Greenheart Group
綠心集團

GREENHEART GROUP LIMITED

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

INTERIM REPORT 2019

商界展關懷
caringcompany 2015-19 ®
Awarded by The Hong Kong Council of Social Service
香港社會服務聯會頒發

Contents

CORPORATE INFORMATION

BOARD OF DIRECTORS

Cheng Chi-Him, Conrad#
(Non-executive Chairman)
Ding Wai Chuen*
(Chief Executive Officer)
Lim Hoe Pin*
Tsang On-Yip, Patrick#
Simon Murray#
Cheng Yang#
Nguyen Van Tu, Peter**
Wong Man Chung, Francis**
Cheung Pak To Patrick**
(appointed on 5 June 2019)

* *Executive Director*
\# *Non-executive Director*
** *Independent non-executive Director*

AUDIT COMMITTEE

Wong Man Chung, Francis *(Chairman)*
Nguyen Van Tu, Peter
Tsang On-Yip, Patrick

REMUNERATION COMMITTEE

Wong Man Chung, Francis
(appointed as Chairman on 5 June 2019)
Nguyen Van Tu, Peter
Tsang On-Yip, Patrick

NOMINATION COMMITTEE

Nguyen Van Tu, Peter *(Chairman)*
Cheng Chi-Him, Conrad
Wong Man Chung, Francis

COMPANY SECRETARY

Tse Nga Ying

AUTHORISED REPRESENTATIVES

Ding Wai Chuen
Tse Nga Ying

REGISTERED OFFICE

Victoria Place, 5th Floor
31 Victoria Street
Hamilton HM 10 Bermuda

STOCK CODE

94

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

32/F., Fortis Tower
Nos. 77-79 Gloucester Road
Wanchai, Hong Kong
Tel: (852) 2877 2989
Fax: (852) 2511 8998

INDEPENDENT AUDITORS

Deloitte Touche Tohmatsu

SOLICITORS

Simmons & Simmons
LC Lawyers LLP
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
Victoria Place, 5th Floor
31 Victoria Street
Hamilton HM 10 Bermuda

BRANCH SHARE REGISTRAR & TRANSFER OFFICE IN HONG KONG

Tricor Tengis Limited
Level 54
Hopewell Centre
183 Queen's Road East
Hong Kong

WEBSITE

http://www.greenheartgroup.com/

INVESTOR RELATIONS

info@greenheartgroup.com

CHAIRMAN'S STATEMENT

Dear Shareholders,

Our first half year results in 2019 reflect an overall weakening of wood markets resulting from the intensified uncertainty in global economy, in particular the trade tension between China and the United States ("US"). The Group's operations in both New Zealand and Suriname experienced significant challenges due to lower than anticipated market activities and difficult operating conditions during the six months ended 30 June 2019 (the "Period"). As a result, the Group reported a net loss of HK$40,110,000, an increase of HK$22,577,000 from the loss of HK$17,533,000 reported in the same period last year.

New Zealand

The trade disputes between China and US escalated and its impact on the New Zealand radiata pine market was increasingly felt during the Period. The demand for New Zealand radiata pine in China decelerated visibly during the Period. As a result, the sales volume of the New Zealand radiata pine for the Period decreased by 23.1% to 176,000 m^3 (2018: 228,000 m^3) and revenue declined by 20.8% to HK$151,884,000, as compared to HK$191,753,000 (on free on board ("FOB") basis) in 2018. Despite the average export FOB price of New Zealand radiata pine stood at around US$120 per m^3 for A-grade logs (2018: US$121 per m^3) most of the time during the Period, the price dropped sharply by 21.0% from US$105 to US$83 per m^3 starting from June 2019 to July 2019 as Chinese distributors were finding it tough to move logs to its end customers while the New Zealand suppliers continued to pump large volume into the ports.

It is expected that significant improvements in the short-term are quite unlikely until inventories in China ports are digested. Due to the lower forecasted log prices in the immediate future, the fair value gain arising from our New Zealand plantation forest assets decreased by HK$27,929,000 to HK$6,936,000 during the Period.

Overall, the adjusted EBITDA contributed by New Zealand division recorded HK$55,558,000 for the Period, a decrease of HK$11,215,000 over the same period last year.

CHAIRMAN'S STATEMENT (continued)

Suriname

The performance of Suriname division is still suffering from the clearance of the local species piled up near end of last year and stoppage of production from west Suriname pending government approval. In light of low selling prices of local species and low production volume, the Suriname division recorded a negative adjusted EBITDA of HK$18,825,000 for the Period, an increase of HK$7,944,000 over the same period last year.

The specific nature of supply and demand for Suriname tropical hardwood has made it more resilient from the global economic headwinds. Broadly speaking, the Board's outlook for demand for tropical hardwood remains positive in the long run and does not consider a material provision for impairment is required for the cash generating units in Suriname.

OUTLOOK

Global economic growth is projected to remain subdue and subject to further downside risk, in the remaining 2019, with ongoing trade tensions between China and US and rising geopolitical disputes roiled energy prices. It is expected that the New Zealand radiata pine market will continue to look tight and volatile. The Group is therefore considering to slow the harvesting and reserve our woodflows for future should the market continues to deteriorate. In the meantime, the Group will continue to look opportunistically but cautiously for good quality New Zealand plantation forest assets to strengthen our assets base.

Regarding our Suriname division, subsequent to the Period, the Group finally received the revised concession license from the Suriname government and resumed the harvesting activities in West Concession in August 2019, which is expected to contribute positively to both the sales and production volume in the remaining part of 2019.

Given the Group has now resumed its harvesting and production in west Suriname, the Group is planning to resume its Forest Stewardship Council ("FSC") application for the west and central Suriname operations in September. This not only demonstrates our commitments in promoting the environmentally sustainable, socially beneficial and economically profitable management of our forests but is also important for our products to access the high-end markets which are willing to pay premium prices for environmentally friendly products.

OUTLOOK (Continued)

In anticipation of the increasing production after we resume the harvesting in west Suriname, we are working hard on the refit of the sawmill and redesign of the bio-energy plant. In the meantime, we have put in place different measures that will allow our Suriname operation to further reduce its cost structure and thrive over the long term.

Overall, as the global economic and political environments cast uncertainties on the wood prices and demand, the Group will continue to closely monitor the changing market environment and take appropriate actions should market conditions not improve as anticipated.

APPRECIATION

Finally, I would like to express my heartfelt gratitude to fellow directors, the management and staff for their dedicated work and tremendous support.

Cheng Chi-Him, Conrad
Non-executive Chairman

Hong Kong, 26 August 2019

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The first half of 2019 is a challenging period for the Group. The performance of both of our New Zealand and Suriname divisions were adversely impacted by the declining demand for New Zealand radiata pine in China, decrease in non-cash fair value gain on New Zealand plantation forest assets and low production of both logs and lumber caused by the temporary suspension of the harvesting activities in one of the Group's largest concessions in west Suriname ("Low Production"). As a result of these, an increase in unaudited net loss of HK$22,577,000 from HK$17,533,000 to HK$40,110,000 was recorded for the Period.

Revenue

The Group's total revenue decreased by HK$30,624,000 to HK$170,186,000 for the Period as compared to the corresponding period last year. Revenue contributed by the New Zealand division and the Suriname division was HK$157,678,000 (2018: HK$194,455,000) and HK$12,508,000 (2018: HK$6,355,000), respectively.

Revenue contributed by the New Zealand division decreased by HK$36,777,000 to HK$157,678,000 for the Period. Such decrease was mainly due to the reduction of sales volume by 23.1%, reflecting the weakening market demand from China caused by the intensified trade war between China and US.

Apart from sales of logs, revenue contributed from forest management services increased by 14.2% to HK$1,584,000 during the Period.

Notwithstanding the harvesting activities in the one of the Group's largest concessions in west Suriname (the "West Concession") were temporarily suspended during the Period, revenue from Suriname division increased to HK$12,508,000 for the Period as a result of the clearance sale of low grade old stock.

MANAGEMENT DISCUSSION AND ANALYSIS (continued)

BUSINESS REVIEW (Continued)

Gross profit

The Group's gross profit for the Period reduced by HK$6,634,000 to HK$8,526,000 for the Period. The gross profit contribution from the New Zealand division for the Period was HK$32,732,000 (2018: HK$26,158,000) while the Suriname division recorded a gross loss of HK$24,206,000 for the Period (2018: HK$10,998,000, as restated).

