



Greenheart Group
綠心集團



INTERIM REPORT 2017

GREENHEART GROUP LIMITED

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

商界展關懷

caringcompany[®] 2015-17

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香港社會服務聯會頒發



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CORPORATE INFORMATION

BOARD OF DIRECTORS

Cheng Chi-Him, Conrad[#]
(Non-executive Chairman)

Wu Wai Leung, Danny*
(Chief Executive Officer)

Lim Hoe Pin*

Tsang On-Yip, Patrick[#]

Simon Murray*

Nguyen Van Tu, Peter**

Tang Shun Lam, Steven**

Wong Man Chung, Francis**

* *Executive Director*

* *Non-executive Director*

** *Independent non-executive Director*

AUDIT COMMITTEE

Wong Man Chung, Francis *(Chairman)*

Nguyen Van Tu, Peter

Tang Shun Lam, Steven

Tsang On-Yip, Patrick

REMUNERATION COMMITTEE

Tang Shun Lam, Steven *(Chairman)*

Nguyen Van Tu, Peter

Tsang On-Yip, Patrick

Wong Man Chung, Francis

NOMINATION COMMITTEE

Nguyen Van Tu, Peter *(Chairman)*

Cheng Chi-Him, Conrad

Tang Shun Lam, Steven

Wong Man Chung, Francis

COMPANY SECRETARY

Tse Nga Ying

AUTHORIZED REPRESENTATIVES

Wu Wai Leung, Danny

Tse Nga Ying

REGISTERED OFFICE

Canon's Court
22 Victoria Street
Hamilton HM 12
Bermuda

STOCK CODE

94

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Suites 1706-10, 17/F.
Everbright Centre
108 Gloucester Road, Wanchai
Hong Kong
Tel: (852) 2877 2989
Fax: (852) 2511 8998

INDEPENDENT AUDITORS

Moore Stephens CPA Limited

SOLICITORS

Troutman Sanders
Sit, Fung, Kwong & Shum

PRINCIPAL BANKERS

The Hongkong and Shanghai Banking
Corporation Limited
Bank of China (Hong Kong) Limited
China Construction Bank (Asia) Corporation
Limited
Bank of New Zealand

PRINCIPAL SHARE REGISTRAR & TRANSFER OFFICE IN BERMUDA

Estera Management (Bermuda) Limited
Canon's Court
22 Victoria Street
Hamilton HM 12
Bermuda

BRANCH SHARE REGISTRAR & TRANSFER OFFICE IN HONG KONG

Tricor Tengis Limited
Level 22
Hopewell Centre
183 Queen's Road East
Hong Kong

WEBSITE

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

INVESTOR RELATIONS

info@greenheartgroup.com



CHAIRMAN'S STATEMENT

Dear Shareholders,

For the six months ended 30 June 2017 (the "Period"), Greenheart Group Limited ("Greenheart" or the "Company", and together with its subsidiaries, the "Group") recorded unaudited net loss of HK\$3,133,000, a reduction of 71.3% over the corresponding period last year.

The improvement of the financial results was mainly contributed by the Group's New Zealand division, driven by the continued demand growth of New Zealand radiata pine in China. The financial results of Suriname division however fell short of expectation as the Group's turnaround efforts suffered a short term setback caused by the prolonged renewal process of one of our timber concessions in west Suriname.

PERFORMANCE REVIEW

New Zealand division

The New Zealand radiata pine industry remained in good shape and the offtake in China maintained at a healthy level during the Period. The export price on cost and freight basis to China stayed firm and increased steadily from US\$133.5 per m³ at the beginning of 2017 to US\$139.7 per m³ in June 2017. The revenue from sales of logs contributed by New Zealand division increased by 18.0% to HK\$250,453,000, resulting mainly from the favourable price movement during the Period.

The market freight rate in the first half of 2017 was markedly increased compared to the same period of last year. By April 2017, freight rate from New Zealand to China rose to its highest in over two years. The average freight rate increased from US\$11.6 per m³ to US\$18.8 per m³, or 62.1% during the Period. This upward trend seemed to have passed though, mainly due to the stabilisation of the Chinese industrial imports of iron ore and grain from Australia, and the shipping rate was now stabled at US\$20.3 per m³.

During the Period, the Group has started to share vessels with other logs exporters, which not only strengthen our position in rate negotiation but also help to reduce the storage costs by shortening the interval between shipments as vessels can be filled up faster with other exporters' volume.



CHAIRMAN'S STATEMENT (continued)

The trades of third parties logs were noticeably increased, with trade volume represented approximately 7.3% of the export sales volume during the Period.

Overall, though the growth of revenue was partly offset by the increased freight rates, the Adjusted EBITDA, which excluded the fair value gain on plantation assets, of New Zealand division increased by HK\$9,426,000, or 11.3% to HK\$92,709,000 during the Period.

Data shows that China remains the largest New Zealand radiata pine exporting country in 2016. It is clear the current New Zealand radiata pine pricing is heavily reliant on Chinese demand. The Chinese government recently announced a reduction in tariffs on imported logs, dropped from 13% to 11%. This follows announcements in past months on the restriction on logging in native forests. These two policies are expected to further boost up China's log import demand and aid the log price. Prospects for the remainder of the year appear favourable for New Zealand radiata pine log price. A fair value gain on plantation forest assets of HK\$26,187,000 after netting of the related deferred tax, was recorded during the Period.

Suriname division

Operations in Suriname still remained on the low end of potential production. The Suriname local management and team continue to review and revamp the business and operational models that are suitable for the Suriname operation environment. Cost cutting initiative continues in inefficient units.

Harvesting operations which restarted in end 2016 have slowed down in the west as uncertainty on the timing of the renewal of our largest concession in Suriname (the "Renewal"). The local management has been closely following up with the local authorities for the Renewal and been in contact with their representatives every week. Based on the latest information, the review by the Suriname Ministry of Environmental Planning, Land and Forest Management (the "Ministry of RGB") has been almost completed and is now in the process of formal approval. Harvesting activities have also stopped in central region as we look at changing out the harvesting contractor.

Low production level has caused a reduction of sales volume and higher unit production cost. As a result, Suriname division recorded a total revenue of HK\$12,650,000, down 9.3% and a negative Adjusted EBITDA of HK\$23,337,000, increased by 42.3%.



CHAIRMAN'S STATEMENT (continued)

Subsequent Corporate Events

Subsequent to the balance sheet date, the Company entered into two subscription agreements on 3 July 2017 (collectively the "Subscription Agreements") to issue a total of 200,000,000 new shares of the Company at an issue price of HK\$0.85 per share for an aggregate cash consideration of HK\$170 million. Pursuant to the subscription agreement entered with China Forestry International Resource Company Limited ("China Forestry"), on 22 August 2017, 100,000,000 new shares, representing 6.3% of the enlarged issued share capital of the Company, have been allotted and issued by the Company to China Forestry. China Forestry is a subsidiary of China Forestry Group Corporation ("CNF"), which is supervised by the State-owned Assets Supervision and Administration Commission of the State Council in China. The subscription should enable the Group to deepen its cooperation and business with CNF. The long stop date of the other subscription agreement, with Hong Kong Genghis Khan Group Limited as subscriber, is 1 October 2017. The Group will update the market about its progress in due course.

OUTLOOK

China imported record-high volumes of softwood lumber in 2016 and softwood log imports reached their second highest level on record, rebounded strongly from the slowdown in 2015. New Zealand softwood log exports continue to dominate exporters to China and increased by 12% in 2016 at 11.6 million m³. It is expected that China's huge wood demand along with limited domestic forest products will increase wood imports in the following years and New Zealand radiata pine will continue to be one of the gainers in this trend.

In the remaining of 2017, the Group will continue to pursue our growth strategy in New Zealand. Our presence and business network in New Zealand is expanding speedily after the acquisition of Northland Forest Managers (1995) Limited ("NFM"). The trading of third party logs increased substantially during the Period and we have signed up several shipping and business collaborative arrangements with other exporters and forest owners. The local management will continue to work on this strategy to increase the sales volume and revenue. At the same time, the Group will step up its efforts in looking for acquisition opportunities in New Zealand to replenish its forest assets and enhance its future wood flow, which will enable it to strengthen earnings and shareholder's value.



CHAIRMAN'S STATEMENT (continued)

On the other hand, while the Group still believed that tropical hardwood remained an attractive market because the declining wood supply globally and the increasing demand, in particular from China's upper class and affluent families, the Suriname division was still struggling to deliver a turnaround result due to a number of in-country uncertainties. The management is working hard to resolve all these issues, hoping that the operation can get back on the right track to continue its turnaround plan as soon as possible. Meanwhile, the Group is looking for all options to minimize further down side exposure on its profitability if this division is still underperforming.

APPRECIATION

On behalf of the Board, I would like to take this opportunity to express my sincere appreciation to directors, management and staff as well as to our shareholders, suppliers, customers, bankers and business partners for their continued support over the Period.

Cheng Chi-Him, Conrad

Non-executive Chairman

Hong Kong, 28 August 2017



MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The Group's unaudited net loss for the six months ended 30 June 2017 was HK\$3,133,000 (2016: HK\$10,906,000). The improvement was contributed by the New Zealand division, which has recorded HK\$9,426,000 or a 11.3% growth in operating profit ("Adjusted EBITDA"). This however was partly offset by the increasing operating loss of HK\$6,935,000 or 42.3% incurred by the Suriname division.

