

(c) Due to the unconditional mandatory general cash offers ("MGO") to the Company's shareholders, option holders and convertible note holder by EPGL (please refer to the offer document from EPGL relating to the MGO dated 21 February 2013 for further details), (i) all unvested options have been vested when the MGO was made on 21 February 2013; (ii) each option holder (or his personal representative(s)) may exercise all options (in whole or in part) at any time within 14 days after the MGO was made ("Change of Control Period"); and (iii) any vested option not exercised during the Change of Control Period would automatically lapse. The option holders may accept the option offer under the MGO whereby the options involved would be cancelled. For the number of acceptance of the option offer, please refer to the Company's announcement dated 21 March 2013.

Accordingly, as at the date of these financial statements, there are no outstanding option granted by the Company as the result of the MGO.

(d) Subsequent to the reporting period, no additional share options were granted to the employee of the Group.

33. RESERVES

(a) Group

(i) The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity.

(ii) The share option reserve comprises the fair value of share options granted which are yet to be exercised, as further explained in the accounting policy for share-based payment transactions in note 3.4 to the financial statements. The amount will either be transferred to the share premium account when the related options are exercised, or be transferred to retained profits should the related options expire or be forfeited.

(iii) The merger reserve represents the difference between the fair value of the consideration given for the acquisition of a subsidiary pursuant to a business combination under common control and the total amount of the historical carrying amount of the consolidated net assets of the acquiree at the date of acquisition and the amount of certain liabilities of the acquiree assumed by the Group in connection with the business combination.

(b) Company

	Notes	Share premium account HK$'000	Contributed surplus HK$'000	Share option reserve HK$'000	Convertible bond equity reserve HK$'000	Accumulated losses HK$'000	Total HK$'000
At 1 January 2012		1,451,590	125,376	26,537	7,328	(569,054)	1,041,777
Loss and total comprehensive loss for the year	12	–	–	–	–	(51,320)	(51,320)
Equity-settled share option arrangements	32(a)	–	–	1,361	–	–	1,361
Share options lapsed		–	–	(1,945)	–	1,945	–
At 31 December 2012 and 1 January 2013		1,451,590	125,376	25,953	7,328	(618,429)	991,818
Loss and total comprehensive loss for the year	12	–	–	–	–	(25,715)	(25,715)
Equity-settled share option arrangements	32(a)	–	–	3,060	–	–	3,060
Share options exercised	31(a)	7,642	–	(2,651)	–	–	4,991
Share options lapsed		–	–	(10,814)	–	10,814	–
Share options cancelled		–	–	(15,548)	–	15,548	–
Partial redemption of convertible bonds		–	–	–	(2,345)	2,345	–
At 31 December 2013		1,459,232	125,376	–	4,983	(615,437)	974,154

The Company's contributed surplus, which arose from the Group reorganization on 2 July 1991, represents the difference between the nominal value of the Company's shares issued under the reorganization scheme, in exchange for the shares in the subsidiaries and the fair value of the consolidated net asset value of the acquired subsidiaries, reduced by distributions to shareholders.

Under the Companies Act of Bermuda and the Bye-Laws of the Company, the contributed surplus is distributable to shareholders. The Companies Act of Bermuda also stipulates that a company shall not declare or pay a dividend, or make a distribution out of contributed surplus, if there are reasonable grounds for believing that (a) the company is, or would after the payment be, unable to pay its liabilities as they become due; or (b) the realizable value of the company's assets would thereby be less than the aggregate of its liabilities and its issued capital and share premium account.

34. OPERATING LEASE ARRANGEMENTS

(a) As lessor

The Group leases certain of its plant and machinery to its subcontractors under operating lease arrangements, with leases negotiated for terms of three years.

At 31 December 2013, the Group had total future minimum lease receivables under non-cancellable operating leases with its subcontractors falling due as follows:

	Group	
	2013	**2012**
	HK$'000	*HK$'000*
Within one year	–	749

At 31 December 2013, the Company did not have any non-cancellable operating lease arrangements as lessor (2012: Nil).

(b) As lessee

The Group leases certain of its office properties and staff quarters under operating lease arrangements. Leases for office properties and staff quarters are negotiated for terms of one to three years.

At 31 December 2013, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	Group	
	2013	**2012**
	HK$'000	*HK$'000*
Within one year	7,820	4,703
In the second to fifth years, inclusive	14,021	306
	21,841	5,009

At 31 December 2013, the Company did not have any non-cancellable operating lease arrangements as lessee (2012: Nil).

35. CAPITAL COMMITMENTS

In addition to the operating lease commitments detailed in note 34(b) above, the Group had the following capital commitments at the end of the reporting period:

	Group	
	2013	**2012**
	HK$'000	*HK$'000*
Contracted, but not provided for:		
Plant and machinery	6,738	13,960
Land and buildings	2,301	19,284
	9,039	33,244

On 19 December 2013, one of the indirect wholly-owned subsidiaries of the Company entered into a sales and purchase agreement with an independent third party to purchase its equity interest in a company incorporated in Suriname, at a total cash consideration of US$7,800,000 (equivalent to HK$60,840,000).

Further details are set out in note 39(a) to the financial statements.

36. RELATED PARTY DISCLOSURES

(a) In addition to the transactions detailed elsewhere in these financial statements, the Group entered into the following material transactions with related parties during the Year:

Related party	**Nature of transaction**	*Notes*	**2013** *HK$'000*	**2012** *HK$'000*
The Intermediate Holding Company	Interest expenses paid and payable on a loan	(i)	11,949	–
The Former Ultimate Holding Company	Interest expenses paid and payable on a loan	(i)	–	12,574
The Immediate Holding Company	Interest expenses paid and payable on loans	(ii)	3,553	1,830
Noteholder	Interest expenses paid and payable on the CN	(iii)	17,253	22,822
Fellow subsidiary	Reimbursements	(iv)	4,888	–

Notes:

(i) On 30 January 2013, the Former Ultimate Holding Company assigned all of its rights and benefits under the Intermediate Holding Company Loan to the Intermediate Holding Company pursuant to the Plan.