The Group's gross profit margin for the Period was 5.0% as compared to 7.5% (as restated) for the same period last year. The gross profit margin for the Group's New Zealand division for the Period was 20.8% (2018: 13.5%) while the Suriname division recorded a gross loss margin of 193.5% for the Period (2018: 173.1%, as restated).

The increase in gross profit margin of the New Zealand division was mainly due to the slight increase of the average export selling price on FOB basis by 5.0% reflecting more high grade radiata pine was sold and the decrease in average unit direct operating costs caused by decreased logging cost for easier ground-based production.

The gross loss margin for the Suriname division deteriorated substantially during the Period, which was attributable to the clearance sale of low grade stock, write-down of slow moving inventories and the Low Production.

MANAGEMENT DISCUSSION AND ANALYSIS (continued)

BUSINESS REVIEW (continued)

Other income

The increase in other income to HK$2,683,000 for the Period was mainly contributed by the increased royalty fee income of granting the harvesting right of concession in east Suriname to a third party.

Other gains

Other gains mainly represented the exchange gain on refundable earnest money, which was denominated in Renminbi.

Impairment losses reversed on financial assets, net

Impairment losses reversed on financial assets during the Period mainly represented reversal of the expected credit losses ("ECL") on trade receivables and other receivables as a result of settlements received 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$6,936,000 (2018: HK$34,865,000) for the Period. The gain was calculated based on the valuation report at the end of the Period prepared by an independent valuer (the "2019 valuation report"). The decrease in the fair value gain was primarily attributable to the lower level of increase in near term forecasted selling price of logs and higher harvesting and cartage rates and roading cost. In addition, there is no increment of the fair value caused by any adjustment on the discount rates in the 2019 Valuation Report as compared to that for the 6 months ended 30 June 2018 in which the discount rates were changed from 8.5% in 2017 to 8.0% in 2018.

MANAGEMENT DISCUSSION AND ANALYSIS (continued)

BUSINESS REVIEW (continued)

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 were slightly increased by HK$303,000. Such increase was mainly attributable to the increase in sales volume of logs in Suriname.

Administrative expenses

Administrative expenses decreased by HK$2,943,000 for the Period. The reduction was primarily contributed by the decrease in the staff costs with a decrease in the Group's total number of employees by 58 from 300 as at 30 June 2018 to 242 as a result of the continues efforts to streamline our cost base during the Period.

Finance costs

Finance costs increased slightly by HK$706,000 to HK$12,227,000 during the Period. Such increase was mainly contributed from the increase in interest on bank borrowings following the rise in London Interbank Offered Rates ("LIBOR") in the Period and additional interest on bank borrowings with principal amounts of HK$31,978,000 drawdown in the second half of 2018. The increase was partially offset by the repayment of loan from ultimate holding company during the Period.

BUSINESS REVIEW (continued)

Income tax credit

Income tax credit for the Period was mainly comprised of tax provision arising from our New Zealand division, a deferred tax credit, and withholding tax resulting from the intercompany interest.

The deferred tax credit for the Period was comprised of the deferred tax credit of HK$3,011,000 and HK$3,487,000 in the New Zealand and the Suriname divisions, respectively.

The deferred tax credit in the New Zealand division was mainly due to the taxable temporary differences arising from the fair value gain on New Zealand plantation forest assets and the period-end foreign currency translation adjustment for United States dollars denominated term loans and net exchange differences arising from the translation of foreign currency denominated deferred tax liabilities.

The deferred tax credit in the Suriname division represented the net movement of taxable temporary differences arising from amortisation of fair value adjustments in previous years' acquisition of subsidiaries.

EBITDA

The EBITDA of the Group reduced by HK$43,563,000 from HK$79,609,000 in the same period last year to HK$36,046,000 during the Period. In particular, the EBITDA of the New Zealand division and Suriname division recorded for the Period was HK$66,092,000 (2018: HK$100,892,000) and a loss of HK$20,496,000 (2018: a loss of HK$7,575,000), respectively.

The reduction of the EBITDA of the Group was mainly due to the decrease in fair value gain on plantation forest assets from the New Zealand division and the deterioration in the underlying operating results of both New Zealand and Suriname during the Period.

MANAGEMENT DISCUSSION AND ANALYSIS (continued)

BUSINESS REVIEW (continued)

Loss for the Period attributable to owners of the Company

As a result of the aforementioned, the loss attributable to the owners of the Company increased to HK$22,426,000 for the Period from HK$1,233,000 in the same period last year.

LIQUIDITY AND FINANCIAL REVIEW

As at 30 June 2019, the Group's current assets and current liabilities were respectively HK$282,609,000 and HK$120,204,000 (31 December 2018: HK$366,225,000 and HK$188,460,000), HK$154,912,000 (31 December 2018: HK$156,667,000) of which were cash and bank balances. The Group's outstanding borrowings as at 30 June 2019 represented the loans from immediate holding company amounting to HK$174,769,000 (31 December 2018: HK$171,184,000), the loan from ultimate holding company amounting to HK$ nil (31 December 2018: HK$79,126,000), bank borrowings amounting to HK$227,463,000 (31 December 2018: HK$226,833,000) and lease liabilities of HK$28,521,000 (31 December 2018: finance lease payables of HK$890,000). Accordingly, the Group's gearing ratio as of 30 June 2019, which was calculated on the basis of outstanding borrowings as a percentage of equity attributable to owners of the Company, was 40.5% (31 December 2018: 44.0%).

As at 30 June 2019, there were 1,854,991,056 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.

LIQUIDITY AND FINANCIAL REVIEW (continued)

Most of the Group's sales are denominated in United States dollars, to which the Hong Kong dollars are 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 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 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 2019. 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. During the Period, all financial covenants relating to the bank loan facilities were met.

PROSPECTS

The only thing certain is uncertainty captures the current global wood sector perfectly, with forecasted demand in second half of 2019 remaining stable, with prices already dragged down by the increased tension between US and China.

In the first quarter of 2019, there was given an early hope for a stable market for 2019 with New Zealand radiata pine prices gradually reaching US$149 – US$151 per m^3 for A grade logs on cost and freight ("CFR") basis representing an increase of US$13 – US$15 per m^3 from the end of 2018. The significant increase in supply of European softwood volume from wind damaged forest and the continued upward price demand from New Zealand supplier had pushed the buyers in China closer to the edge of their profits. The continuing back and forth trade tension and the rapid devaluation of Renminbi has caused both exporters and log buyers on defensive, putting a deep dent in the expected market prices of New Zealand radiata pine over the remaining of 2019. Having said that, we believed there is solid demand in China and indeed the imported volume of New Zealand radiata pine hit its record level in May and June 2019. The Group expected that the CFR market price for A grade logs will gradually climb back from the current US$110 to US$115 to around US$126 per m^3 with the possibility of breaking US$136 per m^3 level within the next 12 months.

PROSPECTS (continued)

Our main destination market, China, reported annualized Gross Domestic Product growth of 6.3% against China government revised targets of 6.0% – 6.5%. International Monetary Fund has commented "Global growth is sluggish and precarious, but it does not have to be this way because some of this is self-inflicted". The China government has not taken any steps to stop the devaluation of Renminbi by 3% - 4% against United States dollars and has increased government spending by US$3.4 billion over 2018 spending to stimulate the China domestic growth. Log buyers have remained positive and log prices have been stable recently. The China log buyers are also cautious of the effect of low CFR price against the harvest levels by New Zealand forest owners as recent reports indicate harvesting in certain areas dropping at levels of 20% – 30%.

During the Period, we have acquired a forest cutting right in the Northland region of New Zealand. In light of the current market condition, we expect there will be forest opportunities however the expected high price demand will need and see an downward adjustment. Northland and East Coast remain as our main strategic locations in New Zealand.

Subsequent to the Period after much delay, we have successfully obtained the revised concession license of our largest concession with land area of approximately 127,000 hectares in our Suriname division. We are expecting the remaining smaller concession to complete its renewal process by the end of this year. The management team has achieved some major cost reduction in our harvesting and logistic rates and will begin log and load activities in the mid of third quarter of 2019 as well as restart the sawmill in our west Suriname in the fourth quarter of 2019 to help boost the sales revenue and saleable lumber volume. The management is undergoing a review for the restart of the high capacity sawmill facilities in west Suriname, the utilization of existing sawmill machinery for an additional processing facility in the city area of Paramaribo, and the whole labour workforce at all our sawmills. In addition to production, we will continue the focus on the research and development of new marketable species, extending our sales and marketing channels and connection to strategic sales partners with retail market sales reach. In the second half of 2019, we aim to obtain full FSC certification for forest management and chain of custody for both forestry and sawmill operations in west and central Suriname.