Revenue

The Group's total revenue increased by HK\$38,494,000 or 16.9% to HK\$266,900,000 for the Period as compared to the corresponding period last year (2016: HK\$228,406,000). The increase was mainly driven by the improvement in both selling prices and sales volume in the New Zealand division for the Period.

During the Period, revenue contributed by the New Zealand division increased by 18.6% to HK\$254,250,000 from HK\$214,452,000 for the same period last year. Such increase was largely a result of the stronger export prices of New Zealand radiata pine. In particular, the average selling price increased to US\$116.5 per m³ for the Period, as compared to US\$99.9 per m³ for the same period last year. Meanwhile, sales volume also increased slightly by 1.2%, an increase of 3,248 m³ as compared to the corresponding period last year.

Apart from sales of logs and timber products, revenue generated from forest management fee income recorded a remarkable growth of 33.9% year-on-year. Further, the Group recorded a new stream of shipping service fee income of HK\$866,000 during the Period.

Revenue contributed by Suriname division dropped by 9.3% from HK\$13,954,000 in the same period last year to HK\$12,650,000 for the Period. The decrease was mainly due to the lower sales volume for lumber products as compared with that of last period.



MANAGEMENT DISCUSSION AND ANALYSIS (continued)

BUSINESS REVIEW (continued)

Gross profit

The Group's gross profit for the Period increased to HK\$63,813,000 from HK\$50,596,000 in the same period last year. The gross profit contribution from the New Zealand division for the Period was HK\$86,187,000 (2016: HK\$76,821,000) while the Suriname division recorded a gross loss of HK\$22,374,000 for the Period (2016: HK\$26,225,000).

The Group's gross profit margin for the Period was 23.9% as compared to 22.2% for the same period last year. The gross profit margin for the Group's New Zealand division for the Period was 33.9% (2016: 35.8%) while the Suriname division recorded a gross loss margin of 176.9% for the Period (2016: 187.9%).

The gross profit margin for the New Zealand division remained stable during the Period notwithstanding the 16.6% increase in the average selling price of New Zealand radiata pine. This is because the effect of the price increment was offset by the increase in non-cash forest depletion cost as a result of the increase in the fair value of the plantation forest assets as at 31 December 2016.

The gross loss margin for the Suriname division reported a modest reduction during the Period as substantial of the old stock has been sold, at a deep discount, or written off in 2016.



MANAGEMENT DISCUSSION AND ANALYSIS (continued)

BUSINESS REVIEW (continued)

Other income and gains

Other income and gains amounted to HK\$325,000 (2016: HK\$2,005,000) for the Period, mainly representing rental income received from subcontractors in Suriname for the lease of plant and machinery of HK\$233,000 (2016: HK\$582,000) and bank interest income of HK\$13,000 (2016: HK\$12,000).

Other income and gains for the six months ended 30 June 2016 included two one-off items: (i) the compensation received for early termination of a forest management contract of HK\$702,000 due to the change of ownership of the related forest assets; and (ii) the insurance claim received for a damaged machinery of HK\$546,000. No such events happened during the Period.

Fair value gain on plantation forest assets

The fair value gain on our plantation forest assets in New Zealand amounted to HK\$36,371,000 (2016: HK\$45,857,000) for the Period. The gain was calculated based on the valuation report at the end of the Period prepared by an independent valuer, and was primarily attributable to the increase in the forecasted near term selling price of most log grades.

Selling and distribution costs

Selling and distribution costs mainly represent trucking, barging and export handling expenses, ocean freight and logistic-related costs arising from the sale of logs and timber products.

During the Period, selling and distribution costs increased by 17.9% from HK\$49,172,000 in the same period last year to HK\$57,965,000. The increase was attributable to the increase in ocean freight rate, reflecting the recovery of global crude oil price and surge on freight demand subsides during the Period.



MANAGEMENT DISCUSSION AND ANALYSIS (continued)

BUSINESS REVIEW (continued)

Administrative expenses

Administrative expenses increased by 3.9% or HK\$940,000 for the Period. This was mainly due to the increase in consultancy fee of HK\$863,000 and in travelling expenses of HK\$315,000 for exploration of new business opportunities in the expansion in New Zealand and other regions.

Provisions for impairment

For the six months ended 30 June 2016, provisions for impairment was made for trade receivables of HK\$6,000,000 as a result of a dispute regarding the quality of certain low grade Suriname lumber sold. No provision for impairment was recorded during the Period.

Non-cash share option expenses

Share option expenses incurred for the Period of HK\$68,000 (2016: nil) were non-cash in nature and represented the amortization of fair value of share options granted in September 2016.

Finance costs

Finance costs represented (i) interest on loans from Newforest Limited (“Newforest” or “Immediate Holding Company”) of HK\$3,116,000 (2016: HK\$5,913,000); (ii) interest on a loan from Chow Tai Fook Enterprises Limited (“CTFE” or “Ultimate Holding Company”) of HK\$1,934,000 (2016: HK\$1,945,000); (iii) interest on interest-bearing bank borrowings of HK\$3,871,000 (2016: HK\$3,653,000); and (iv) interest on finance leases of HK\$814,000 (2016: HK\$255,000).

The substantial reduction in finance costs by HK\$2,031,000 to HK\$9,735,000 for the Period was mainly due to savings on interest expenses following the capitalization of the loan from Newforest of HK\$312,000,000 (i.e. US\$40,000,000) on 22 March 2016.



MANAGEMENT DISCUSSION AND ANALYSIS (continued)

BUSINESS REVIEW (continued)

Tax

Tax charges for the Period mainly represented tax provision of HK\$5,526,000 (2016: HK\$5,299,000) arising from our New Zealand division, deferred tax charge of HK\$4,804,000 (2016: HK\$11,497,000), and withholding tax of HK\$559,000 (2016: HK\$508,000) resulting from the intercompany interest and net exchange differences arising from the translation of foreign currency denominated income tax recoverable and deferred tax liabilities.

The deferred tax charge for the Period comprised of the deferred tax charges of HK\$4,844,000 (2016: HK\$11,041,000) in New Zealand division and deferred tax credit of HK\$40,000 (2016: deferred tax charge of HK\$456,000) in Suriname division.

The deferred tax in New Zealand division was mainly due to the taxable temporary differences arising from the fair value gain on New Zealand plantation forest assets, utilization of tax losses, different amortization/depreciation rates for tax and accounting purposes related to the forest roads assets and the period-end foreign currency translation adjustment for United States dollars denominated term loans.

The deferred tax in Suriname division represented the net movement of taxable temporary differences arising from amortization of fair value adjustments in previous years' acquisition of subsidiaries and increase in tax losses recognized following the reforecast of future profits during the Period.

EBITDA

The EBITDA of the Group increased HK\$8,348,000 from HK\$87,406,000 in the same period of last year to HK\$95,754,000 during the Period.

The improvement in EBITDA of the Group was mainly due to the one-off impairment of trade receivables provided in the same period last year by the Suriname division. As a result, the negative EBITDA of Suriname division was reduced from HK\$29,745,000 in the same period last year to HK\$20,877,000 for the Period.

Although the operating results of New Zealand division was improved as mentioned above, such improvement was offset by the decrease in fair value gain of plantation assets by HK\$9,486,000, as the magnitude of the price upward adjustment is comparatively modest for the Period. Consequently, the EBITDA of New Zealand division remained relatively stable at HK\$129,092,000 for the Period (2016: HK\$129,150,000).



MANAGEMENT DISCUSSION AND ANALYSIS (continued)

BUSINESS REVIEW (continued)

Profit for the Period attributable to equity holders of the Company

As a result of the aforementioned, the profit attributable to the equity holders of the Company increased to HK\$12,958,000 for the Period from HK\$7,407,000 in the same period last year.

LIQUIDITY AND FINANCIAL REVIEW

As at 30 June 2017, the Group's current assets and current liabilities were HK\$321,165,000 and HK\$127,908,000 (31 December 2016: HK\$277,268,000 and HK\$202,405,000), respectively, of which the Group maintained cash and bank balances of approximately HK\$47,520,000 (31 December 2016: HK\$79,312,000). The Group's outstanding borrowings as at 30 June 2017 represented the loans from the Immediate Holding Company amounting to HK\$130,363,000 (31 December 2016: HK\$121,844,000), the loan from the Ultimate Holding Company amounting to HK\$78,000,000 (31 December 2016: HK\$78,000,000), interest-bearing bank borrowings amounting to HK\$195,000,000 (31 December 2016: HK\$195,000,000) and finance lease payables of HK\$8,410,000 (31 December 2016: HK\$8,778,000). Accordingly, the Group's gearing ratio as of 30 June 2017, which was calculated on the basis of outstanding borrowings as a percentage of equity attributable to equity holders of the Company, was 43.6% (31 December 2016: 43.6%).

As at 30 June 2017, there were 1,486,312,506 ordinary shares ("Shares") of the Company in issue. The Group adopts conservative treasury policies in cash and financial management. Cash is generally placed in current deposits mostly denominated in United States dollars and Hong Kong dollars. The Group's liquidity and financing requirements are reviewed regularly.