The interest expenses on the Intermediate Holding Company Loan were charged based on the London Interbank Offered Rate plus 3.5% per annum, which is unsecured and repayable on 17 May 2014.

(ii) The interest expenses were charged based on the Hong Kong Prime Rate on a loan with principal amount of HK$62,400,000 (i.e. US$8,000,000) and a loan with principal amount of HK$27,300,000 (i.e. US$3,500,000). The loans are unsecured and repayable on 26 March 2015 and 28 June 2016, respectively.

(iii) The amount disclosed represents the imputed interest expenses charged to profit or loss for accounting purposes on the CN issued to a company in which a Director has an indirect interest. The actual coupon calculated based on the coupon rate of 5% per annum as set out in the terms and conditions of the CN is HK$6,661,000 (2012: HK$9,718,000).

(iv) The reimbursements were recharged by a fellow subsidiary with reference to the actual costs incurred and paid on behalf of the Group in relation to the remuneration and out of pocket expenses of a director of the Company.

(b) Outstanding balances with related parties

(i) The deposit received from a fellow subsidiary is trade in nature, and is unsecured and interest-free.

(ii) The amounts due to affiliated companies are unsecured, interest-free and repayable within one year.

(c) Other transaction with related party

During the Year, the Company redeemed US$8,000,000 (equivalent to HK$62,400,000) of the principal amount of the CN at a redemption amount of approximately US$9,542,000 (equivalent to approximately HK$74,426,000). Details of which are set out in note 28 to these financial statements and the Company's announcement dated 20 February 2013.

(d) Compensation of key management personnel of the Group

	2013	**2012**
	HK$'000	*HK$'000*
Short-term employee benefits	19,187	15,864
Equity-settled share options	1,474	2,086
Pension scheme contributions	44	41
	20,705	17,991

37. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The main risks arising from the Group's financial instruments are interest rate risk, foreign currency risk, credit risk and liquidity risk. The Group does not have any written risk management policies and guidelines. The board of directors reviews and agrees policies for managing each of these risks and they are summarized below.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's debt obligations bearing a floating interest rate, i.e. interest-bearing bank borrowing (note 29), loan from the Intermediate Holding Company (note 36(a)(i)) and loans from the Immediate Holding Company (note 36(a)(ii)).

Convertible bonds are the only fixed-rate interest-bearing financial liabilities of the Group which bears interest at fixed interest rate. Changes in interest rates would not materially affect the profit or loss of the Group.

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the Group's loss before tax (through the impact on floating rate borrowings).

	Group	
	Increase/ (decrease) in basis points	**Increase/ (decrease) in loss before tax** *HK$'000*
Year ended 31 December 2013	100	5,768
	(100)	(5,768)
Year ended 31 December 2012	100	3,573
	(100)	(3,573)

The Group currently does not have an interest rate hedging policy but will consider enter into interest rate hedging contracts should the need arise.

Foreign currency risk

Most of the Group's sales are denominated in the United States dollar, to which the Hong Kong dollar is pegged and is the same currency in which all of the Group's outstanding borrowings, and in which the majority costs and expenses incurred in Hong Kong and Suriname are denominated. Domestic sales generated in the New Zealand division are denominated in New Zealand dollars which helps to partly offset the Group's operating expenses payable in New Zealand dollars. During the year, the Group did not use any financial instruments for hedging purposes and the Group did not have any hedging instruments outstanding as at 31 December 2013. However, the Directors will continue to closely monitor all possible exchange rate risk arising from the Group's existing operations and new investments in the future and will implement the necessary hedging arrangement(s) to mitigate any significant foreign exchange exposure.

Credit risk

Credit risk arises from the possibility that customers may not be able to settle obligations within the normal terms of transactions. The Group performs an ongoing credit evaluation of debtors' financial condition and maintains an account for allowance for doubtful trade and other accounts receivable based upon the expected collectibles of all trade and other accounts receivable.

Concentrations of credit risk are managed by customer/counterparty and by geographical region. At the end of the reporting period, the Group had certain concentrations of credit risk as 8.3% (2012: 24.7%) and 64.2% (2012: 39.4%) of the Group's trade receivables were due from the Group's largest customer and the five largest customers, respectively, within the New Zealand division.

Further quantitative data in respect of the Group's exposure to credit risk arising from trade receivables are disclosed in note 22 to these financial statements.

The maximum exposure to credit risk is therefore represented by the carrying amount of each financial asset as stated in the statement of financial position.

Cash is held with financial institutions of good standing.

Liquidity risk

Liquidity risk is the risk that an enterprise will encounter difficulty in raising funds to meet commitments associated with financial instruments. Liquidity risk may result from an inability to sell a financial asset quickly at close to its fair value.

Prudent liquidity risk management implies maintaining sufficient cash. The Group monitors and maintains a level of bank balances deemed adequate to finance the Group's operations.