MANAGEMENT DISCUSSION AND ANALYSIS (continued)

PROSPECTS (continued)

Looking forward to the second half of 2019, the Group will continue to focus on costs, returns and cash conservation to drive sustainable financial performance improvements and deliver greater value to shareholders.

CHARGE ON ASSETS

As at 30 June 2019 and 31 December 2018, the Group's bank loan facilities were 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$109,090,000 (31 December 2018: HK$109,109,000) ("Forestry Land");

b. the Group's plantation forest assets (located in New Zealand) with a net carrying value of approximately HK$450,337,000 (31 December 2018: HK$477,440,000) 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;

d. the Group's certain leasehold land (located in Suriname) with a carrying value of approximately HK$7,558,000 (31 December 2018: prepaid lease payments of HK$7,670,000); and

e. the Group's certain motor vehicles with a carry value of approximately HK$1,619,000 (31 December 2018: HK$1,813,000).

The pledged bank deposit of HK$3,242,000 (31 December 2018: HK$3,200,000) represented deposit made for a period of one month (31 December 2018: three months) to secure the general banking facilities on letter of credit granted to the Group as at 30 June 2019.

MANAGEMENT DISCUSSION AND ANALYSIS (continued)

INTERIM DIVIDEND

The Board has resolved not to recommend any dividend for the six months ended 30 June 2019 (six months ended 30 June 2018: nil).

CAPITAL EXPENDITURE

During the six months ended 30 June 2019, the Group spent approximately HK$7,089,000 (year ended 31 December 2018: approximately HK$25,108,000) on investment in property, plant and equipment.

BUSINESS ACQUISITION AND DISPOSAL

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

CONTINGENT LIABILITIES

As at 30 June 2019 and 31 December 2018, the Group did not have any significant contingent liabilities.

MANAGEMENT DISCUSSION AND ANALYSIS (continued)

SHARE OPTION SCHEME

As at 30 June 2019, there were share options for 29,262,200 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 2019	31,462,200
Granted during the Period	–
Lapsed during the Period	(2,200,000)
Cancelled during the Period	–
Exercised during the Period	–
As at 30 June 2019	29,262,200

EMPLOYMENT AND REMUNERATION POLICY

As at 30 June 2019, the total number of employees of the Group was 242 (31 December 2018: 255). Employees' costs (including Directors' emoluments) amounted to approximately HK$23,474,000 for the six months ended 30 June 2019 (30 June 2018: HK$26,011,000). Remuneration of employees includes salary and discretionary bonus, 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 PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Notes	For the six months ended 30 June 2019 (Unaudited) HK$'000	2018 (Unaudited) HK$'000 (Restated)
REVENUE	4	**170,186**	200,810
Cost of sales		**(161,660)**	(185,650)
Gross profit		**8,526**	15,160
Other income	6	**2,683**	117
Other gains	6	**170**	–
Impairment losses reversed (recognised) on financial assets, net	16	**3,820**	(805)
Fair value gain on plantation forest assets	13	**6,936**	34,865
Selling and distribution costs		**(21,286)**	(20,983)
Administrative expenses		**(31,908)**	(34,851)
Finance costs	7	**(12,227)**	(11,521)
LOSS BEFORE TAX	8	**(43,286)**	(18,018)
Income tax credit	9	**3,176**	485
LOSS FOR THE PERIOD		**(40,110)**	(17,533)
OTHER COMPREHENSIVE INCOME (EXPENSE)			
Item that may be reclassified subsequently to profit or loss			
Exchange differences arising on translation of foreign operations		**4**	(6,470)
OTHER COMPREHENSIVE INCOME (EXPENSE) FOR THE PERIOD, NET OF INCOME TAX OF NIL		**4**	(6,470)
TOTAL COMPREHENSIVE EXPENSE FOR THE PERIOD		**(40,106)**	(24,003)
LOSS FOR THE PERIOD ATTRIBUTABLE TO:			
Owners of the Company		**(22,426)**	(1,233)
Non-controlling interests		**(17,684)**	(16,300)
		(40,110)	(17,533)
TOTAL COMPREHENSIVE EXPENSE FOR THE PERIOD ATTRIBUTABLE TO:			
Owners of the Company		**(22,422)**	(7,703)
Non-controlling interests		**(17,684)**	(16,300)
		(40,106)	(24,003)
LOSS PER SHARE			
Basic	11	**HK$(0.012)**	HK$(0.001)
Diluted	11	**HK$(0.012)**	HK$(0.001)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	30 June 2019 (Unaudited) HK$'000	31 December 2018 (Audited) HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment		**338,400**	342,533
Right-of-use assets		**50,785**	–
Prepaid lease payments		**–**	20,355
Goodwill		**5,651**	5,651
Timber concessions and cutting rights	12	**318,798**	328,699
Plantation forest assets	13	**450,337**	477,440
Prepayments, deposits and other receivables		**1,160**	1,308
Deferred tax assets		**24,356**	24,356
Interest in an associate		**1,707**	1,710
		1,191,194	1,202,052
CURRENT ASSETS			
Inventories		**30,353**	26,170
Trade receivables	14	**41,606**	119,709
Prepayments, deposits and other receivables		**47,899**	59,204
Amount due from a fellow subsidiary	22(b)(i)	**2,438**	834
Tax recoverable		**2,159**	441
Pledged bank deposit	15	**3,242**	3,200
Bank balances and cash		**154,912**	156,667
		282,609	366,225

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)

	Notes	30 June 2019 (Unaudited) HK$'000	31 December 2018 (Audited) HK$'000
CURRENT LIABILITIES			
Trade payables	17	**34,308**	24,439
Other payables and accruals		**45,529**	49,551
Contract liabilities		**2,534**	2,364
Lease liabilities		**5,672**	–
Obligations under finance lease			
– amount due within one year	18	**–**	890
Loan from ultimate holding company	22(a)(ii)	**–**	79,126
Bank borrowings	19	**7,051**	373
Tax payable		**25,110**	31,717
		120,204	188,460
NET CURRENT ASSETS		**162,405**	177,765
TOTAL ASSETS LESS CURRENT LIABILITIES		**1,353,599**	1,379,817

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)

	Notes	30 June 2019 (Unaudited) HK$'000	31 December 2018 (Audited) HK$'000
NON-CURRENT LIABILITIES			
Lease liabilities		**22,849**	–
Loans from immediate holding company	22(a)(i)	**174,769**	171,184
Bank borrowings	19	**220,412**	226,460
Deferred tax liabilities		**164,169**	170,667
		582,199	568,311
NET ASSETS		**771,400**	811,506
CAPITAL AND RESERVES			
Equity attributable to owners of the Company			
Share capital	20	**18,550**	18,550
Reserves		**1,045,843**	1,068,265
		1,064,393	1,086,815
Non-controlling interests		**(292,993)**	(275,309)
TOTAL EQUITY		**771,400**	811,506

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2019

	Attributable to owners of the Company											
	Share 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$'000*	Translation reserve *HK$'000*	Accumulated losses *HK$'000*	Sub-total *HK$'000*	Non-controlling interests *HK$'000*	Total equity *HK$'000*
At 1 January 2019 (audited)	**18,550**	**2,091,657**	**83,274**	**10,963**	**846**	**32,596**	**265**	**(2,687)**	**(1,148,649)**	**1,086,815**	**(275,309)**	**811,506**
Loss for the Period	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(22,426)**	**(22,426)**	**(17,684)**	**(40,110)**
Other comprehensive income for the Period:												
Exchange differences arising on translation of foreign operations	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**4**	**-**	**4**	**-**	**4**
Total comprehensive income (expense) for the Period	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**4**	**(22,426)**	**(22,422)**	**(17,684)**	**(40,106)**
Transfer upon the lapse of share options	**-**	**-**	**-**	**(817)**	**-**	**-**	**-**	**-**	**817**	**-**	**-**	**-**
At 30 June 2019 (unaudited)	**18,550**	**2,091,657**	**83,274**	**10,146**	**846**	**32,596**	**265**	**(2,683)**	**(1,170,258)**	**1,064,393**	**(292,993)**	**771,400**
At 31 December 2017 (audited)	16,863	2,093,323	83,274	15,015	846	26,144	265	4,781	(1,092,065)	1,148,446	(227,139)	921,307
Impact on initial application of HKFRS 9	–	–	–	–	–	–	–	–	(3,753)	(3,753)	–	(3,753)
At 1 January 2018 (restated)	16,863	2,093,323	83,274	15,015	846	26,144	265	4,781	(1,095,818)	1,144,693	(227,139)	917,554
Loss for the period	–	–	–	–	–	–	–	–	(1,233)	(1,233)	(16,300)	(17,533)
Other comprehensive expense for the period:												
Exchange differences arising on translation of foreign operations	–	–	–	–	–	–	–	(6,470)	–	(6,470)	–	(6,470)
Total comprehensive expense for the Period	–	–	–	–	–	–	–	(6,470)	(1,233)	(7,703)	(16,300)	(24,003)
Issue of new shares upon bonus issues	1,687	(1,687)	–	–	–	–	–	–	–	–	–	–
Issue of new shares upon exercise of share options	–	21	–	(6)	–	–	–	–	–	15	–	15
Recognition of equity-settled share-based payments	–	–	–	3	–	–	–	–	–	3	–	3
Transfer upon the lapse of share options	–	–	–	(64)	–	–	–	–	64	–	–	–
At 30 June 2018 (unaudited)	18,550	2,091,657	83,274	14,948	846	26,144	265	(1,689)	(1,096,987)	1,137,008	(243,439)	893,569