MANAGEMENT DISCUSSION AND ANALYSIS (continued)

LIQUIDITY AND FINANCIAL REVIEW (continued)

Most of the Group's sales are denominated in United States dollars, to which the Hong Kong dollars is pegged. All the Group's outstanding borrowings, and the majority of costs and expenses incurred in Hong Kong and Suriname are denominated in United States dollars. The domestic sales generated from the New Zealand plantation forest assets and the forest management fee income from 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 Period, the Group did not use any financial instruments for hedging purposes and the Group did not have any hedging instruments outstanding as at 30 June 2017. However, we will continue to closely monitor all possible exchange 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.

The Group's bank loan facilities are subject to the fulfillment of certain financial covenants as required by the Bank of New Zealand ("Bank"). During the Period, one of the financial covenants was not complied with, therefore resulted in an event of review according to the bank loan facilities agreement with the Bank. The Group has rectified the non-compliance and the Bank has confirmed the continuity of the bank loan facilities offered to the Group. As at the date of this report, all financial covenants relating to the bank loan facilities were met.

PROSPECTS

China continues to be the largest market of the Group's products however India and South-East Asia remain the interesting prospect especially for Suriname mixed hardwood. China's gross domestic product ("GDP") growth reached 6.9% for both quarters in first half year of 2017 compared to the targeted 6.5% because of the stronger growth in exports, production and the stronger than expected housing sector results. International Monetary Fund revised China's GDP forecast at the rate of 6.7% for the second half of 2017 marginally up from 6.6%.

During the Period, figures from New Zealand Ministry of Primary Industries showed total logs exported grew at over 659,000 m³, representing 8%, compared to the same period last year. China accounted for over 70% of the total volumes exported and the value of log exports is expected to surpass the NZ\$2.56 billion mark set in 2016. The general sentiment between exporters is a gradual raise in the A-grade New Zealand radiata pine export price on cost and freight ("CFR") basis to US\$146 per m³ levels by the year-end of 2017. The current export price in CFR basis for A-grade log is US\$141 to US\$143 per m³ up from US\$134 per m³ at the beginning of the year. The India market shows signs of recovery and slowly approaching parity with China with current CFR prices at US\$154 to US\$155 per m³.



MANAGEMENT DISCUSSION AND ANALYSIS (continued)

PROSPECTS (continued)

Operations in Suriname however remain on the low end of its potential production volumes. Our current west Suriname harvesting operations had slowed down pending for the receipt of the official approval for the Renewal of one of the Group's forest concessions in west Suriname expired on 5 June 2017. Based on the latest information from Stichting voor Bosbeheer en Bostoezicht ("SBB"), they had largely completed their review and is now in the process of obtaining the official approval. As at 30 June 2017 and 31 December 2016, the net book value of the aforementioned concession was HK\$320,626,000 and HK\$321,191,000, respectively. Given the application of Renewal is still in progress, no provision of impairment was made during the Period. Harvesting activities in the central region restarted in the second quarter of 2017 with a change to utilize in-house manpower on harvesting crews. In the remaining of 2017, we aim to further collaborate with parties while targeting production growth in west and central and to begin harvesting activities in our east concession in order to meet the requirements as set by local authority.

Our New Zealand division continues its path of extending and expanding its forest assets base and servicing strategies. We are and will continue to be participating in various forest bid for all sizes. Our continual investment in NFM, our in-house forest division will be key to increase our local presence, utilizing their network to reach out to a number of opportunities ranging from managed sales, external log supplies, cutting rights and stumpage and land and tree sales. The fluctuation of New Zealand dollars to United States dollars remains the biggest concern to internal and external log supplies at port, which forces us to relook at our hedging options.

On 22 August 2017, the Company has allotted and issued 100,000,000 new shares at HK\$0.85 per share to China Forestry with total net proceeds of approximately HK\$84,890,000 which is intended to be used for general working capital of the Group and possible investments in the future when opportunities arise.



MANAGEMENT DISCUSSION AND ANALYSIS (continued)

CHARGE ON ASSETS

As at 30 June 2017 and 31 December 2016, 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\$105,603,000 (31 December 2016: HK\$99,858,000) ("Forestry Land");
 - b. the Group's plantation forest assets (located in New Zealand) with a net carrying amount of approximately HK\$303,850,000 (31 December 2016: HK\$320,682,000) 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.

INTERIM DIVIDEND

The Board has resolved not to recommend any dividend for the six months ended 30 June 2017 (six months ended 30 June 2016: nil).

CAPITAL EXPENDITURE

During the six months ended 30 June 2017, the Group spent approximately HK\$4,129,000 (year ended 31 December 2016: approximately HK\$14,047,000) on the acquisition of items of property, plant and equipment.



MANAGEMENT DISCUSSION AND ANALYSIS (continued)

MATERIAL ACQUISITION AND DISPOSAL

The Group had no material business acquisitions or disposal during the Period.

CONTINGENT LIABILITIES

As at 30 June 2017 and 31 December 2016, the Group did not have any significant contingent liabilities.

SHARE OPTION SCHEME

As at 30 June 2017, there were share options for 39,420,000 ordinary shares of HK\$0.01 each in the share capital of the Company granted by the Company pursuant to the share option scheme, as adopted by the shareholders of the Company on 28 June 2012, which were valid and outstanding. Movements of the outstanding share options of the Company during the Period are set out below:

	Number of shares
As at 1 January 2017	39,455,000
Granted during the Period	–
Lapsed during the Period	–
Cancelled during the Period	–
Exercised during the Period	(35,000)
<hr/>	
As at 30 June 2017	39,420,000

EMPLOYMENT AND REMUNERATION POLICY

As at 30 June 2017, the total number of employees of the Group was 340 (31 December 2016: 354). Employees' costs (including Directors' emoluments) amounted to approximately HK\$30,102,000 for the six months ended 30 June 2017 (30 June 2016: HK\$30,182,000). Remuneration of the employees includes salary and discretionary bonuses based on the Group's results and individual performance. Medical and retirement benefits schemes are made available to all levels of personnel.



CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months
ended 30 June

	Notes	2017 (Unaudited) HK\$'000	2016 (Unaudited) HK\$'000
REVENUE	5	266,900	228,406
Cost of sales		(203,087)	(177,810)
Gross profit		63,813	50,596
Other income and gains	5	325	2,005
Fair value gain on plantation forest assets	11	36,371	45,857
Selling and distribution costs		(57,965)	(49,172)
Administrative expenses		(25,171)	(24,231)
Provisions for impairment		-	(6,000)
Other operating income, net		1,544	422
Non-cash share option expenses		(68)	-
Finance costs	6	(9,735)	(11,766)
PROFIT BEFORE TAX	7	9,114	7,711
Tax	8	(12,247)	(18,617)
LOSS FOR THE PERIOD		(3,133)	(10,906)
OTHER COMPREHENSIVE INCOME			
Item that may be reclassified subsequently to profit or loss			
Exchange differences on translation of foreign operations		6,645	4,909
OTHER COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX OF NIL		6,645	4,909
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD		3,512	(5,997)
PROFIT/(LOSS) FOR THE PERIOD ATTRIBUTABLE TO:			
Equity holders of the Company		12,958	7,407
Non-controlling interests		(16,091)	(18,313)
		(3,133)	(10,906)
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD ATTRIBUTABLE TO:			
Equity holders of the Company		19,603	12,316
Non-controlling interests		(16,091)	(18,313)
		3,512	(5,997)
EARNINGS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY	9		
Basic		HK\$0.009	HK\$0.006
Diluted		HK\$0.009	HK\$0.006



CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		30 June 2017 (Unaudited) HK\$'000	31 December 2016 (Audited) HK\$'000
	<i>Notes</i>		
NON-CURRENT ASSETS			
Property, plant and equipment		340,204	341,508
Prepaid land lease payments		19,151	19,764
Goodwill		5,651	5,651
Timber concessions and cutting rights	10	463,172	463,750
Other intangible assets		51	98
Plantation forest assets	11	303,850	320,682
Prepayments, deposits and other receivables		1,940	2,276
Total non-current assets		1,134,019	1,153,729
CURRENT ASSETS			
Inventories		41,973	28,031
Trade receivables	12	181,406	122,366
Prepayments, deposits and other receivables		43,620	44,208
Due from a fellow subsidiary	20(b)(iv)	525	185
Tax recoverable		3,001	3,166
Pledged deposit	13	3,120	–
Cash and cash equivalents		47,520	79,312
Total current assets		321,165	277,268
CURRENT LIABILITIES			
Trade payables	14	41,324	36,514
Other payables and accruals		46,382	49,212
Finance lease payables	15	8,410	8,778
Loan from the ultimate holding company	20(a)(iii)	–	78,000
Due to the immediate holding company	20(b)(i)	–	461
Due to the ultimate holding company	20(b)(iii)	1,079	1,101
Tax payable		30,713	28,339
Total current liabilities		127,908	202,405
NET CURRENT ASSETS		193,257	74,863
TOTAL ASSETS LESS CURRENT LIABILITIES		1,327,276	1,228,592



CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
(continued)