The maturity profile of the Group's financial liabilities as at the end of the reporting period, based on the contractual undiscounted payments, is as follows:

	2013			
	On demand	**Within One year**	**In the second to fifth years, inclusive**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Convertible bonds	162,580	–	–	162,580
Trade payables	–	46,451	–	46,451
Other payables	1,267	7,571	–	8,838
Loan from the Intermediate Holding Company	–	316,448	–	316,448
Loans from the Immediate Holding Company	–	4,485	92,461	96,946
Due to the affiliated companies	–	145	–	145
Interest-bearing bank borrowing	–	3,389	198,249	201,638
Finance lease payables	–	12,589	21,299	33,888
	163,847	391,078	312,009	866,934

	2012			
	On demand	**Within One year**	**In the second to fifth years, inclusive**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Convertible bonds	–	224,376*	–	224,376
Trade payables	–	31,961	–	31,961
Other payables	11,306	10,676	–	21,982
Loan from the Former Ultimate Holding Company	–	319,454	–	319,454
Loan from the Immediate Holding Company	–	3,120	66,811	69,931
Due to the affiliated companies	–	132	–	132
Finance lease payables	–	9,667	26,623	36,290
	11,306	599,386	93,434	704,126

* The maturity profile of convertible bonds disclosed above are based on the contractual undiscounted payments, however, the noteholder would have the right to request the Company to early redeem the convertible bonds before their maturity. Further details are set out in note 28 to the financial statements.

As explained in note 2 to these financial statements, the Directors have adopted or plan to adopt certain measures in order to improve the Group's financial and cash flow positions and to maintain the Group as a going concern.

Fair value risk

The following table sets out a comparison by category of carrying amounts and fair values of the Group's financial instruments that are carried in the financial statements at other than fair values. The fair values of these financial instruments have been calculated by discounting the expected future cash flows at prevailing interest rates.

	Carrying amount		Fair value	
	2013	**2012**	**2013**	**2012**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Financial asset:				
Non-current prepayments and deposits	6,218	11,663	6,218	11,663
Financial liabilities:				
Convertible bonds	155,919	214,658	160,902	221,986
Loan from the Former Ultimate Holding Company	–	312,000	–	312,000
Loan from the Intermediate Holding Company	312,000	–	312,000	–
Loans from the Immediate Holding Company	89,700	62,400	89,700	62,400
Interest-bearing bank borrowing	195,000	–	195,000	–
Finance lease payables	30,317	31,141	30,317	31,141
	782,936	620,199	787,919	627,527

Note: The carrying amount of financial assets and liabilities which are due to be received or settled within one year are reasonable approximation of their respective fair values, and accordingly, no disclosure of the fair values of these financial instruments is made.

Capital risk management

The primary objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximize shareholders' value.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2013 and 2012.

The Group monitors capital using a ratio, which is that the consolidated total debts shall not at any time exceed 1.2 times of the consolidated tangible net worth. The consolidated total debts include interest-bearing bank and other borrowings, convertible bonds and finance lease payables. The consolidated tangible net worth includes equity attributable to equity holders of the Company, but excludes goodwill. During the year ended 31 December 2013 and 2012, such ratio, being less than 1.2 at all times, was not exceeded.

In addition to the abovementioned capital ratio, the Group also monitors third party debt ratio and debt service cover ratio as required by the Bank Loan Facilities. For the third party debts ratio, the total third party debts in New Zealand business unit shall not at any time exceed 40% of the aggregate value of plantation forest assets and forestry land. For the debt service cover ratio, it is the ratio of free cash flow from the New Zealand division to the debt service requirement which shall not exceed 1.5 times. As at 31 December 2013 and 2012, such ratios were met as the aforementioned third party debts ratio and debt service cover ratio were at all times below 40% and exceeded 1.5 times, respectively.

38. FINANCIAL INSTRUMENTS BY CATEGORY

All financial assets and liabilities of the Group and the Company as at 31 December 2013 and 2012 are loans and receivables, and financial liabilities stated at amortized cost, respectively.

39. EVENTS AFTER THE REPORTING PERIOD

The following significant events occurred subsequent to the reporting period:

(a) On 19 December 2013, Greenheart Forest Suriname Suma Limited as the purchaser, an indirect wholly-owned subsidiary of the Company entered into a sale and purchase agreement with Sumaroeba Holdings A.V.V., an independent third party as the vendor and its two shareholders and an individual (all are independent third parties) as the guarantors, whereby it conditionally agreed to purchase the entire equity interest in Suma Lumber Company N.V. ("Suma Lumber"), a company incorporated in Suriname, which holds several forest concessions, a parcel of land, and sawmill plant and equipment in Suriname, at a total cash consideration of US$7,800,000 (equivalent to HK$60,840,000). The acquisition was made as part of the Group's strategy to expand its Suriname division. The transaction was completed on 12 February 2014 with the first instalment of consideration, being US$5,000,000 in the form of cash paid in full. The remaining consideration will be paid by two instalments in March 2014 and June 2014. Further details are set out in the Company's announcement dated 19 December 2013.

The Group is in the process of finalizing the fair value assessment of the identifiable assets and liabilities of Suma Lumber as at the date of acquisition and therefore the initial accounting for this business combination is not yet completed as at the date of this report. Hence, except for the above-mentioned information, other disclosures as required under the relevant HKFRS 3 are not provided in this report.

(b) On 27 January 2014, Green Source Holdings Limited, an indirect wholly-owned subsidiary of the Company, and Sino-Wood Trading limited, a wholly-owned subsidiary of EPHL, entered into the supplemental agreement to renew the contractual period in respect of the master sale and purchase agreement between the parties dated 7 January 2011 in relation to the sale and purchase of logs, standing timber, agri-forest, timber related and agri-related products. The term of the master sale and purchase agreement was renewed for another three years commencing on 28 March 2014 and ending on 27 March 2017.

Further details are set out in the Company's announcement dated 27 January 2014.

(c) On 18 February 2014, Greenheart Forest Central N.V., a wholly owned subsidiary of the Company, entered into an agreement with Greenheart (Suriname) N.V., a non-wholly owned subsidiary of the Company, for the purchase of certain machines and equipment for lumber processing for a consideration of US$2,400,000 (equivalent to approximately HK$18,720,000).