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	For the six months ended 30 June	
	2019	2018
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
NET CASH FROM OPERATING ACTIVITIES	**86,305**	63,391
NET CASH FROM (USED IN) INVESTING ACTIVITIES	**1,320**	(125,051)
NET CASH USED IN FINANCING ACTIVITIES	**(88,803)**	(9,318)
NET DECREASE IN CASH AND CASH EQUIVALENTS	**(1,178)**	(70,978)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF PERIOD	**156,667**	174,435
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	**(577)**	(1,473)
CASH AND CASH EQUIVALENTS AT THE END OF PERIOD	**154,912**	101,984
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Bank balances and cash	**154,912**	101,984

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

1. GENERAL

The Company is a public limited company incorporated in Bermuda and its shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). Its parent is Newforest Limited ("Newforest"), a company incorporated in Cayman Islands and its ultimate parent is Chow Tai Fook Enterprises Limited ("CTFE"), a company incorporated in Hong Kong. The addresses of the registered office and principal place of business of the Company are disclosed in the corporate information to the interim report.

The unaudited condensed consolidated financial statements are presented in Hong Kong dollars, which is different from the functional currency of the Company, United States dollars. The Company is a public company with principal place of business in Hong Kong with its shares listed on the Stock Exchange, where most of its investors are located and therefore, the directors of the Company (the "Directors") consider that Hong Kong dollars is preferable in presenting the operating results and financial position of the Group.

2. BASIS OF PREPARATION

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 ("HKICPA") and the disclosure requirements of Appendix 16 of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules").

3. PRINCIPAL ACCOUNTING POLICES

The unaudited condensed consolidated financial statements have been prepared on the historical cost basis except for plantation forest assets and forestry land that are measured at fair values less costs to sell or revalued amounts at the end of each reporting period.

Other than changes in accounting policies resulting from application of new and amendments Hong Kong Financial Reporting Standards ("HKFRSs", which also include HKASs and Interpretations), the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months period ended 30 June 2019 are the same as those followed in the presentation of the Group's annual financial statements for the year ended 31 December 2018.

3. PRINCIPAL ACCOUNTING POLICES (Continued)

Application of new and amendments to HKFRSs

In the current Period, the Group has applied, for the first time, the following new and amendments to HKFRSs issued by the HKICPA which are mandatory effective for the annual period beginning on or after 1 January 2019 for the preparation of the Group's condensed consolidated financial statements:

HKFRS 16	*Leases*
HK(IFRIC) - Int 23	*Uncertainty over Income Tax Treatments*
Amendments to HKFRS 9	*Prepayment Features with Negative Compensation*
Amendments to HKAS 19	*Plan Amendment, Curtailment or Settlement*
Amendments to HKAS 28	*Long-term Interests in Associates and Joint Ventures*
Amendments to HKFRSs	*Annual Improvements to HKFRSs 2015-2017 Cycle*

Except as described below, the application of new and amendments to HKFRSs in current Period has had no material impact on the Group's financial performance and positions for the current and prior periods and/or on the disclosures set out in these unaudited condensed consolidated financial statements.

3.1 *Impacts and changes in accounting policies of application on HKFRS 16 Leases*

The Group has applied HKFRS 16 for the first time in the current Period. HKFRS 16 superseded HKAS 17 *Leases* ("HKAS 17"), and the related interpretations.

3.1.1 Key changes in accounting policies resulting from application of HKFRS 16

The Group applied the following accounting policies in accordance with the transition provisions of HKFRS 16.

Definition of a lease

A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

For contracts entered into or modified on or after the date of initial application, the Group assesses whether a contract is or contains a lease based on the definition under HKFRS 16 at inception or modification date. Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed.

3. PRINCIPAL ACCOUNTING POLICES (Continued)

3.1 Impacts and changes in accounting policies of application on HKFRS 16 Leases (continued)

3.1.1 Key changes in accounting policies resulting from application of HKFRS 16 (continued)

As a lessee

Allocation of consideration to components of a contract

For a contract that contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to leases of motor vehicles and staff quarters that have a lease term of 12 months or less from the commencement date and do not contain a purchase option. It also applies the recognition exemption for lease of low-value assets. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

3. PRINCIPAL ACCOUNTING POLICES (continued)

3.1 Impacts and changes in accounting policies of application on HKFRS 16 Leases (continued)

3.1.1 Key changes in accounting policies resulting from application of HKFRS 16 (continued)

As a lessee (continued)

Right-of-use assets

Except for short-term leases and leases of low-value assets, the Group recognises right-of-use assets at the commencement date of the lease (i.e. the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

The cost of right-of-use asset includes:

– the amount of the initial measurement of the lease liability;

– any lease payments made at or before the commencement date, less any lease incentives received;

– any initial direct costs incurred by the Group; and

– an estimate of costs to be incurred by the Group in dismantling and removing the underlying assets, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

Right-of-use assets in which the Group is reasonably certain to obtain ownership of the underlying leased assets at the end of the lease term is depreciated from commencement date to the end of the useful life. Otherwise, right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

The Group presents right-of-use assets as a separate line item on the consolidated statement of financial position.

3. PRINCIPAL ACCOUNTING POLICES (continued)

3.1 Impacts and changes in accounting policies of application on HKFRS 16 Leases (continued)

3.1.1 Key changes in accounting policies resulting from application of HKFRS 16 (continued)

As a lessee (continued)

Refundable rental deposits

Refundable rental deposits paid are accounted for under HKFRS 9 *Financial Instruments* ("HKFRS 9") and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments and included in the cost of right-of-use assets.

Lease liabilities

At the commencement date of a lease, the Group recognises and measures the lease liability at the present value of lease payments that are unpaid at that date. In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable.

The lease payments include:

– fixed payments (including in-substance fixed payments) less any lease incentives receivable;

– variable lease payments that depend on an index or a rate;

– amounts expected to be paid under residual value guarantees;

– the exercise price of a purchase option reasonably certain to be exercised by the Group; and

– payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate.

Variable lease payments that reflect changes in market rental rates are initially measured using the market rental rates as at the commencement date. Variable lease payments that do not depend on an index or a rate are not included in the measurement of lease liabilities and right-of-use assets, and are recognised as expense in the period on which the event or condition that triggers the payment occurs.

After the commencement date, lease liabilities are adjusted by interest accretion and lease payments.

3. PRINCIPAL ACCOUNTING POLICES (continued)

3.1 Impacts and changes in accounting policies of application on HKFRS 16 Leases (continued)

3.1.1 Key changes in accounting policies resulting from application of HKFRS 16 (continued)

As a lessee (continued)

Lease liabilities (continued)

The Group remeasures lease liabilities (and makes a corresponding adjustment to the related right-of-use assets) whenever:

– the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the related lease liability is remeasured by discounting the revised lease payments using a revised discount rate at the date of reassessment.

– the lease payments change due to changes in market rental rates following a market rent review, in which cases the related lease liability is remeasured by discounting the revised lease payments using the initial discount rate.