		30 June	31 December
		2017	2016
		(Unaudited)	(Audited)
	<i>Notes</i>	HK\$'000	<i>HK\$'000</i>
NON-CURRENT LIABILITIES			
Loans from the immediate holding company	20(a)(ii)	130,363	121,844
Loan from the ultimate holding company	20(a)(iii)	78,000	–
Due to the immediate holding company	20(b)(ii)	19,688	16,032
Interest-bearing bank borrowings	16	195,000	195,000
Deferred tax liabilities		134,273	129,371
Total non-current liabilities		557,324	462,247
NET ASSETS		769,952	766,345
EQUITY			
Equity attributable to equity holders of the Company			
Issued capital		14,863	14,863
Reserves		930,459	910,761
Non-controlling interests		945,322	925,624
		(175,370)	(159,279)
Total equity		769,952	766,345



CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2017

	Attributable to equity holders of the Company											Total equity HK\$'000
	Issued capital HK\$'000	Share premium account HK\$'000	Contributed surplus HK\$'000	Share option reserve HK\$'000	Capital reserve HK\$'000	Land revaluation reserve HK\$'000	Merger reserve HK\$'000	Exchange fluctuation reserve HK\$'000	Accumulated losses HK\$'000	Total HK\$'000	Non-controlling interests HK\$'000	
At 1 January 2017 (audited)	14,863	1,925,429*	83,274*	15,002*	846*	19,916*	265*	1,926*	(1,135,897)*	925,624	(159,279)	766,345
Profit/(loss) for the Period	-	-	-	-	-	-	-	-	12,958	12,958	(16,091)	(3,133)
Other comprehensive income for the Period:												
Exchange differences on translation of foreign operations	-	-	-	-	-	-	-	6,645	-	6,645	-	6,645
Total comprehensive income/(loss) for the Period	-	-	-	-	-	-	-	6,645	12,958	19,603	(16,091)	3,512
Issue of new shares upon exercise of share options	-	38	-	(11)	-	-	-	-	-	27	-	27
Equity-settled share option arrangements	-	-	-	68	-	-	-	-	-	68	-	68
At 30 June 2017 (unaudited)	14,863	1,925,467*	83,274*	15,059*	846*	19,916*	265*	8,571*	(1,122,939)*	945,322	(175,370)	769,952
At 1 January 2016 (audited)	9,625	1,611,573	83,274	6,776	846	12,706	265	282	(1,144,859)	580,488	(122,715)	457,773
Profit/(loss) for the Period	-	-	-	-	-	-	-	-	7,407	7,407	(18,313)	(10,906)
Other comprehensive income for the Period:												
Exchange differences on translation of foreign operations	-	-	-	-	-	-	-	4,909	-	4,909	-	4,909
Total comprehensive income/(loss) for the Period	-	-	-	-	-	-	-	4,909	7,407	12,316	(18,313)	(5,997)
Issue of new shares upon loan capitalization	5,237	314,739	-	-	-	-	-	-	-	319,976	-	319,976
Share issue expenses	-	(501)	-	-	-	-	-	-	-	(501)	-	(501)
At 30 June 2016 (unaudited)	14,862	1,925,811	83,274	6,776	846	12,706	265	5,191	(1,137,452)	912,279	(141,028)	771,251

* These reserve accounts comprise the consolidated reserves of HK\$930,459,000 (31 December 2016: HK\$910,761,000) in the condensed consolidated statement of financial position.



CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	For the six months ended 30 June	
	2017 (Unaudited) <i>HK\$'000</i>	2016 (Unaudited) <i>HK\$'000</i>
NET CASH FLOWS (USED IN)/FROM OPERATING ACTIVITIES	(32,572)	18,181
NET CASH FLOWS USED IN INVESTING ACTIVITIES	(8,584)	(20,296)
NET CASH FLOWS FROM/(USED IN) FINANCING ACTIVITIES	8,168	(1,666)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(32,988)	(3,781)
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	79,312	121,851
EFFECT OF FOREIGN EXCHANGE RATE CHANGE, NET	1,196	771
CASH AND CASH EQUIVALENTS AT END OF PERIOD	47,520	118,841
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	47,520	118,841



NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

30 June 2017

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 30 June 2017, the immediate holding company of the Company is Newforest Limited, a company incorporated in Cayman Islands and held 1,020,005,389 shares, representing 68.63% of the issued share capital of the Company. The ultimate holding company of the Company is Chow Tai Fook Enterprises Limited, a company incorporated in Hong Kong.

2. BASIS OF PREPARATION AND PRESENTATION

These unaudited condensed consolidated interim financial statements have been prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34 *Interim Financial Reporting* issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of Appendix 16 of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"). These interim financial statements have been prepared under the historical cost convention, except for plantation forest assets and forestry land. Plantation forest assets were measured at fair value less costs to sell, and forestry land was measured at fair value. These interim financial statements are presented in Hong Kong dollars, and all values are rounded to the nearest thousand except when otherwise indicated.

3. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The accounting policies and basis of preparation adopted in the preparation of these unaudited condensed consolidated interim financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2016, except for the adoption of the following revised Hong Kong Financial Reporting Standards ("HKFRSs", which also include HKASs and Interpretations) effective from 1 January 2017, noted below.

Amendments to HKAS 7	<i>Disclosure Initiative</i>
Amendments to HKAS 12	<i>Recognition of Deferred Tax Assets for Unrealised Losses</i>
Annual improvements 2014-2016 Cycle	<i>Amendments to HKFRS 12 – Disclosure of Interests in Other Entities</i>

The adoption of the revised HKFRSs has had no significant financial effect on these unaudited condensed consolidated interim financial statements.



NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (continued)

4. 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 geographic 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 two reportable segments:

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

New Zealand: Softwood plantation management, log harvesting, marketing, sale and trading of logs, provision of forest management services and shipping services

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 cost as a result of harvesting and amortization ("EBITDA"). EBITDA is further adjusted to exclude fair value gains or losses on plantation forest assets, 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.



NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (continued)

4. OPERATING SEGMENT INFORMATION (continued)

The following table presents revenue and profit/(loss) information regarding the Group's operating segments for the six months ended 30 June 2017:

For the six months ended 30 June 2017

	Suriname [^] HK\$'000	New Zealand [^] HK\$'000	Unallocated HK\$'000	Total HK\$'000
SEGMENT REVENUE	12,650	254,250	-	266,900
SEGMENT RESULTS ("Adjusted EBITDA")	(23,337)	92,709	(12,393)	56,979
Reconciliation of the segment results: Items other than finance costs, tax, forest depletion cost as a result of harvesting, depreciation and amortization				
Fair value gain on plantation forest assets	-	36,371	-	36,371
Interest income	1	12	-	13
Reversal of write-down of inventories, net*	2,459	-	-	2,459
Non-cash share option expenses	-	-	(68)	(68)
SEGMENT RESULTS ("EBITDA")	(20,877)	129,092	(12,461)	95,754
Finance costs	(5,864)	(3,871)	-	(9,735)
Forest depletion cost as a result of harvesting*	-	(49,951)	-	(49,951)
Depreciation	(9,004)	(1,834)	(370)	(11,208)
Amortization of harvest roading*	-	(14,475)	-	(14,475)
Amortization of timber concessions and cutting rights*	(611)	-	-	(611)
Amortization of prepaid land lease payments**	(613)	-	-	(613)
Amortization of other intangible assets*	(47)	-	-	(47)
PROFIT BEFORE TAX				9,114



NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (continued)

4. OPERATING SEGMENT INFORMATION (continued)

For the six months ended 30 June 2016

	Suriname [^] HK\$'000	New Zealand [^] HK\$'000	Unallocated HK\$'000	Total HK\$'000
SEGMENT REVENUE	13,954	214,452	–	228,406
SEGMENT RESULTS ("Adjusted EBITDA")	(16,402)	83,283	(11,999)	54,882
Reconciliation of the segment results:				
Items other than finance costs, tax, forest depletion cost as a result of harvesting, depreciation and amortization				
Fair value gain on plantation forest assets	–	45,857	–	45,857
Interest income	2	10	–	12
Impairment of trade receivables***	(6,000)	–	–	(6,000)
Write-down of inventories, net*	(7,345)	–	–	(7,345)
SEGMENT RESULTS ("EBITDA")	(29,745)	129,150	(11,999)	87,406
Finance costs	(5,197)	(6,569)	–	(11,766)
Forest depletion cost as a result of harvesting*	–	(41,790)	–	(41,790)
Depreciation	(9,998)	(1,702)	(536)	(12,236)
Amortization of harvest roading*	–	(10,740)	–	(10,740)
Amortization of timber concessions and cutting rights*	(2,411)	–	–	(2,411)
Amortization of prepaid land lease payments**	(613)	–	–	(613)
Amortization of other intangible assets*	(139)	–	–	(139)
PROFIT BEFORE TAX				7,711

[^] Reportable Segments

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

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

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



NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (continued)

4. OPERATING SEGMENT INFORMATION (continued)

Geographical information

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

	For the six months ended 30 June	
	2017 (Unaudited) HK\$'000	2016 (Unaudited) HK\$'000
Mainland China	214,313	189,223
New Zealand	40,658	25,646
Suriname	3,038	4,024
Belgium	2,583	1,399
Netherlands	1,604	2,932
United States of America	1,395	87
Austria	1,318	–
Taiwan	561	1,026
Hong Kong	282	–
India	–	3,295
Other countries	1,148	774
	266,900	228,406



NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (continued)

4. OPERATING SEGMENT INFORMATION (continued)

Information about major customers

During the six months ended 30 June 2017, the Group had transactions with one (2016: two) customer(s) from New Zealand segment who each contributed over 10% of the Group's total revenue for the Period. A summary of revenue earned from the major customer(s) is set out below:

	For the six months ended 30 June	
	2017 (Unaudited) HK\$'000	2016 (Unaudited) HK\$'000
Customer 1	213,875	N/A*
Customer 2	N/A*	121,388
Customer 3	N/A*	64,122
	213,875	185,510

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



NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (continued)

5. REVENUE, OTHER INCOME AND GAINS

	For the six months ended 30 June	
	2017	2016
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Revenue		
Sales of logs and timber products	263,103	226,217
Forest management fee	2,931	2,189
Shipping service fee income	866	–
	266,900	228,406
Other income and gains		
Bank interest income	13	12
Rental income for lease of plant and machinery	233	582
Compensation from an insurance company	–	546
Compensation for early termination of contract	–	702
Others	79	163
	325	2,005



NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (continued)

6. FINANCE COSTS

	For the six months ended 30 June	
	2017 (Unaudited) HK\$'000	2016 (Unaudited) HK\$'000
Interest on loans from the Immediate Holding Company	3,116	5,913
Interest on a loan from the Ultimate Holding Company	1,934	1,945
Interest on interest-bearing bank borrowings	3,871	3,653
Interest on finance leases	814	255
	9,735	11,766

7. PROFIT BEFORE TAX

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

	For the six months ended 30 June	
	2017 (Unaudited) HK\$'000	2016 (Unaudited) HK\$'000
Forest harvested as agricultural produce (note 11)	56,098	48,925
Amount capitalized in inventories	(6,147)	(7,135)
	49,951	41,790
Forest depletion cost as a result of harvesting*		
Amortization of timber concessions and cutting rights (note 10)	578	1,457
Amount released from inventories	33	954
	611	2,411

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

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (continued)

8. TAX

Hong Kong profits tax has been provided at the rate of 16.5% (2016: 16.5%) on the estimated assessable profits arising in Hong Kong during the Period.

New Zealand income tax has been provided at the rate of 28% on the estimated assessable profits arising in New Zealand for the Period. No New Zealand income tax has been provided for the six months ended 30 June 2016 as the subsidiaries operating in New Zealand have available tax losses brought forward to offset the assessable profits 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 enjoyed a local income tax exemption for an original period of nine years from 2007 to 2016, which, expired in 2016.

In 2014, the New Zealand Inland Revenue commenced a transfer pricing audit on an indirect subsidiary of the Company, which relates primarily to the interest rate of an intercompany loan and tax administration matter on withholding tax payment for an intercompany loan interest. In view of the fact that the New Zealand Inland Revenue is currently working towards implementing changes to the withholding tax rules which will require the Company to pay withholding tax regularly, the related withholding tax was provided during the six months ended 30 June 2017 and 2016. During 2016, the audit was completed, and there was no material additional income tax or shortfall penalty.

	For the six months ended 30 June	
	2017 (Unaudited) HK\$'000	2016 (Unaudited) HK\$'000
Current – Hong Kong		
Charge for the Period	5,106	5,299
Current – Elsewhere		
Charge for the Period	420	–
Foreign exchange difference on income tax payable/recoverable	(507)	(124)
Deferred	4,804	11,497
Foreign exchange difference on deferred tax liabilities	1,865	1,437
Withholding	559	508
	<hr/>	<hr/>
Tax expense	12,247	18,617



NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (continued)

9. EARNINGS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

The calculation of basic earnings per share amount is based on the profit for the Period attributable to equity holders of the Company, and the weighted average of 1,486,279,633 (2016: 1,253,097,988) ordinary shares in issue during the Period.

The calculation of diluted earnings per share amount for the Period is based on the profit for the Period attributable to equity holders of the Company, and the weighted average of 1,492,804,021 ordinary shares in issue during the Period after adjusting the impact on the deemed exercise of dilutive share options outstanding, calculated as follows:

	Number of shares For the six months ended 30 June	
	2017 (Unaudited)	2016 (Unaudited)
Shares		
Weighted average number of ordinary shares in issue during the Period used in the basic earnings per share calculation	1,486,279,633	1,253,097,988
Effect of dilution – weighted average number of ordinary shares:		
Share options	6,524,388	–
	1,492,804,021	1,253,097,988

In respect of the diluted earnings per share amount presented for the six months ended 30 June 2016, no adjustment was made to the basic earnings per share amount presented, as the impact of the share options outstanding had no dilutive effect on the basic earnings per share amount presented.

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (continued)

10. TIMBER CONCESSIONS AND CUTTING RIGHTS

	30 June 2017 (Unaudited) HK\$'000	31 December 2016 (Audited) HK\$'000
At beginning of the Period/year:		
Cost	880,459	880,459
Accumulated amortization and impairment	(416,709)	(414,930)
Net carrying amount	463,750	465,529
Net carrying amount:		
At beginning of the Period/year	463,750	465,529
Amortization provided during the Period/year (note 7)	(578)	(1,779)
At end of the Period/year	463,172	463,750
At end of the Period/year:		
Cost	880,459	880,459
Accumulated amortization and impairment	(417,287)	(416,709)
Net carrying amount	463,172	463,750

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 terms ranging from 10 to 20 years.

On 19 January 2017, the Ministry of RGB withdrew the concession right of a total forest area of approximately 44,000 hectares which was held by a wholly-owned subsidiary of the Company pursuant to the relevant Suriname laws and regulations. The book value of the concession has been fully written off in the financial year ended 31 December 2014. Further details were set out in the Company's announcement dated 9 February 2017.



NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (continued)

10. TIMBER CONCESSIONS AND CUTTING RIGHTS (continued)

One of the Group's forest concessions in west Suriname with land area of approximately 127,000 hectares (the "Concession") expired on 5 June 2017. The Group has submitted an application to renew the Concession for another 20 years. The relevant Suriname government authorities are still reviewing the Renewal application and the Renewal has not yet been completed. It is not unusual that the Suriname government extends its review on a concession renewal application beyond the expiry date of the original term of the concession. Given the size of the Concession, the Group expects that the relevant Suriname government authorities may take more time to complete the process. As at 30 June 2017 and 31 December 2016, the net book value of the Concession was HK\$320,626,000 and HK\$321,191,000, respectively. In view of the application of Renewal is still in progress, no provision of impairment was made during the Period. Further details were set out in the Company's announcement dated 9 June 2017.

Save as disclosed above, as at 30 June 2017, the Group's total forest concessions and cutting rights under management in Suriname covered a land area of approximately 195,000 hectares (31 December 2016: 366,000 hectares).

11. PLANTATION FOREST ASSETS

	30 June 2017 (Unaudited) HK\$'000	31 December 2016 (Audited) HK\$'000
Net carrying amount at beginning of the Period/year	320,682	357,907
Transfer to/(from) Level 3	-	-
Additions	2,895	7,509
Harvested as agricultural produce (note 7)	(56,098)	(109,843)
Changes in fair value less costs to sell (recognised in profit or loss)	36,371	65,109
Net carrying amount at end of the Period/year	303,850	320,682

As at 30 June 2017, the Group managed radiata pine plantation forest assets in the Northland region of New Zealand, 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 productive area was owned by the Group as freehold, except for approximately 66 hectares which are subject to the restrictions as set out in relevant New Zealand regulations.



NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (continued)

11. PLANTATION FOREST ASSETS (continued)

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 30 June 2017 and 31 December 2016. Indufor is an independent professional forest specialist consulting firm. The key consultant involved in this valuation is 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 the use of key assumptions and estimates in determining the fair value of the plantation forest assets. Indufor and the management review these assumptions and estimates periodically to identify any significant change in the fair value.

For the valuation of plantation forest assets in New Zealand as at 30 June 2017, Indufor updated the values from the full narrative valuation as at 31 December 2016 and relied on the field inspection results and base values provided in the valuation as at 31 December 2016. The plantation forest assets have not been re-inspected for valuation as at 30 June 2017, but the stock area, log prices, production and transport costs have been updated for the valuation as at 30 June 2017.



NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (continued)

11. PLANTATION FOREST ASSETS (continued)

The key inputs in the valuation of the plantation forest assets in New Zealand as at 30 June 2017 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
As at 30 June 2017		
Significant unobservable input		
Forecast unit log price at wharf gate (AWG)	US\$69-74/m ³	US\$71/m ³
Significant observable inputs		
Yield (m ³ /ha) (stands planted prior to 1997)	535-637	597
Yield (m ³ /ha) (including young stands)	498-637	540
Production costs	US\$29-32/m ³	US\$30/m ³
Transport costs	US\$12-15/m ³	US\$14/m ³
Discount rate	8.5%	8.5%
As at 31 December 2016		
Significant unobservable input		
Forecast unit log price at wharf gate (AWG)	US\$64-69/m ³	US\$66/m ³
Significant observable inputs		
Yield (m ³ /ha) (stands planted prior to 1997)	555-646	604
Yield (m ³ /ha) (including young stands)	498-646	545
Production costs	US\$27-30/m ³	US\$28/m ³
Transport costs	US\$12-14/m ³	US\$13/m ³
Discount rate	8.5%	8.5%

A pre-tax discount rate of 8.5% (31 December 2016: 8.5%) was used in the valuation of the plantation forest assets in New Zealand as at 30 June 2017, 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. Rates implied by forest transactions were given the greatest weighting and were the principal means of incorporating transaction evidence or a sales comparison approach.