Further details are set out in the Company's announcement dated 18 February 2014.

Items 39(b) and 39(c) above also constitute continuing connected transactions and a connected transaction, respectively, as defined in Chapter 14A of the Listing Rules.

40. CONTINGENT LIABILITIES

On 5 March 2014, a legal letter was served to Greenheart (Suriname) N.V., an indirect non-wholly owned subsidiary of the Company, by a contractor for outstanding contracting fee and certain out of pocket expenses totaling HK$990,000 (equivalent to US$127,000). In the opinion of the Directors, the amount is not payable as the contractor did not perform the construction work as stipulated by the Group. After consulting with the Group's legal counsel, it is not considered probable that the contractor will succeed in the claim, and accordingly, no additional provision has been made in the consolidated financial statements.

As at 31 December 2013, the Group did not have any other significant contingent liabilities (2012: Nil).

41. COMPARATIVE AMOUNTS

Certain comparative amounts have been reclassified and restated to conform to the presentation of the Year.

42. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorized for issue by the board of directors on 31 March 2014.

4. INDEBTEDNESS STATEMENT

Borrowings

As at the close of business on 28 February 2015, the Group had an outstanding unsecured loan from EPGL of US$40 million (equivalent to approximately HK$312.0 million), an outstanding unsecured loan from Sino-Capital of approximately US$14.0 million (equivalent to approximately HK$109.0 million), unsecured convertible notes in the aggregate principal amount of approximately HK$132.6 million (equivalent to US$17.0 million), outstanding secured bank loan of approximately HK$195.0 million (equivalent to US$25.0 million) and finance lease payables of approximately HK$16.4 million (equivalent to approximately US$2.1 million).

Charge on Group assets

As at the close of business on 28 February 2015, the Group's bank loan is secured by all the forestry land located in New Zealand and the equity interests of certain wholly-owned subsidiaries of the Company.

Contingent liabilities

As disclosed in the Company's annual report for the year ended 31 December 2014, the New Zealand Inland Revenue has commenced a transfer pricing audit on an indirect subsidiary of the Company which relates primarily to the interest rate paid for an intercompany loan. As at the close of business on 28 February 2015, the tax audit is still on going and therefore it is not practicable to state the outcome, amount and timing of additional income tax payment, if any. The Directors of the Company are of the opinion that it is not probable that the New Zealand Inland Revenue will succeed in assessing any additional income tax.

Save as disclosed above, the Group had no other significant contingent liabilities as at the close of business on 28 February 2015.

Disclaimer

Save as disclosed above and apart from intra-group liabilities and normal trade payables, the Group did not, as at the close of business on 28 February 2015, have any outstanding bank overdrafts, loans or other similar indebtedness (other than normal trade payables), mortgages, charges or guarantees or other material contingent liabilities.

5. MATERIAL CHANGE

The Directors confirm that, save for the following event after the reporting period as disclosed in the audited consolidated financial statements of the Group as at 31 December 2014, there had been no material change in the financial or trading position or outlook of the Group since 31 December 2014, being the date to which the latest audited consolidated financial statements of the Group were made up, up to and including the Latest Practicable Date:

On 22 January 2015, representatives of the Suriname government and the coalition of the forestry industry signed an agreement in principle regarding the proposed change to the forest concession levy and harvest royalty fee requirements. The concession levy of SR$20 per hectare per year as originally announced by the Suriname government in early 2014 is to be revoked as if it has never taken effect and commencing from 1 January 2015, the concession fee will be levied at SR$5 per hectare per year while at the same time the harvest royalty fee will be reduced from the range of US$5.5 per m3 to US$6 per m3 to US$3.95 per m3 from 1 March 2015 onwards. The outcome of the agreement in principle was approved by the Board of Ministers on 30 January 2015. New Ministerial Orders with the revised concession levy and royalty fees was subsequently enacted by the Minister of Forestry and the Minister of Finance and was published in the official Gazette in Suriname on 2 March 2015. As at 31 December 2014, the Group has made an accrual in respect of the increased concession levy of HK$15,751,000, of which HK$13,441,000 has been charged to profit or loss for the Year and the remaining HK$2,310,000 has been capitalized in closing inventory as at 31 December 2014. No levy payments were made during 2014 pending clarification of the new concession levy. As a result of the enactment of the said Ministerial Orders, the entire amount of HK$15,751,000 will be reversed, of which HK$13,441,000 will be credited as other income in 2015 and the remaining HK$2,310,000 will be reversed from inventory in 2015.

1. RESPONSIBILITY STATEMENT

This Composite Document includes particulars given in compliance with the Takeovers Code for the purpose of providing information to the Shareholders, the holders of Options and the holder of Convertible Notes with regard to Newforest, the Group and the Offers.

As at the date of this Composite Document,

(i) the directors of Chow Tai Fook Enterprises Limited are Dato' Dr. Cheng Yu-Tung, Mr. Cheng Yu-Wai, Mr. Wong Kwok-Ting, Mr. Ho Pak-Tao, Dr. Cheng Kar-Shun, Henry, Mr. Cheng Kar-Shing, Peter, Mrs. Sun Cheng Lai-Ha, Cecilia, Mrs. Doo Cheng Sau-Ha, Amy, Mr. Cheng Sek-Hung, Timothy, Mr. Cheng Kam-Biu, Wilson, Mr. Cheng Chi-Kong, Adrian, Mr. Cheng Chi-Heng, Conroy, Mr. Tsang On-Yip, Patrick, and Mr. Wong Siu-Kee, Kent;

(ii) the directors of Sharpfield Holdings Limited are Mr. Cheng Chi-Him, Conrad, Mr. Tsang On-Yip, Patrick, and Mr. Lie Ken Jie Remy Anthony Ket Heng; and

(iii) the directors of Newforest are Mr. Cheng Chi-Him, Conrad, Mr. Tsang On-Yip, Patrick, Mr. Lie Ken Jie Remy Anthony Ket Heng, and Mr. Wu Wai-Leung, Danny.