Lease modifications

The Group accounts for a lease modification as a separate lease if:

– the modification increases the scope of the lease by adding the right to use one or more underlying assets; and

– the consideration for the leases increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

For a lease modification that is not accounted for as a separate lease, the Group remeasures the lease liability based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

3. PRINCIPAL ACCOUNTING POLICES (Continued)

3.1 Impacts and changes in accounting policies of application on HKFRS 16 Leases (continued)

3.1.1 Key changes in accounting policies resulting from application of HKFRS 16 (continued)

As a lessee (continued)

Taxation

For the purposes of measuring deferred tax for leasing transactions in which the Group recognises the right-of-use assets and the related lease liabilities, the Group first determines whether the tax deductions are attributable to the right-of-use assets or the lease liabilities.

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies HKAS 12 *Income Taxes* requirements to right-of-use assets and lease liabilities separately. Temporary differences relating to right-of-use assets and lease liabilities are not recognised at initial recognition and over the lease terms due to application of the initial recognition exemption.

As a lessor

The lessor accounting largely remains unchanged.

3.1.2 Transition and summary of effects arising from initial application of HKFRS 16

Definition of a lease

The Group has elected the practical expedient to apply HKFRS 16 to contracts that were previously identified as leases applying HKAS 17 and HK(IFRIC)-Int 4 *Determining whether an Arrangement contains a Lease* and not apply this standards to contracts that were not previously identified as containing a lease. Therefore, the Group has not reassessed contracts which already existed prior to the date of initial application.

For contracts entered into or modified on or after 1 January 2019, the Group applies the definition of a lease in accordance with the requirements set out in HKFRS 16 in assessing whether a contract contains a lease.

3. PRINCIPAL ACCOUNTING POLICES (continued)

3.1 Impacts and changes in accounting policies of application on HKFRS 16 Leases (continued)

3.1.2 Transition and summary of effects arising from initial application of HKFRS 16 (continued)

As a lessee

The Group has applied HKFRS 16 retrospectively with the cumulative effect recognised at the date of initial application, 1 January 2019. Any difference at the date of initial application is recognised in the opening retained profits and comparative information has not been restated.

When applying the modified retrospective approach under HKFRS 16 at transition, the Group applied the following practical expedients to leases previously classified as operating leases under HKAS 17, on lease-by-lease basis, to the extent relevant to the respective lease contracts:

(i) elected not to recognise right-of-use assets and lease liabilities for leases with lease term ends within 12 months of the date of initial application;

(ii) excluded initial direct costs from measuring the right-of-use assets at the date of initial application;

(iii) used hindsight based on facts and circumstances as at date of initial application in determining the lease term for the Group's leases with extension and termination options.

On transition, the Group has made the following adjustments upon application of HKFRS 16:

The Group recognised lease liabilities of HK$24,803,000 and right-of-use assets of HK$48,095,000 at 1 January 2019.

When recognising the lease liabilities for leases previously classified as operating leases, the Group has applied incremental borrowing rates of the relevant group entities at the date of initial application. The weighted average lessee's incremental borrowing rate applied is 6.4%.

3. PRINCIPAL ACCOUNTING POLICES (continued)

3.1 Impacts and changes in accounting policies of application on HKFRS 16 Leases (continued)

3.1.2 Transition and summary of effects arising from initial application of HKFRS 16 (continued)

	Note	**At 1 January 2019** *HK$'000*
Operating lease commitments disclosed as at 31 December 2018		31,720
Lease liabilities discounted at relevant incremental borrowing rates		17,258
Add: Adjustments relating to variable lease payments based on index		6,889
Less: Recognition exemption – short-term leases		(230)
Recognition exemption – low-value assets		(4)
Lease liabilities relating to operating leases recognised upon application of HKFRS 16		23,913
Add: Obligations under finance lease recognised at 31 December 2018	(b)	890
Lease liabilities as at 1 January 2019		24,803
Analysed as		
Current		5,088
Non-current		19,715
		24,803

3. PRINCIPAL ACCOUNTING POLICES (continued)

3.1 Impacts and changes in accounting policies of application on HKFRS 16 Leases (continued)

3.1.2 Transition and summary of effects arising from initial application of HKFRS 16 (continued)

The carrying amount of right-of-use assets as at 1 January 2019 comprises the following:

	Notes	**Right-of-use assets** *HK$'000*
Right-of-use assets relating to operating leases recognised upon application of HKFRS 16		23,913
Reclassified from prepaid lease payments	(a)	22,359
Amounts included in property, plant and equipment under HKAS 17		
– Assets previously under finance lease	(b)	1,813
Adjustments on rental deposits at 1 January 2019	(c)	134
Less: Accrued lease liabilities relating to rent-free period at 1 January 2019	(d)	(124)
		48,095
By class:		
Leasehold lands		37,739
Buildings		8,389
Office equipment		154
Motor vehicles		1,813
		48,095

3. PRINCIPAL ACCOUNTING POLICES (continued)

3.1 Impacts and changes in accounting policies of application on HKFRS 16 Leases (continued)

3.1.2 Transition and summary of effects arising from initial application of HKFRS 16 (continued)

(a) Upfront payments for leasehold lands in Suriname were classified as prepaid lease payments as at 31 December 2018. Upon application of HKFRS 16, the current and non-current portion of prepaid lease payments amounting to HK$2,004,000 and HK$20,355,000 respectively were reclassified to right-of- use assets.

(b) In relation to assets previously under finance lease, the Group recategorised the carrying amounts of the relevant assets which were still under lease as at 1 January 2019 amounting to HK$1,813,000 as right-of-use assets. In addition, the Group reclassified the obligations under finance lease of HK$890,000 to lease liabilities as current liabilities at 1 January 2019.

(c) Before the application of HKFRS 16, the Group considered refundable rental deposits paid as rights and obligations under leases to which HKAS 17 applied. Based on the definition of lease payments under HKFRS 16, such deposits are not payments relating to the right to use of the underlying assets and were adjusted to reflect the discounting effect at transition. Accordingly, HK$134,000 was adjusted to refundable rental deposits paid and right-of-use assets.

(d) These relate to accrued lease liabilities for leases of properties in which the lessors provided rent-free period. The carrying amount of the lease incentive liabilities as at 1 January 2019 was adjusted to right-of-use assets at transition.

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (continued)

3. PRINCIPAL ACCOUNTING POLICES (continued)

3.1 Impacts and changes in accounting policies of application on HKFRS 16 Leases (continued)

3.1.2 Transition and summary of effects arising from initial application of HKFRS 16 (continued)

The following adjustments were made to the amounts recognised in the condensed consolidated statement of financial position at 1 January 2019. Line items that were not affected by the changes have not been included.

	Notes	Carrying amounts previously reported at 31 December 2018	Adjustments	Carrying amounts under HKFRS 16 at 1 January 2019
		HK$'000	*HK$'000*	*HK$'000*
Non-current assets				
Property, plant and equipment		342,533	(1,813)	**340,720**
Right-of-use assets		–	48,095	**48,095**
Prepaid lease payments	(a)	20,355	(20,355)	**–**
Prepayments, deposits and other receivables	(c)	1,308	(134)	**1,174**
Current assets				
Prepayments, deposits and other receivables	(a), (d)	59,204	(2,375)	**56,829**
Current liabilities				
Other payables and accruals	(d)	49,551	(495)	**49,056**
Lease liabilities		–	5,088	**5,088**
Obligations under finance lease – amount due within one year	(b)	890	(890)	**–**
Non-current liabilities				
Lease liabilities		–	19,715	**19,715**

Note: For the purpose of reporting cash flows from operating activities under indirect method for the six months ended 30 June 2019, movements in working capital have been computed based on opening statement of financial position as at 1 January 2019 as disclosed above.

3. PRINCIPAL ACCOUNTING POLICES (continued)

3.2 Significant changes in significant judgements and key sources of estimation uncertainty

- Lease or service

- Determination on lease term of contracts with renewal options

  The Group applies judgement to determine the lease term for lease contracts in which it is a lessee that include renewal option. The assessment of whether the Group is reasonably certain to exercise such options impacts the lease term, which significantly affects the amount of lease liabilities and right-of-use assets recognised.

4. REVENUE

(i) Disaggregation of revenue from contracts with customers

	For the six months ended 30 June 2019		
Segments	**Suriname (Unaudited)** ***HK$'000***	**New Zealand (Unaudited)** ***HK$'000***	**Total (Unaudited)** ***HK$'000***
Types of goods or services			
Sales of logs and timber products	**12,508**	**156,094**	**168,602**
Forest management fee	**–**	**1,584**	**1,584**
Total	**12,508**	**157,678**	**170,186**

4. REVENUE (continued)

(i) Disaggregation of revenue from contracts with customers (Continued)

Geographical markets

Information about the Group's revenue from external customers is presented based on the location of customers:

Segments	For the six months ended 30 June 2019		
	Suriname (Unaudited) *HK$'000*	New Zealand (Unaudited) *HK$'000*	Total (Unaudited) *HK$'000*
New Zealand*	–	100,111	100,111
Mainland China	901	53,525	54,426
Hong Kong	4,909	4,042	8,951
Suriname	3,551	–	3,551
Taiwan	1,821	–	1,821
Other countries	1,326	–	1,326
Total	12,508	157,678	170,186

* The revenue from customers located in New Zealand mainly related to sales under free on board terms with destination in Mainland China.