Because of the increasing proportion of recently replanted young stands, Indufor has given some recognition this Period to the cost of establishing these young stands. A hybrid model incorporating expectation and compounding cost approaches has been applied to the young age class stands.



NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (continued)

11. PLANTATION FOREST ASSETS (continued)

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 profit before tax (due to changes in the fair value of plantation forest assets).

For the six months ended 30 June 2017

Change in production cost	Increase/ (decrease) in production cost	Increase/ (decrease) in profit before tax
	%	HK\$'000
If the production cost increases	5	(25,853)
If the production cost decreases	(5)	25,853
Change in transport cost	Increase/ (decrease) in transport cost	Increase/ (decrease) in profit before tax
	%	HK\$'000
If the transport cost increases	5	(9,895)
If the transport cost decreases	(5)	9,895
Change in log price	Increase/ (decrease) in log price	Increase/ (decrease) in profit before tax
	%	HK\$'000
If the log price increases	5	40,324
If the log price decreases	(5)	(40,324)
Change in discount rate	Increase/ (decrease) in discount rate	Increase/ (decrease) in profit before tax
	%	HK\$'000
If the discount rate increases	1	(9,380)
If the discount rate decreases	(1)	10,982



NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (continued)

11. PLANTATION FOREST ASSETS (continued)

For the six months ended 30 June 2016

Change in production cost	Increase/ (decrease) in production cost %	Increase/ (decrease) in profit before tax HK\$'000
If the production cost increases	5	(34,500)
If the production cost decreases	(5)	34,500
Change in transport cost	Increase/ (decrease) in transport cost %	Increase/ (decrease) in profit before tax HK\$'000
If the transport cost increases	5	(11,574)
If the transport cost decreases	(5)	11,574
Change in log price	Increase/ (decrease) in log price %	Increase/ (decrease) in profit before tax HK\$'000
If the log price increases	5	51,973
If the log price decreases	(5)	(51,973)
Change in discount rate	Increase/ (decrease) in discount rate %	Increase/ (decrease) in profit before tax HK\$'000
If the discount rate increases	1	(10,016)
If the discount rate decreases	(1)	11,407

All the Group's plantation forest assets were pledged to secure bank loan facilities granted to the Group as at 30 June 2017 and 31 December 2016 (note 16).



NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (continued)

12. TRADE RECEIVABLES

	30 June 2017 (Unaudited) HK\$'000	31 December 2016 (Audited) HK\$'000
Trade receivables	187,944	128,904
Less: impairment	(6,538)	(6,538)
	181,406	122,366

The Group's trading terms with its customers are mainly letters of credit at sight to 90 days or on open account with credit terms of 5 days to 90 days for others. 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.

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

	30 June 2017 (Unaudited) HK\$'000	31 December 2016 (Audited) HK\$'000
Within 1 month	38,055	43,591
From 1 to 3 months	77,019	76,019
Over 3 months	66,332	2,756
	181,406	122,366



NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (continued)

13. PLEDGED DEPOSIT

The pledged deposit is short term time deposit made for a period more than three months but less than one year and is pledged to secure the undrawn general bank facilities on letter of credit granted to the Group as at 30 June 2017 (31 December 2016: nil).

14. TRADE PAYABLES

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

	30 June 2017 (Unaudited) HK\$'000	31 December 2016 (Audited) HK\$'000
Within 1 month	38,045	32,996
From 1 to 3 months	487	613
Over 3 months	2,792	2,905
	41,324	36,514

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



NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (continued)

15. FINANCE LEASE PAYABLES

The Group leased certain of its plant and machinery under hire purchase arrangements for its division in Suriname. These hire purchases were classified as finance leases with terms of five years.

At 30 June 2017, the total future minimum lease payments under finance leases and their present values were as follows:

	Minimum lease payments 30 June 2017 (Unaudited) HK\$'000	Minimum lease payments 31 December 2016 (Audited) HK\$'000	Present value of minimum lease payments 30 June 2017 (Unaudited) HK\$'000	Present value of minimum lease payments 31 December 2016 (Audited) HK\$'000
Amounts payable:				
Within one year	8,410	8,778	8,410	8,778
In the second year	-	-	-	-
In the third to fifth years, inclusive	-	-	-	-
Total minimum finance lease payments	8,410	8,778	8,410	8,778
Future finance charges	-	-		
Total net finance lease payables	8,410	8,778		
Portion classified as current liabilities	(8,410)	(8,778)		
Non-current portion	-	-		



NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (continued)

16. INTEREST-BEARING BANK BORROWINGS

At as 30 June 2017 and 31 December 2016, 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 rate at the base rate determined by the Bank, plus 1.65% per annum and repayable on 28 February 2019.

The Group's bank loan facilities are subject to the fulfillment of certain financial covenants as required by the Bank. During the Period, one of the financial covenants was not complied with, therefore resulted in an event of review according to the bank loan facilities agreement with the Bank. The Group has rectified the non-compliance and the Bank has confirmed the continuity of the bank loan facilities offered to the Group. As at the date of this report, all financial covenants relating to the bank loan facilities were met.

As at 30 June 2017 and 31 December 2016, the Group's bank loan facilities are secured by:

- (i) all the Personal Property of the Selected Group Companies; and
- (ii) a Fixed Charge over:
 - a. the Group's Forestry Land (located in New Zealand) with a net carrying amount of approximately HK\$105,603,000 (31 December 2016: HK\$99,858,000);
 - b. the Group's plantation forest assets (located in New Zealand) with a net carrying value of approximately HK\$303,850,000 (31 December 2016: HK\$320,682,000) (note 11) 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.



NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (continued)

17. OPERATING LEASE ARRANGEMENTS

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 30 June 2017, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	30 June 2017 (Unaudited) HK\$'000	31 December 2016 (Audited) HK\$'000
Within one year	4,160	4,558
In the second to fifth years, inclusive	834	2,876
	4,994	7,434

18. CAPITAL COMMITMENTS

In addition to the operating lease commitments detailed in note 17 above, the Group had the following capital commitments at the end of the Period:

	30 June 2017 (Unaudited) HK\$'000	31 December 2016 (Audited) HK\$'000
Contracted, but not provided for:		
Land and buildings	-	2,301



NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (continued)

19. FINANCIAL INSTRUMENTS BY CATEGORY

All financial assets and liabilities of the Group as at 30 June 2017 and 31 December 2016 were loans and receivables, and financial liabilities stated at amortized cost, respectively.

20. RELATED PARTY DISCLOSURES

(a) In addition to the transactions detailed elsewhere in these interim financial statements, the Group entered into the following material transactions with related parties during the Period:

Related party	Nature of transaction	Notes	For the six months ended 30 June	
			2017 (Unaudited) HK\$'000	2016 (Unaudited) HK\$'000
The Immediate Holding Company	Interest expenses paid and payable on loans	(i), (ii)	3,116	5,913
The Ultimate Holding Company	Interest expenses paid and payable on a loan	(iii)	1,934	1,945
Fellow subsidiary	Recharge of license fee and administrative expenses received and receivable	(iv)	1,452	–



NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (continued)

20. RELATED PARTY DISCLOSURES (continued)

(a) (continued)

Notes:

- (i) The interest expenses were charged on an unsecured loan with principal amount of HK\$312,000,000 (i.e. US\$40,000,000) based on the London Interbank Offered Rate plus 3.5% per annum. The principal amount and the interest payable were capitalized on 22 March 2016.
- (ii) The interest expenses were charged based on the Hong Kong Prime Rate on the following loans:
- an unsecured loan with principal amount of HK\$62,400,000 (i.e. US\$8,000,000). On 10 March 2017, a supplemental agreement was signed with the Immediate Holding Company to extend the maturity date of both loan principal and interest payable from 31 March 2018 to 31 March 2019;
 - an unsecured loan with principal amount of HK\$27,300,000 (i.e. US\$3,500,000). On 10 March 2017, a supplemental agreement was signed with the Immediate Holding Company to extend the maturity date of both loan principal and interest payable from 31 March 2018 to 31 March 2019;
 - an unsecured loan with principal amount of HK\$23,400,000 (i.e. US\$3,000,000). On 10 March 2017, a supplemental agreement was signed with the Immediate Holding Company to extend the maturity date of both loan principal and interest payable from 31 March 2018 to 31 March 2019;
 - an unsecured loan with principal amount of HK\$7,106,000 (i.e. US\$911,000). On 10 March 2017, a supplemental agreement was signed with the Immediate Holding Company to extend the maturity date of both loan principal and interest payable from 27 May 2018 to 31 March 2019;
 - an unsecured loan with principal amount of HK\$6,179,000 (i.e. US\$792,000) which is repayable on 25 October 2019; and
 - an unsecured loan with principal amount of HK\$3,978,000 (i.e. US\$510,000) which is repayable on 31 December 2018.



NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (continued)

20. RELATED PARTY DISCLOSURES (continued)

- (a) (continued)

Notes: (continued)

- (iii) The interest expenses were charged on an unsecured loan with principal amount of HK\$78,000,000 (i.e. US\$10,000,000) with interest rate based on the Hong Kong Prime Rate. On 10 March 2017, a supplemental agreement was signed with the Ultimate Holding Company to extend the maturity date of the loan principal from 12 August 2017 to 31 March 2019.
- (iv) The license fee and administrative expenses were recharged to a fellow subsidiary with reference to the actual costs incurred.

- (b) Outstanding balances with related parties

- (i) The amount due to the Immediate Holding Company in current liabilities as at 31 December 2016 represented the interest payables in relation to the loans from the Immediate Holding Company, which were unsecured and repayable on demand.
- (ii) The amounts due to the Immediate Holding Company in non-current liabilities as at 30 June 2017 represented the interest payables in relation to the loans from the Immediate Holding Company, which were unsecured and repayable on 31 December 2018, 31 March 2019 and 25 October 2019.

The amounts due to the Immediate Holding Company in non-current liabilities as at 31 December 2016 represented the interest payables in relation to the loans from the Immediate Holding Company, which were unsecured and repayable on 31 March 2018 and 25 October 2019.

- (iii) The amount due to the Ultimate Holding Company as at 30 June 2017 and 31 December 2016 represented the interest payables in relation to the loan from the Ultimate Holding Company, which was unsecured and repayable within one year.
- (iv) The amount due from a fellow subsidiary as at 30 June 2017 and 31 December 2016 was unsecured, interest-free and repayable within one year.



NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (continued)

20. RELATED PARTY DISCLOSURES (continued)

(c) Compensation of key management personnel of the Group

	For the six months ended 30 June	
	2017 (Unaudited) HK\$'000	2016 (Unaudited) HK\$'000
Short-term employee benefits	5,844	6,072
Pension scheme contributions	36	36
	5,880	6,108

21. CONTINGENT LIABILITIES

As at 30 June 2017 and 31 December 2016, the Group did not have any significant contingent liabilities.

22. EVENTS AFTER REPORTING PERIOD

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

- (a) On 3 July 2017, the Company entered into the Subscription Agreements with each of the subscribers, respectively, pursuant to which the subscribers have conditionally agreed to subscribe for, and the Company has conditionally agreed to allot and issue, an aggregate of 200,000,000 subscription shares at subscription price of HK\$0.85 per subscription share.

Pursuant to the subscription agreement entered with China Forestry, on 22 August 2017, an aggregate of 100,000,000 new shares have been allotted and issued by the Company to China Forestry. Net proceeds of HK\$84,890,000, after deduction of the relevant expenses, were received.

Further details were set out in the Company's announcements dated 3 July 2017 and 22 August 2017, respectively.



NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (continued)

22. EVENTS AFTER REPORTING PERIOD (continued)

- (b) On 3 July 2017, the Company entered into the placing agreement with the placing agent pursuant to which the Company agreed to place through the placing agent, on a best-effort basis, an aggregate of up to 90,000,000 placing shares, to not less than six placees who and whose ultimate beneficial owners are third parties independent of and not connected with the Company and its connected persons, at the placing price of HK\$0.85 per placing share.

On 21 July 2017, the Company and the placing agent entered into a termination agreement to terminate the placing agreement with immediate effect due to the recent market conditions.

Further details were set out in the Company's announcements dated 3 July 2017 and 21 July 2017, respectively.

23. APPROVAL OF THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

These condensed consolidated interim financial statements were approved by the Board of Directors on 28 August 2017.

OTHER INFORMATION

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 30 June 2017, the interests and short positions of the Directors and chief executive of the Company in the share capital and underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the Hong Kong Securities and Futures Ordinance (the "SFO")), as recorded in the register required to be kept by the Company under Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for the Securities Transactions by Directors of Listed Issuers, were as follows:

(a) Long Positions in shares and underlying shares of the Company

Name of Director	Capacity	Number of Shares held	Approximate percentage of the total issued share capital of the Company
			%
Cheng Chi-Him, Conrad	Beneficial owner	5,000,000 (Note 1)	0.34
Lim Hoe Pin	Beneficial owner	6,000,000 (Note 1)	0.40
Nguyen Van Tu, Peter	Beneficial owner	2,000,000 (Note 1)	0.13
Simon Murray	Beneficial owner	3,035,889 (Note 2)	0.20
Tang Shun Lam, Steven	Beneficial owner	2,000,000 (Note 1)	0.13
Tsang On-Yip, Patrick	Beneficial owner	5,000,000 (Note 1)	0.34
Wong Man Chung, Francis	Beneficial owner	2,000,000 (Note 1)	0.13
Wu Wai Leung, Danny	Interest of controlled corporation and beneficial owner	1,030,105,389 (Note 3)	69.31

Notes:

- It represents number of share options granted by the Company.
- The number includes 1,000,000 share options granted by the Company.
- Newforest is directly and beneficially owned as to 40% by Gateway Asia Resources Limited (a direct wholly-owned company of Mr. Wu Wai Leung, Danny.) As such, Mr. Wu Wai Leung, Danny is deemed to be interested in the Shares in which Newforest is interested by virtue of Part XV of the SFO. The number includes 10,100,000 share options granted by the Company.



OTHER INFORMATION (continued)

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES (continued)

(b) Long positions in ordinary shares and underlying shares of Integrated Waste Solutions Group Holdings Limited ("IWS"), an associated corporation of the Company:

Under the share option scheme of IWS, a fellow subsidiary of the Company, the following Directors of the Company have personal interests in share options to subscribe for the ordinary shares of IWS. Details of the share options of IWS granted to the relevant Directors are as follows:

Name of Director	Capacity	Number of shares held and underlying shares interested	Approximate percentage of the total issued share capital of IWS
Nguyen Van Tu, Peter	Beneficial owner	8,800,000 (Note 1)	0.18
Tsang On-Yip, Patrick	Beneficial owner	15,000,000 (Note 1)	0.31
Wong Man Chung, Francis	Beneficial owner	8,800,000 (Note 1)	0.18

Note:

1. It represents number of share options granted by IWS.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed in the paragraph headed "Directors' and Chief Executive's Interests and Short Positions in Shares, Underlying Shares and Debentures" above and in the paragraph headed "Share Option Scheme" below, at no time during the Period were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any Director or their respective spouses or minor children, or were any such rights exercised by them; or was the Company, its holding company, or any of its subsidiaries or fellow subsidiaries a party to any arrangement to enable the Directors to acquire such rights in any other body corporate.

OTHER INFORMATION (continued)

SHARE OPTION SCHEME

The share option scheme (the "Share Option Scheme") of the Company was adopted by the Company at the special general meeting held on 28 June 2012 in compliance with Chapter 17 of the Listing Rules. The Share Option Scheme is valid and effective for a period of 10 years ending on the tenth anniversary of the date of adoption of the Share Option Scheme, i.e. 28 June 2022.

Movements of the share options of the Company during the Period are as follows:

Name or category of participant	Number of share options				Exercise price of share options HK\$	Vesting period	Date of grant of share options	Closing price of the Company's share immediately before the date of grant of share options HK\$	Weighted average closing price of the Company's shares immediately before the exercise date HK\$
	At 1 January 2017	Granted during the Period	Exercised during the Period	Cancelled during the Period					
Wu Wai Leung, Denny	3,700,000	-	-	-	1.23	17 Jul 2015 to 16 Jul 2020	17 Jul 2015	1.24	-
	6,400,000	-	-	-	0.78	13 Sep 2016 to 12 Sep 2021	13 Sep 2016	0.76	-
Lim Hoe Pin	3,000,000	-	-	-	1.23	17 Jul 2015 to 16 Jul 2020	17 Jul 2015	1.24	-
	3,000,000	-	-	-	0.78	13 Sep 2016 to 12 Sep 2021	13 Sep 2016	0.76	-
Cheng Chi-Him, Conrad	2,000,000	-	-	-	1.23	17 Jul 2015 to 16 Jul 2020	17 Jul 2015	1.24	-
	3,000,000	-	-	-	0.78	13 Sep 2016 to 12 Sep 2021	13 Sep 2016	0.76	-
Tsang On-Yip, Patrick	2,000,000	-	-	-	1.23	17 Jul 2015 to 16 Jul 2020	17 Jul 2015	1.24	-
	3,000,000	-	-	-	0.78	13 Sep 2016 to 12 Sep 2021	13 Sep 2016	0.76	-
Simon Murray	1,000,000	-	-	-	0.78	13 Sep 2016 to 12 Sep 2021	13 Sep 2016	0.76	-
Nguyen Van Thi, Peter	1,000,000	-	-	-	1.23	17 Jul 2015 to 16 Jul 2020	17 Jul 2015	1.24	-
	1,000,000	-	-	-	0.78	13 Sep 2016 to 12 Sep 2021	13 Sep 2016	0.76	-