The directors of Chow Tai Fook Enterprises Limited, Sharpfield Holdings Limited and Newforest jointly and severally accept full responsibility for the accuracy of the information contained in this Composite Document (other than any information relating to the Group, the Vendor, their respective associates and parties acting in concert with them) and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in this Composite Document (other than the opinion expressed by the Group, the Vendor, their respective associates and parties acting in concert with them) have been arrived at after due and careful consideration and there are no other facts not contained in this Composite Document, the omission of which would make any statement contained in this Composite Document misleading.

The Directors jointly and severally accept full responsibility for the accuracy of the information contained in this Composite Document (other than the information relating to Newforest, Chow Tai Fook Enterprises Limited, Sharpfield Holdings Limited, their respective associates and parties acting in concert with them and the terms of the Offers) and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in this Composite Document (other than the opinion expressed by Newforest, Chow Tai Fook Enterprises Limited, Sharpfield Holdings Limited, their respective associates and parties acting in concert with them) have been arrived at after due and careful consideration and there are no other facts not contained in this Composite Document, the omission of which would make any statement contained in this Composite Document misleading.

This Composite Document, for which all Directors jointly and severally accept full responsibility for the accuracy of the information contained herein (other than the information relating to Newforest, Chow Tai Fook Enterprises Limited, Sharpfield Holdings Limited, their respective associates and parties acting in concert with them and the terms of the Offers), is in compliance with the Listing Rules. The Directors confirm, having made all reasonable enquiries, that to the best of their knowledge and belief: (i) the information contained in this Composite Document (other than the information relating to Newforest, Chow Tai Fook Enterprises Limited, Sharpfield Holdings Limited, their respective associates and parties acting in concert with them and the terms of the Offers) is accurate and complete in all material respects and not misleading; (ii) there are no other matters the omission of which would make any statement in this Composite Document misleading; and (iii) all opinions expressed in this Composite Document (other than the opinion expressed by Newforest, Chow Tai Fook Enterprises Limited, Sharpfield Holdings Limited, their respective associates and parties acting in concert with them) have been arrived at after due and careful consideration and are founded on basis and assumptions that are fair and reasonable.

2. SHARE CAPITAL

As at the Latest Practicable Date, the authorised and issued share capital of the Company were as follows:

		HK$
Authorised:		
15,000,000,000	Shares	150,000,000.00
Issued:		
795,586,245	Shares	7,955,862.45

5,697,141 Shares have been issued since 31 December 2014, the date on which the latest audited consolidated financial statements of the Company were made up, and up to the Latest Practicable Date. All the existing issued Shares are fully paid up and rank pari passu in all respects including all rights as to dividends, voting and capital.

As at the Latest Practicable Date, the Company had 11,791,004 outstanding Options conferring rights on the holders of Options to subscribe for up to an aggregate of 11,791,004 Shares, of which 3,046,926 Options have been vested and are currently exercisable.

As at the Latest Practicable Date, the Company had outstanding Convertible Notes with a principal amount of US$17 million conferring rights to the holder of Convertible Notes to convert into 66,012,987 Shares.

Save for the Shares, the Options and the Convertible Notes, the Company has no outstanding securities, options, derivatives, warrants and other convertible securities or rights affecting the Shares immediately after the Completion.

3. DISCLOSURE OF INTERESTS OF DIRECTORS AND CHIEF EXECUTIVE

As at the Latest Practicable Date, the interests and short positions of the Directors and chief executive of the Company in the Shares, underlying Shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which the Directors and the chief executives of the Company were taken or deemed to have under such provisions of the SFO), or were required to be entered in the register required to be kept pursuant to Section 352 of the SFO or otherwise required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers contained in Appendix 10 to the Listing Rules (the "Model Code") adopted by the Company were as follows:

Long position in the Shares and underlying Shares

Name of Director	Capacity	Number of Shares and underlying shares interested	Approximate percentage of the total issued share capital of the Company
Hui Tung Wah, Samuel	Beneficial owner	1,499,778 *(Note 1)*	0.190
Simon Murray	Beneficial owner	2,035,889 *(Note 2)*	0.256
Tong Yee Yung, Joseph	Beneficial owner	592,417 *(Note 3)*	0.074
Wong Che Keung, Richard	Beneficial owner	789,889 *(Note 4)*	0.100
Wong Kin Chi	Beneficial owner	939,889 *(Note 5)*	0.118

Notes:

1. It includes 789,889 Options granted by the Company.
2. It includes 789,889 Options granted by the Company.
3. It includes 592,417 Options granted by the Company.
4. It includes 789,889 Options granted by the Company.
5. It includes 789,889 Options granted by the Company.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors and chief executive of the Company had any interests or short positions in the Shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which the Director and the chief executive of the Company were taken or deemed to have under such provisions of the SFO), or were required to be entered in the register required to be kept pursuant to Section 352 of the SFO, or were required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange.