Segments	For the six months ended 30 June 2019		
	Suriname (Unaudited) *HK$'000*	New Zealand (Unaudited) *HK$'000*	Total (Unaudited) *HK$'000*
Timing of revenue recognition			
A point in time	12,508	156,094	168,602
Over time	–	1,584	1,584
Total	12,508	157,678	170,186

4. REVENUE (continued)

(i) Disaggregation of revenue from contracts with customers (Continued)

	For the six months ended 30 June 2018		
Segments	Suriname (Unaudited) *HK$'000*	New Zealand (Unaudited) *HK$'000*	Total (Unaudited) *HK$'000*
Types of goods or services			
Sales of logs and timber products	6,355	193,068	199,423
Forest management fee	–	1,387	1,387
Total	6,355	194,455	200,810

Geographical markets

Information about the Group's revenue from external customers is presented based on the location of customers:

	For the six months ended 30 June 2018		
Segments	Suriname (Unaudited) *HK$'000*	New Zealand (Unaudited) *HK$'000*	Total (Unaudited) *HK$'000*
New Zealand*	–	178,020	178,020
Mainland China	166	16,435	16,601
Suriname	2,297	–	2,297
The Netherlands	1,825	–	1,825
Belgium	1,199	–	1,199
Hong Kong	226	–	226
Other countries	642	–	642
Total	6,355	194,455	200,810

* The revenue from customers located in New Zealand mainly related to sales under free on board terms with destination in Mainland China.

4. **REVENUE (continued)**

(i) **Disaggregation of revenue from contracts with customers (Continued)**

	For the six months ended 30 June 2018		
Segments	Suriname (Unaudited) *HK$'000*	New Zealand (Unaudited) *HK$'000*	Total (Unaudited) *HK$'000*
Timing of revenue recognition			
A point in time	6,355	193,068	199,423
Over time	–	1,387	1,387
Total	6,355	194,455	200,810

(ii) **Performance obligations for contracts with customers**

Sales of logs and timber products

The Group sells logs and timber products to the domestic customers in New Zealand and Suriname and oversea customers. Revenue from domestic customers is recognised when control of the goods has transferred at an agreed location. For oversea sales, revenue is recognised when control of the goods has transferred to the customers, being when the goods have been delivered to port of discharge or the loading port from which the related shipping is arranged by the customers.

Sales-related warranties associated with logs and timber products cannot be purchased separately and they serve as an assurance that the products sold comply with agreed-upon specifications.

Forest management fee

The Group provides forest management services to customers. Such services are recognised as a performance obligation satisfied over time as the customer simultaneously receives and consumes the benefits provided by the Group's performance. The Group bills a predetermined rate for services provided on a regular basis and recognises as revenue in the amount to which the Group has a right to invoice and that corresponds directly with the value of performance completed.

5. OPERATING SEGMENTS

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 key management of the Group (the "Management")) in order to allocate resources to segments and to assess their performance.

The Group manages its businesses by geographical location, and the Management 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 operating and 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

No operating segments have been aggregated in arriving at the reportable segments of the Group.

Segment performance is evaluated based on reportable segment profit (loss) before finance costs, income tax credit, depreciation, forest depletion cost as a result of harvesting and amortisation ("EBITDA") and is further adjusted to exclude fair value gain on plantation forest assets, interest income, (reversal of) write-down of inventories, impairment losses and non-cash share-based payment expenses ("Adjusted EBITDA").

5. OPERATING SEGMENTS (continued)

The following table presents revenue and profit (loss) information regarding the Group's operating segments for the six months ended 30 June 2019:

For the six months ended 30 June 2019

	Suriname (Unaudited) *HK$'000*	New Zealand (Unaudited) *HK$'000*	Segment total (Unaudited) *HK$'000*	Unallocated corporate items (Unaudited) *HK$'000*	Consolidated total (Unaudited) *HK$'000*
SEGMENT REVENUE - EXTERNAL	12,508	157,678	170,186	-	170,186
SEGMENT RESULTS ("Adjusted EBITDA")	(18,825)	55,558	36,733	(9,914)	26,819
Reconciliation of the segment results:					
Items other than finance costs, income tax credit, forest depletion cost as a result of harvesting, depreciation and amortisation					
Fair value gain on plantation forest assets	-	6,936	6,936	-	6,936
Interest income	2	91	93	28	121
Impairment loss (recognised) reversed on trade receivables, net	(23)	3,507	3,484	-	3,484
Impairment loss reversed on other receivables	-	-	-	336	336
Write-down of inventories*	(1,650)	-	(1,650)	-	(1,650)
EBITDA	(20,496)	66,092	45,596	(9,550)	36,046
Finance costs	(4,945)	(7,071)	(12,016)	(211)	(12,227)
Forest depletion cost as a result of harvesting*	-	(39,181)	(39,181)	-	(39,181)
Depreciation**	(7,526)	(2,997)	(10,523)	(2,147)	(12,670)
Amortisation of harvest roading included in prepayments*	-	(5,353)	(5,353)	-	(5,353)
Amortisation of timber concessions and cutting rights***	(9,901)	-	(9,901)	-	(9,901)
(LOSS) PROFIT BEFORE TAX	(42,868)	11,490	(31,378)	(11,908)	(43,286)

5. OPERATING SEGMENTS (continued)

* Included in "Cost of sales" in the condensed consolidated statement of profit or loss and other comprehensive income.

** Depreciation of HK$4,745,000 is included in "Cost of sales" in the condensed consolidated statement of profit or loss and other comprehensive income.

*** Amortisation of timber concessions and cutting rights of HK$4,677,000 is included in "Cost of sales" in the condensed consolidated statement of profit or loss and other comprehensive income.

5. OPERATING SEGMENTS (continued)

For the six months ended 30 June 2018

	Suriname (Unaudited) *HK$'000*	New Zealand (Unaudited) *HK$'000*	Segment total (Unaudited) *HK$'000*	Unallocated corporate items (Unaudited) *HK$'000*	Consolidated total (Unaudited) *HK$'000*
SEGMENT REVENUE - EXTERNAL	6,355	194,455	200,810	–	200,810
SEGMENT RESULTS ("Adjusted EBITDA")	(10,881)	66,773	55,892	(13,705)	42,187
Reconciliation of the segment results:					
Items other than finance costs, income tax credit, forest depletion cost as a result of harvesting, depreciation and amortisation					
Fair value gain on plantation forest assets	–	34,865	34,865	–	34,865
Interest income	2	50	52	–	52
Impairment loss recognised on trade receivables, net	(9)	(796)	(805)	–	(805)
Reversal of write-down of inventories*	3,313	–	3,313	–	3,313
Share-based payment expenses**	–	–	–	(3)	(3)
EBITDA	(7,575)	100,892	93,317	(13,708)	79,609
Finance costs	(6,760)	(4,761)	(11,521)	–	(11,521)
Forest depletion cost as a result of harvesting*	–	(51,642)	(51,642)	–	(51,642)
Depreciation***	(7,836)	(2,073)	(9,909)	(317)	(10,226)
Amortisation of harvest roading included in prepayments*	–	(11,964)	(11,964)	–	(11,964)
Amortisation of timber concessions and cutting rights****	(11,460)	–	(11,460)	–	(11,460)
Amortisation of prepaid lease payments**	(791)	–	(791)	–	(791)
Amortisation of other intangible assets*	(23)	–	(23)	–	(23)
(LOSS) PROFIT BEFORE TAX	(34,445)	30,452	(3,993)	(14,025)	(18,018)

5. OPERATING SEGMENTS (continued)

* Included in "Cost of sales" in the condensed consolidated statement of profit or loss and other comprehensive income.

** Included in "Administrative expenses" in the condensed consolidated statement of profit or loss and other comprehensive income.

*** Depreciation of HK$5,435,000 is included in "Cost of sales" in the condensed consolidated statement of profit or loss and other comprehensive income.