Directors, chief executive and substantial shareholders and their associates

Wu Wai Leung, Denny	3,700,000	-	-	-	1.23	17 Jul 2015 to 16 Jul 2020	17 Jul 2015	1.24	-
	6,400,000	-	-	-	0.78	13 Sep 2016 to 12 Sep 2021	13 Sep 2016	0.76	-
Lim Hoe Pin	3,000,000	-	-	-	1.23	17 Jul 2015 to 16 Jul 2020	17 Jul 2015	1.24	-
	3,000,000	-	-	-	0.78	13 Sep 2016 to 12 Sep 2021	13 Sep 2016	0.76	-
Cheng Chi-Him, Conrad	2,000,000	-	-	-	1.23	17 Jul 2015 to 16 Jul 2020	17 Jul 2015	1.24	-
	3,000,000	-	-	-	0.78	13 Sep 2016 to 12 Sep 2021	13 Sep 2016	0.76	-
Tsang On-Yip, Patrick	2,000,000	-	-	-	1.23	17 Jul 2015 to 16 Jul 2020	17 Jul 2015	1.24	-
	3,000,000	-	-	-	0.78	13 Sep 2016 to 12 Sep 2021	13 Sep 2016	0.76	-
Simon Murray	1,000,000	-	-	-	0.78	13 Sep 2016 to 12 Sep 2021	13 Sep 2016	0.76	-
Nguyen Van Thi, Peter	1,000,000	-	-	-	1.23	17 Jul 2015 to 16 Jul 2020	17 Jul 2015	1.24	-
	1,000,000	-	-	-	0.78	13 Sep 2016 to 12 Sep 2021	13 Sep 2016	0.76	-

OTHER INFORMATION (continued)

SHARE OPTION SCHEME (continued)

Name or category of participant	Number of share options				Exercise price of share options HK\$	Date of grant of share options	Closing price of the Company's share immediately before the date of grant of share options HK\$	Weighted average closing price of the Company's shares immediately before the exercise date HK\$
	At 1 January 2017	Granted during the Period	Exercised during the Period	Cancelled during the Period				
Teng Shun Lam, Steven	1,000,000	-	-	-	-	17 Jul 2015	N/A	1.24
	1,000,000	-	-	-	-	13 Sep 2016	N/A	0.76
Wong Man Chung, Francis	1,000,000	-	-	-	-	17 Jul 2015	N/A	1.24
	1,000,000	-	-	-	-	13 Sep 2016	N/A	0.76
Employees (other than Directors) In aggregate	2,355,000	-	35,000	-	-	13 Sep 2016 to 12 Sep 2021	Note	0.78
Others	4,000,000	-	-	-	-	13 Sep 2016 to 12 Sep 2021	N/A	0.78
Total	39,455,000	-	35,000	-	-			0.76

Note:

The share options are subject to a vesting schedule and can be exercised in the following manner:

- In respect of employees who have joined the Company for more than 2 years as at the date of grant, all share options granted will be vested on the date of grant;
- In respect of employees who have joined the Company for less than 2 years but more than 1 year as at the date of grant, 50% of the share options granted will be vested on the date of grant and the other 50% will be vested on the first anniversary of the date of grant. For example, if the date of grant is 13 September 2016, the other 50% of the share options will be vested on the first anniversary of the date of the grant, i.e. 13 September 2017; and
- In respect of employees who have joined the Company for less than 1 year as at the date of the grant, 50% of the share options granted will be vested on the first anniversary of the date of grant, and the other 50% will be vested on the second anniversary of the date of grant. For example, if the date of grant is 13 September 2016, the other 50% of the share options will be vested on the second anniversary of the date of the grant, i.e. 13 September 2018.



OTHER INFORMATION (continued)

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

So far as is known to the Directors and the chief executive of the Company, as at 30 June 2017, the following persons (not being Directors or chief executive of the Company) had, or were deemed to have, interests or short positions in the Shares or underlying shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO:

Long Positions in 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 (Notes 1,3,4&5)	1,020,005,389	–	68.63
Cheng Yu Tung Family (Holdings) Limited	Interest of controlled corporation (Note 1)	1,020,005,389	–	68.63
Cheng Yu Tung Family (Holdings II) Limited	Interest of controlled corporation (Note 1)	1,020,005,389	–	68.63
Wu Wai Leung, Danny	Interest of controlled corporation and beneficial owner (Notes 1&3)	1,020,005,389	10,100,000 (Note 2)	69.31
Chow Tai Fook (Holding) Limited	Interest of controlled corporation (Notes 1&5)	1,020,005,389	–	68.63
Chow Tai Fook Capital Limited	Interest of controlled corporation (Note 1)	1,020,005,389	–	68.63
CTFE	Interest of controlled corporation (Notes 1&5)	1,020,005,389	–	68.63
Gateway Asia Resources Limited	Interest of controlled corporation (Notes 1&3)	1,020,005,389	–	68.63
Sharpfield Holdings Limited	Interest of controlled corporation (Notes 1,4&5)	1,020,005,389	–	68.63



OTHER INFORMATION (continued)

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES (continued)

Notes:

1. Newforest 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 CTFE). CTFE is a wholly-owned subsidiary of Chow Tai Fook (Holding) Limited, a 81.03% 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, Mr. 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. It represents 10,100,000 share options granted by the Company.
3. Mr. Wu Wai Leung, Danny is a director of Newforest and Gateway Asia Resources Limited.
4. Mr. Cheng Chi-Him, Conrad is a director of Newforest and Sharpfield Holdings Limited.
5. Mr. Tsang On-Yip, Patrick is a director of Chow Tai Fook (Holding) Limited, CTFE, Newforest and Sharpfield Holdings Limited.

Save as disclosed above, the Company has not been notified by any person (other than the Directors and the chief executive of the Company) who had, or was deemed to have, interests or short positions in the shares or underlying shares of the Company as at 30 June 2017 which were required to be notified to the Company pursuant to the provisions of Divisions 2 and 3 of Part XV of the SFO or which are recorded in the register required to be kept by the Company under the SFO.



OTHER INFORMATION (continued)

AUDIT COMMITTEE

As at the date of this report, the audit committee of the Company (the “Audit Committee”) has four members comprising three independent non-executive Directors, namely Mr. Wong Man Chung, Francis (Chairman), Mr. Nguyen Van Tu, Peter and Mr. Tang Shun Lam, Steven and one non-executive Director, namely, Mr. Tsang On-Yip, Patrick. None of them are members of the former or existing auditors of the Company. The Board considers that the Audit Committee has extensive commercial experience in business, financial and legal matters. The primary duties of the Audit Committee include, among other matters, to review and monitor financial reporting and the judgment contained therein; to review financial and internal controls, accounting policies and practices with management and external auditors; and; to review the Company’s compliance with the Corporate Governance Code (“CG Code”) contained in Appendix 14 to the Listing Rules.

The Audit Committee has reviewed and discussed with the management the accounting principles and practices adopted by the Group and auditing, internal controls and financial reporting matters, and the Company’s policies and practices on corporate governance. The Audit Committee has reviewed and discussed with the management the unaudited condensed consolidated interim financial statements of the Group for the six months ended 30 June 2017.

COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES

The Board and the management of the Group are committed to maintaining a high standard of corporate governance which is reviewed and strengthened from time to time. The Company has complied with all the code provisions set out in the CG Code throughout the six months ended 30 June 2017 except for a minor deviation as explained below:

Under Code Provision A.5.6 of the CG Code, the nomination committee of the Company (the “Nomination Committee”) (or the Board) should have a policy concerning the diversity of Board members, and should disclose the policy or a summary of the policy in the corporate governance report. The Nomination Committee reviews the board composition from time to time and presently considers that board diversity is self-evident and therefore no written policy is required.



OTHER INFORMATION (continued)

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted a code of conduct regarding securities transactions by Directors ("Code of Conduct") on terms no less exacting than the required standard set out in the Model Code for Securities Transactions by Directors of Listed Issuers in Appendix 10 to the Listing Rules (the "Model Code"). All Directors have confirmed, following specific enquiry by the Company, that they have complied with the required standard set out in the Model Code and the Code of Conduct for the six months ended 30 June 2017.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

Neither the Company, nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the Period.

FORWARD LOOKING STATEMENTS

This report contains forward looking statements with respect to the financial conditions, results of operations and business of the Group. These forward looking statements represent the Company's expectations or beliefs concerning future events and involve known and unknown risks and uncertainty that could cause actual results, performance or events to differ materially from those expressed or implied in such statements.



OTHER INFORMATION (continued)

APPRECIATION

The Group's continued success depends on all its staff's commitment, dedication and professionalism. The Board would like to thank every member of staff for their diligence and dedication and to express its sincere appreciation to our shareholders, clients and suppliers for their continuous and valuable support.

By Order of the Board

Greenheart Group Limited

Wu Wai Leung, Danny

Chief Executive Officer and Executive Director

Hong Kong, 28 August 2017

As at the date hereof, the Board comprises two executive Directors, namely Messrs. Wu Wai Leung, Danny and Lim Hoe Pin, three non-executive Directors, namely Messrs. Cheng Chi-Him, Conrad, Tsang On-Yip, Patrick and Simon Murray, and three independent non-executive Directors, namely Messrs. Nguyen Van Tu, Peter, Tang Shun Lam, Steven and Wong Man Chung, Francis.

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