4. DISCLOSURE OF INTERESTS OF SUBSTANTIAL SHAREHOLDERS

As at the Latest Practicable Date, so far as was known to any Director or chief executive of the Company, the following persons (other than Directors or the chief executive of the Company) had an interest or short position in the Shares and underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or were, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other members of the Group or held any option in respect of such capital:

Long position in the Shares and underlying Shares

Name of Shareholder	Capacity	Number of Shares	Number of underlying shares	Approximate percentage of issued share capital of the Company (%)
Newforest	Beneficial owner *(Note 1)*	496,189,028	–	62.37
Cheng Yu Tung Family (Holdings II) Limited	Interest of controlled corporation *(Note 1)*	496,189,028	–	62.37
Cheng Yu Tung Family (Holdings) Limited	Interest of controlled corporation *(Note 1)*	496,189,028	–	62.37
Wu Wai Leung, Danny	Interest of controlled corporation *(Note 1)*	496,189,028	–	62.37
Fortune Tiger Fund Limited	Interest of controlled corporation *(Note 2)*	–	66,012,987	8.30
Development Bank of Japan Inc.	Interest of controlled corporation *(Note 3)*	–	66,012,987	8.30
Asia Resources Fund Limited	Interest of controlled corporation *(Note 4)*	–	66,012,987	8.30
GSHL	Interest of controlled corporation *(Note 4)*	–	66,012,987	8.30

Notes:

1. Newforest is directly and beneficially owned as to 40% by Gateway Asia Resources Limited (a direct wholly-owned company of Wu Wai Leung, Danny) and as to 60% by Sharpfield Holdings Limited (a direct wholly-owned subsidiary of Chow Tai Fook Enterprises Limited), respectively. Chow Tai Fook Enterprises Limited is a wholly-owned subsidiary of Chow Tai Fook (Holding) Limited, a 78.58% owned subsidiary of Chow Tai Fook Capital Limited. Chow Tai Fook Capital Limited is owned as to 48.98% and 46.65% by Cheng Yu Tung Family (Holdings) Limited and Cheng Yu Tung Family (Holdings II) Limited, respectively. As such, Wu Wai Leung, Danny, Cheng Yu Tung Family (Holdings) Limited and Cheng Yu Tung Family (Holdings II) Limited are deemed to be interested in the Shares in which Newforest is interested by virtue of Part XV of the SFO.

2. Fortune Tiger Fund Limited owned 23.26% of Asia Resources Fund Limited. As such, it is deemed to be interested in the Shares in which Asia Resources Fund Limited is interested by virtue of Part XV of the SFO.

3. Development Bank of Japan Inc. owned 46.51% of Asia Resources Fund Limited. As such, it is deemed to be interested in the Shares in which Asia Resources Fund Limited is interested by virtue of Part XV of the SFO.

4. GSHL holds the Convertible Notes. It is a wholly-owned subsidiary of Asia Resources Fund Limited. As such, Asia Resources Fund Limited is also deemed to be interested in the Shares in which GSHL is interested by virtue of Part XV of the SFO.

Save as disclosed above, as at the Latest Practicable Date, so far as was known to any Director or chief executive of the Company, no person (other than Directors or the chief executive of the Company) had an interest or short position in the Shares and underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Division 2 and 3 of Part XV of the SFO, or was, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group, or held any options in respect of such capital.

5. INTEREST IN THE COMPANY AND THE OFFEROR AND ARRANGEMENTS IN CONNECTION WITH THE OFFERS

As at the Latest Practicable Date:

(a) no benefit would be given to any Director as compensation for loss of office or otherwise in connection with the Offers;

(b) neither the Company, any member of the Group nor any of the Directors was interested in or owned or controlled any shares, convertible securities, warrants, options or derivatives of the Offeror;

(c) save as disclosed in paragraph "4. Disclosure of Interests of Substantial Shareholders" of this appendix, neither the Offeror, its directors nor any party acting in concert with the Offeror was interested in or owned or controlled any Shares or derivatives, warrants or convertible or exchangeable securities carrying rights to subscribe for, convert or exchange into, Shares;

(d) there were no Shares, convertible securities, warrants, options or derivatives of the Company which the Offeror or any party acting in concert with it has borrowed or lent;

(e) there were no Shares, convertible securities, warrants, options or derivatives of the Company which the Company or any Directors had borrowed or lent;

(f) none of the subsidiaries of the Company and pension fund of the Company or of a subsidiary of the Company or an adviser to the Company as specified in class (2) of the definition of associate under the Takeovers Code owned or controlled any Shares, convertible securities, warrants, options or derivatives of the Company;

(g) no person had any arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code with the Company or with any person who was an associate of the Company by virtue of classes (1), (2), (3) or (4) of the definition of "associate" under the Takeovers Code or with the Offeror or any person acting in concert with it;

(h) no Shares, convertible securities, warrants, options or derivatives of the Company were managed on a discretionary basis by fund managers connected with the Company;

(i) none of the Offeror or parties acting in concert with it has received any irrevocable commitment to accept or reject the Offer;

(j) save for the arrangement of resignation as set out in the paragraph headed "Proposed change of Board composition" under the section headed "4. Further Intention of the Offeror in relation to the Company" in the "Letter from VMS" set out in this Composite Document, there was no agreement or arrangement between any Director and any other person which was conditional on or dependent upon the outcome of the Offers or otherwise connected with the Offers;

(k) save for the arrangement of resignation as set out in the paragraph headed "Proposed change of Board composition" under the section headed "4. Further Intention of the Offeror in relation to the Company" in the "Letter from VMS" set out in this Composite Document, there was no agreement, arrangement or understanding (including any compensation arrangement) existing between the Offeror or any person acting in concert with it and any Director, recent Directors, Shareholders or recent Shareholders having any connection with or being dependent upon the Offers;

(l) given that the Offers are unconditional, there was no agreement or arrangement to which the Offeror was a party which related to the circumstances in which the Offeror may or may not invoke or seek to invoke a condition to the Offers;

(m) save for the Share Purchase Agreement and the Greenheart Resource Agreement, no material contracts have been entered into by the Offeror in which any Director has a material personal interest; and

(n) the Offeror, the directors of the Offeror and any parties acting in concert with the Offeror had no other intention to transfer, charge or pledge any of the Shares to be acquired by the Offeror pursuant to the Offers to any other persons, nor had the Offeror, the directors of the Offeror and any persons acting in concert with the Offeror entered into any such agreement, arrangement, undertaking or understanding.