**** Amortisation of timber concessions and cutting rights of HK$4,536,000, as restated is included in "Cost of sales" in the condensed consolidated statement of profit or loss and other comprehensive income.

Information on major customers

During the six months ended 30 June 2019, the Group had transactions with two (2018: one) customers 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 each of these major customers is set out below:

	For the six months ended 30 June	
	2019	2018
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Customer 1	**89,796**	155,376
Customer 2	**31,776**	N/A*

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

6. OTHER INCOME AND OTHER GAINS

Other income:

	For the six months ended 30 June	
	2019	2018
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Bank interest income	**97**	52
Other interest income	**24**	–
Rental income from lease of plant and machinery	**113**	6
Royalty fee income	**2,402**	–
Others	**47**	59
	2,683	117

Other gains:

	For the six months ended 30 June	
	2019	2018
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Gain on disposal of property, plant and equipment	**8**	–
Exchange gain on refundable earnest money	**162**	–
	170	–

7. FINANCE COSTS

	For the six months ended 30 June	
	2019	2018
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Interest on loans from immediate holding company	**3,585**	3,471
Interest on loan from ultimate holding company	**931**	1,934
Interest on lease liabilities	**839**	–
Interest on finance leases	**–**	1,355
Interest on bank borrowings	**6,872**	4,761
	12,227	11,521

8. LOSS BEFORE TAX

The Group's loss before tax has been arrived at after charging:

	For the six months ended 30 June	
	2019	2018
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Forest harvested as agricultural produce *(note 13)*	**45,596**	53,625
Amount capitalised in closing inventories	**(8,049)**	(4,442)
Amount released from opening inventories	**1,634**	2,459
Forest depletion cost as a result of harvesting*	**39,181**	51,642
Amortisation of timber concessions and cutting rights *(note 12)*	**9,901**	11,460

* Included in "Cost of sales" disclosed in the condensed consolidated statement of profit or loss and other comprehensive income.

9. INCOME TAX CREDIT

	For the six months ended 30 June	
	2019	2018
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
The income tax credit comprises:		
Current – Hong Kong		
Charge for the Period	**2,160**	3,752
Current – other jurisdictions		
Charge for the Period	**174**	1,493
Withholding tax	**988**	793
Deferred tax	**(6,498)**	(6,523)
	(3,176)	(485)

On 21 March 2018, the Hong Kong Legislative Council passed The Inland Revenue (Amendment) (No. 7) Bill 2017 (the "Bill") which introduces the two-tiered profits tax rates regime. The Bill was signed into law on 28 March 2018 and was gazetted on the following day. Under the two-tiered profits tax rates regime, the first HK$2 million of profits of the qualifying group entity will be taxed at 8.25%, and profits above HK$2 million will be taxed at 16.5%. Accordingly, start from 2018, the Hong Kong profits tax for a selected subsidiary of the Group is calculated at 8.25% on the first HK$2 million of the estimated assessable profits and at 16.5% on the estimated assessable profits above HK$2 million. The profits of other group entities not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5%.

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% (2018: 36%) and 28% (2018: 28%), respectively.

The New Zealand non-resident withholding tax is provided on the intercompany loans interest income received from subsidiaries incorporated in New Zealand.

10. DIVIDEND

The Board does not declare an interim dividend for the six months ended 30 June 2019 (six months ended 30 June 2018: Nil).

11. LOSS PER SHARE

The calculation of the basic and diluted loss per share attributable to the owners of the Company is based on the following data:

	For the six months ended 30 June	
	2019	2018
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Loss for the purposes of basic and diluted loss per share attributable to owners of the Company	**(22,426)**	(1,233)

	2019	2018
	(Unaudited)	(Unaudited)
Number of shares		
Weighted average number of ordinary shares for the purpose of basic loss per share	**1,854,991,056**	1,854,977,710
Effect of dilutive potential ordinary shares:		
Share options	**–**	–
Weighted average number of ordinary shares for the purpose of diluted loss per share	**1,854,991,056**	1,854,977,710

The computation of diluted loss per share for the Period does not assume the effect of the Group's share options since their assumed exercise would result in a decrease in loss per share.

12. TIMBER CONCESSIONS AND CUTTING RIGHTS

	30 June 2019 (Unaudited) *HK$'000*	31 December 2018 (Audited) *HK$'000*
Cost		
At beginning of the Period/year	**880,459**	880,459
Amortisation and impairment		
At beginning of the Period/year	**551,760**	485,469
Amortisation during the Period/year *(note 8)*	**9,901**	22,919
Impairment during the Period/year	**–**	43,372
At end of the Period/year	**561,661**	551,760
Carrying value		
At end of the Period/year	**318,798**	328,699

The Group currently owns certain natural forest concessions and cutting rights for the exploitation of timbers on parcels of land in Suriname, which are subject to compliance of certain laws and regulations in Suriname. The timber concessions and cutting rights have finite useful lives with contractual terms ranging from 10 to 20 years.

One of the Group's timber concessions in west Suriname with land area of approximately 127,000 hectares ("west Concession") expired on 5 June 2017. The Group received the approval of the renewal of the concession issued by the Suriname government authority on 29 November 2017 at minimal cost. According to the approved license document, the concession is renewed for a period of 20 years from 29 November 2017 to 29 November 2037. However, the local Suriname forestry bureau later informed that the harvesting activities on this concession needed to be put on hold awaiting the minor adjustment on the boundary area of the concession. Subsequent to the Period, the Group obtained final concession license for a period of 20 years with effect from 17 April 2019 to 16 April 2039.

On 28 February 2018, the Group obtained the timber concession in central Suriname previously withdrawn by the Suriname Ministry of Environmental Planning, Land and Forest Management (the "Ministry of RGB"), on 19 January 2017. The gross area of the concession was approximately 43,000 hectares.

12. TIMBER CONCESSIONS AND CUTTING RIGHTS (continued)

Two of the Group's timber concessions in central Suriname with land area of approximately 28,000 and 19,000 hectares both expired on 10 December 2018. The business operation related to these two concessions was minimal before the expiration. The Group has submitted applications for these two concessions ("Applications") according to the time specified by local Suriname forestry bureau. As at the date of this interim report, the Applications are still under review by local Suriname forestry bureau. Based on the past experiences, the application process will at least take at least six months to a year. Given the Applications are still in progress, no provision of impairment was made during the Period.

As at 30 June 2019, the Group's total timber concessions and cutting rights in Suriname covered a land area of approximately 318,000 hectares (31 December 2018: 318,000 hectares).

13. PLANTATION FOREST ASSETS

	30 June 2019 (Unaudited) ***HK$'000***	31 December 2018 (Audited) *HK$'000*
Net carrying amount at beginning of the Period/year	**477,440**	400,837
Acquisition of plantation forest assets	**7,821**	99,192
Additions	**3,736**	8,828
Harvested as agricultural produce *(note 8)*	**(45,596)**	(122,360)
Changes in fair value less costs to sell (recognised in profit or loss)	**6,936**	90,943
Net carrying amount at end of the Period/year	**450,337**	477,440

The Group currently owns certain plantation forest assets in New Zealand, on the land either owned or leased by the Group, which are mainly radiata pine trees.

For the radiata pine plantation forest assets in the Northland region of New Zealand (the "Mangakahia Forest") owned by the Group, the total freehold title land base was approximately 12,700 hectares (31 December 2018: 12,700 hectares), of which approximately 10,600 hectares (31 December 2018: 10,600 hectares) was productive area as at 30 June 2019. All the productive area was owned by the Group as freehold, except for approximately 66 hectares (31 December 2018: 66 hectares) which are subject to the restrictions as set out in relevant New Zealand regulations.

13. PLANTATION FOREST ASSETS (continued)

During the year ended 31 December 2018, the Group acquired certain plantation forest assets in New Zealand at a total cash consideration of NZ$18.7 million (approximately HK$99.2 million), which have a total land area of approximately 2,100 hectares as at 31 December 2018. These forestry rights will expire between 31 August 2020 and 9 October 2045.

During the Period, the Group acquired certain plantation forest assets in New Zealand at a total cash consideration of NZ$1.5 million (approximately HK$7.8 million), which have a total land area of approximately 40 hectares as at 30 June 2019.

As at 30 June 2019, the Group owned radiata pine plantation forests in New Zealand with aggregate land area of approximately 15,400 hectares (31 December 2018: 15,300 hectares).

For the six months ended 30 June 2019, the Group harvested a total of 173,000 m^3 (2018: 200,000 m^3) from the Group's plantation forest assets.