6. DEALING IN SECURITIES AND OTHER ARRANGEMENTS

(a) During the Relevant Period, save for the transactions under the Share Purchase Agreement (details of which are set out in the "Letter from VMS" in this Composite Document):

- save for that (i) Mr. Tong Yee Yung, Joseph exercised his Options resulting in the allotment of 197,472 Shares on 22 April 2015, and sold 197,472 Shares on 29 April 2015, and (ii) Mr. Hui Tung Wah, Samuel exercised his Options resulting in the allotment of 394,944 Shares on 23 April 2015 and 394,945 Shares on 5 May 2015, and sold a total of 1,585,000 Shares from 23 April 2015 to 12 May 2015, none of the Directors had dealt in any Shares or other securities of the Company carrying voting rights or convertible securities, warrants, options or derivatives of the Company;

- none of the Offeror, its directors or any parties acting in concert with it had dealt in any Shares or other securities of the Company carrying voting rights or convertible securities, warrants, options or derivatives of the Company;

- there was no person with whom the Offeror or any parties acting in concert with it has an arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code and accordingly no such person had dealt for value in the Shares or other securities of the Company carrying voting rights or any convertible securities, warrants, options or derivatives of the Company; and

- none of the Offeror or any parties acting in concert with it has borrowed or lent in any Shares or other securities of the Company carrying voting rights or convertible securities, warrants, options or derivatives of the Company.

(b) During the Relevant Period:

- none of the Company or the Directors had dealt for value in any shares, convertible securities, warrants, options or derivatives of the Offeror;

- no fund managers who were connected with the Company had dealt for value in any Shares, convertible securities, warrants, options or derivatives of the Company which were managed on a discretionary basis;

- no person who is an associate of the Company by virtue of classes (1), (2), (3) or (4) of the definition of "associate" under the Takeovers Code had dealt for value in any Shares, convertible securities, warrants, options or derivatives of the Company; and

- none of the subsidiaries of the Company or pension fund of the Company or of a subsidiary of the Company or an adviser to the Company as specified in class (2) of the definition of "associate" under the Takeovers Code had dealt for value in any Shares, convertible securities, warrants, options or derivatives of the Company.

7. MARKET PRICES

The table below shows the closing price of the Shares as quoted on the Stock Exchange on (i) the last day on which trading took place in each of the calendar months during the Relevant Period; (ii) the Last Trading Day; and (iii) the Latest Practicable Date:

Date	Closing price per Share *HK$*
31 December 2013	0.56
30 January 2014	0.48
28 February 2014	0.455
31 March 2014	0.56
30 April 2014	0.5
30 May 2014	0.52
30 June 2014	0.7
31 July 2014	0.67
29 August 2014	0.68
30 September 2014	0.74
31 October 2014 (the Last Trading Day)	0.9
28 November 2014	Suspended
31 December 2014	0.71
30 January 2015	0.86
27 February 2015	0.86
31 March 2015	0.91
30 April 2015	1.75
Latest Practicable Date	1.29

During the Relevant Period, the highest closing price of the Shares as quoted on the Stock Exchange was HK$1.75 on 28 April 2015 and 30 April 2015 and the lowest closing price of the Shares as quoted on the Stock Exchange was HK$0.44 on 3 March 2014.

8. LITIGATION

As at the Latest Practicable Date, no member of the Group was engaged in any litigation or arbitration or claims which is material to the Group and no litigation, arbitration or claim which is material to the Group is pending or threatened by or against any member of the Group.

9. MATERIAL CONTRACTS

No contract, not being contracts entered into in the ordinary course of business of the Group, was entered into by the Group within two years immediately preceding the commencement of the Offer Period and up to the Latest Practicable Date and which are or may be material.

10. SERVICE CONTRACTS

As at the Latest Practicable Date, save for the letters of appointment with the following Directors which were amended on 21 March 2014, none of the Directors had any existing or proposed service contracts with the Company or any of its subsidiaries or associated companies which (i) (including both continuous and fixed term contracts) had been entered into or amended within 6 months before the date of the commencement of the Offer Period; or (ii) was a continuous contract with a notice period of 12 months or more; or (iii) was a fixed term contract with more than 12 months to run irrespective of the notice period:

Director	Expiry date	Fixed remuneration payable		Variable remuneration payable	
		Previous	Present	Previous	Present
Non-executive Directors					
Mr. Simon Murray*	16 August 2016	Nil	Nil	Nil	Determined with reference to the number of board meetings and general meetings of the Company attended by the Director
Mr. Colin Denis Keogh*	9 May 2016	Nil	Nil	Nil	Determined with reference to the number of board meetings, board committee's meetings and general meetings of the Company attended by the Director
Mr. Wang Tong Sai, Eddie*	9 May 2016	Nil	Nil	Nil	Determined with reference to the number of board meetings, board committee's meetings and general meetings of the Company attended by the Director

Director	Expiry date	Fixed remuneration payable		Variable remuneration payable	
		Previous	Present	Previous	Present
Independent non-executive Directors					
Mr. Wong Che Keung, Richard	14 June 2015	HK$10,000 per month	Nil	Nil	Determined with reference to the number of board meetings, board committee's meetings and general meetings of the Company attended by the Director
Mr. Tong Yee Yung, Joseph	14 June 2015	HK$10,000 per month	Nil	Nil	Determined with reference to the number of board meetings, board committee's meetings and general meetings of the Company attended by the Director
Mr. Wong Kin Chi	14 June 2015	HK$20,000 per month	Nil	Nil	Determined with reference to the Director's professional qualification and the number of board meetings, board committee's meetings and general meetings of the Company attended by the Director

* Before the letters of appointment with Mr. Simon Murray, Mr. Colin Denis Keogh and Mr. Wang Tong Sai, Eddie were amended on 21 March 2014, these Directors were entitled to such amount as the Company may from time to time decide. The Directors and the Company had mutually agreed that no director's fee shall be paid to the Directors under their respective original letters of appointment.

11. EXPERTS AND CONSENTS

The following are the qualifications of the experts who have given opinion or advice which is contained or referred to in this Composite Document:

Name	Qualification
VMS	A licensed corporation to carry out Type 1 (dealing in securities), Type 4 (advising on securities), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities under the SFO

Somerley	A licensed corporation to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO

Each of the above experts has given and has not withdrawn its written consent to the issue of this Composite Document with the inclusion of the text of its letter or report, and/or references to its name in the form and context in which it appears.

12. GENERAL

(i) The registered office address of the Offeror is at the office of NovaSage Incorporations (Cayman) Limited, Floor 4, Willow House, Cricket Square, P.O. Box 2582, Grand Cayman KY1-1103, Cayman Islands.

(ii) The principal members of the Offeror's concert group are: (i) the directors of the Offeror; (ii) Sharpfield Holdings Limited and its directors; (iii) Gateway Asia Resources Limited and its directors; and (iv) Chow Tai Fook Enterprises Limited and its directors. The names and addresses of the principal members are as follows:

(a) As at the Latest Practicable Date, the board of directors of the Offeror comprises Mr. Wu Wai Leung, Danny, Mr. Cheng Chi-Him, Conrad, Mr. Tsang On-Yip, Patrick and Mr. Lie Ken Jie Remy Anthony Ket Heng.

(b) The registered address of the Offeror is NovaSage Incorporations (Cayman) Limited, Floor 4, Willow House, Cricket Square, P.O. Box 2582, Grand Cayman KY1-1103, Cayman Islands.

(c) The corresponding address of the Offeror and the directors of the Offeror is Suite 18D, 19-25 Jervois Street, Hong Kong.

(d) As at the Latest Practicable Date, the board of directors of Sharpfield Holdings Limited comprises Mr. Cheng Chi-Him, Conrad, Mr. Tsang On-Yip, Patrick and Mr. Lie Ken Jie Remy Anthony Ket Heng.

(e) The corresponding address of Sharpfield Holdings and its directors is 38/F, New World Tower, 16-18 Queen's Road Central, Hong Kong.

(f) As at the Latest Practicable Date, the board of directors of Gateway Asia Resources Limited comprises Wu Wai Leung Danny. The corresponding address of Gateway Asia Resources Limited and its director is Suite 18D, 19-25 Jervois Street, Hong Kong.

(g) As at the Latest Practicable Date, the board of directors of Chow Tai Fook Enterprises Limited comprises Dato' Dr. Cheng Yu-Tung, Mr. Cheng Yu-Wai, Mr. Wong Kwok-Ting, Mr. Ho Pak-Tao, Dr. Cheng Kar-Shun, Henry, Mr. Cheng Kar-Shing, Peter, Mrs. Sun Cheng Lai-Ha, Cecilia, Mrs. Doo Cheng Sau-Ha, Amy, Mr. Cheng Sek-Hung, Timothy, Mr. Cheng Kam-Biu, Wilson, Mr. Cheng Chi-Kong, Adrian, Mr. Cheng Chi-Heng, Conroy, Mr. Tsang On-Yip, Patrick, and Mr. Wong Siu-Kee, Kent.

(h) The corresponding address of Chow Tai Fook Enterprises Limited and its directors is 38/F, New World Tower, 16-18 Queen's Road Central, Hong Kong.

(iii) The registered office of the Company is at Canon's Court, 22 Victoria Street, Hamilton HM 12, Bermuda. Its head office and principal place of business in Hong Kong is situated at 16/F., Dah Sing Financial Centre, 108 Gloucester Road, Wanchai, Hong Kong.

(iv) The company secretary of the Company is Ms. Tse Nga Ying, Daphne. She is a fellow of the Association of Chartered Certified Accountants and a member of the Hong Kong Institute of Certified Public Accountants.

(v) The Hong Kong Branch Share Registrar and Transfer Office of the Company is Tricor Tengis Limited of Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong.

(vi) The registered office of VMS is at Suites 4112-4114, 41/F, Jardine House, Connaught Place, Central Hong Kong.

(vii) The registered office of Somerley is at 20th Floor, China Building, 29 Queen's Road Central, Hong Kong.

(viii) The English text of this Composite Document and the Forms of Acceptance shall prevail over the Chinese text, in case of any inconsistency.

13. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection (i) during normal business hours from 9:00 a.m. to 5:00 p.m. on Business Days at the principal place of business of the Company in Hong Kong at 16/F., Dah Sing Financial Centre, 108 Gloucester Road, Wanchai, Hong Kong; (ii) on the SFC's website at http://www.sfc.hk; and (iii) the website of the Company at http://www.greenheartgroup.com from the date of this Composite Document up to as long as the Offers remain open for acceptance:

(a) the memorandum of association and bye-laws of the Company;

(b) the memorandum of association and articles of association of the Offeror;

(c) the annual reports of the Company for the last two financial years ended 31 December 2014;

(d) the interim report of the Company for the six months ended 30 June 2014;

(e) the letter from VMS as set out on pages 8 to 18 of this Composite Document;

(f) the letter from the Board as set out on pages 19 to 25 of this Composite Document;

(g) the letter from the Independent Board Committee as set out on pages 26 to 27 of this Composite Document;

(h) the letter from Somerley as set out on pages 28 to 58 of this Composite Document; and

(i) the letters of consents referred to under the paragraph headed "Experts and Consents" in this appendix.