As at 30 June 2019, the Group has mature biological assets (radiata pines aged 20 years or above) of 2,482 hectares (31 December 2018: 2,743 hectares) and immature biological assets (radiata pines aged below 20 years) of 9,828 hectares (31 December 2018: 9,752 hectares).

The harvested area of the Group's plantation forest assets as at 30 June 2019 is around 8,344 hectares (31 December 2018: 7,906 hectares).

All the Group's plantation forest assets (excluding the relevant forestry lands) in New Zealand are regarded as consumable 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 2019 and 31 December 2018, except for certain plantation forest assets newly acquired in 2019, where their carrying amount are considered approximate to fair value less costs to sell. The key valuer involved in this valuation is a member of the New Zealand Institute of Forestry. In the opinion of the Directors, Indufor is independent and competent to determine the fair value of the Group's plantation forest assets.

Indufor has applied income approach according to HKFRS 13. The methodologies require the use of key assumptions and estimates in determining the fair value of the plantation forest assets. In the case of the Mangakahia Forest, the costs associated with establishing young stands had also been provided some weighting during the year ended 31 December 2018. During the Period, Indufor reviewed the treatment of young stands and there is a reduced need to consider the cost of establishing the crop, discounted cash flow approach has been adopted accordingly. Indufor and management review these assumptions and estimates periodically to identify any significant changes in fair value.

13. PLANTATION FOREST ASSETS (continued)

For the valuation of plantation forest assets in New Zealand as at 30 June 2019, Indufor updated the values from the full narrative valuation as at 31 December 2018 and relied on the field inspection results and base values provided in the valuation as at 31 December 2018. The plantation forest assets have not been re-inspected for valuation as at 30 June 2019, but the stocked area, log prices, production and transport costs have been updated for the valuation as at 30 June 2019.

The key inputs in the valuation of the plantation forest assets in New Zealand as at 30 June 2019 and 31 December 2018 comprised of yield, log price projections, production costs, transport costs and discount rate. Below is a quantitative summary of the key inputs to the valuation of plantation forest assets using the discounted cash flow methodology:

	Range	Average/Applied
As at 30 June 2019		
Significant unobservable input		
Forecast unit log price at wharf gate (AWG)	**US$79-102/$m^3$**	**US$82/$m^3$**
Significant observable inputs		
Yield (m^3/ha) (stands planted prior to 1997)	**455-922**	**585**
Yield (m^3/ha) (including Young Stands)	**357-922**	**523**
Production costs	**US$27-50/$m^3$**	**US$30/$m^3$**
Transport costs	**US$7-27/$m^3$**	**US$15/$m^3$**
Discount rate	**7.5%-8.0%**	**7.6%**
As at 31 December 2018		
Significant unobservable input		
Forecast unit log price at wharf gate (AWG)	US$76-98/$m^3$	US$80/$m^3$
Significant observable inputs		
Yield (m^3/ha) (stands planted prior to 1997)	428-796	574
Yield (m^3/ha) (including Young Stands)	357-796	519
Production costs	US$15-42/$m^3$	US$30/$m^3$
Transport costs	US$7-27/$m^3$	US$15/$m^3$
Discount rate	7.5%-8.0%	7.6%

13. PLANTATION FOREST ASSETS (continued)

A real pre-tax discount rate was used in the valuation of the plantation forest assets in New Zealand as at 30 June 2019, 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.

As at 31 December 2018, because of the increasing proportion of recently replanted young stands for Mangakahia Forest, Indufor had given some recognition to the cost of establishing these young stands. A hybrid model incorporating expectation and compounding cost approaches had been applied to the young age class stands with the reduced need to consider the cost of establishing as mentioned in above, discounted cash flow approach has been adopted as at 30 June 2019.

The following table demonstrates the sensitivity at the end of the reporting period to a reasonable possible change in production costs, transport costs, 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).

For the six months ended 30 June 2019

Change in production costs	Increase (decrease) in production costs %	Increase (decrease) in loss before tax *HK$'000*
If the production costs increase	**5**	**29,464**
If the production costs decrease	**(5)**	**(29,464)**

Change in transport costs	Increase (decrease) in transport costs %	Increase (decrease) in loss before tax *HK$'000*
If the transport costs increase	**5**	**13,351**
If the transport costs decrease	**(5)**	**(13,351)**

13. PLANTATION FOREST ASSETS (continued)

For the six months ended 30 June 2019 (continued)

Change in log price	**Increase (decrease) in log price** *%*	**(Decrease) increase in loss before tax** *HK$'000*
If the log price increases	**5**	**(79,873)**
If the log price decreases	**(5)**	**79,873**

Change in discount rate	**Increase (decrease) in discount rate** *%*	**Increase (decrease) in loss before tax** *HK$'000*
If the discount rate increases	**1**	**51,631**
If the discount rate decreases	**(1)**	**(62,811)**

For the six months ended 30 June 2018

Change in production costs	**Increase (decrease) in production costs** *%*	**Increase (decrease) in loss before tax** *HK$'000*
If the production costs increase	5	21,852
If the production costs decrease	(5)	(21,852)

13. PLANTATION FOREST ASSETS (continued)

For the six months ended 30 June 2018 (continued)

Change in transport costs	**Increase (decrease) in transport costs**	**Increase (decrease) in loss before tax**
	%	*HK$'000*
If the transport costs increase	5	10,440
If the transport costs decrease	(5)	(10,440)

Change in log price	**Increase (decrease) in log price**	**(Decrease) increase in loss before tax**
	%	*HK$'000*
If the log price increases	5	(42,546)
If the log price decreases	(5)	42,546

Change in discount rate	**Increase (decrease) in discount rate**	**Increase (decrease) in loss before tax**
	%	*HK$'000*
If the discount rate increases	1	18,109
If the discount rate decreases	(1)	(21,380)

As at 30 June 2019 and 31 December 2018, the Group's plantation forest assets with carrying amounts of HK$450,337,000 (31 December 2018: HK$477,440,000) were pledged to secure banking facilities granted to the Group (note19).

As at 30 June 2019 and 31 December 2018, the Group has no commitment for the development and acquisition of biological assets and does not have financial risk management strategies related to plantation forest assets.

14. TRADE RECEIVABLES

	30 June 2019 (Unaudited) *HK$'000*	31 December 2018 (Audited) *HK$'000*
Trade receivables		
– goods and services	**48,635**	130,222
Less: Allowance for credit losses	**(7,029)**	(10,513)
Net trade receivables	**41,606**	119,709

Trade receivables are recognised when the Group's products are delivered because the Group's right to consideration is unconditional except for the passage of time from that point. Moreover, the Group receives payment within a short period of time after satisfying its performance obligation under separately determined payment terms. Because the period from satisfaction of the performance obligation to receipt of consideration is usually within one year or less, as a practical expedient, the Group does not adjust the promised amount of consideration for the effects of a significant financing component for such receivables.

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 90 days, where a 20% to 50% of advance payment of the contract value may be required for certain customers. Each open account customer has a maximum credit limit. The Group seeks to maintain strict control over its outstanding receivables so as to minimise credit risk. Overdue balances are reviewed regularly by senior management.

On 2 December 2017, the controlling shareholder of the Group's major customer (the "Party A") provided a personal guarantee to the Group in relation to the repayment of the trade receivables owed to the Group. On 24 August 2018, the Group entered into an agreement with Party A, pursuant to which Party A pledged the shares of its subsidiary, which is principally engaged in log harvesting and sales, as security for the repayment of the trade receivables owed by Party A. The net trade receivables owed from Party A was HK$97,813,000 as at 31 December 2018. The outstanding trade receivable balance as at 31 December 2018 has been fully settled by the Party A during the Period.

Save as disclosed, the Group does not hold any collateral or other credit enhancements over its remaining trade receivable balances.

14. TRADE RECEIVABLES (continued)

The following is an aged analysis of trade receivables based on the invoice date and net of impairment at the end of each reporting period:

	30 June 2019 (Unaudited) *HK$'000*	31 December 2018 (Audited) *HK$'000*
Within 1 month	**40,774**	21,814
From 1 to 3 months	**818**	3
Over 3 months	**14**	97,892
	41,606	119,709

15. PLEDGED BANK DEPOSIT

The pledged bank deposit represents deposit made for a period of one month (31 December 2018: three months) to secure the general bank facilities on letter of credit granted to the Group as at 30 June 2019.

16. IMPAIRMENT ASSESSMENT ON FINANCIAL ASSETS AND OTHER ITEMS SUBJECT TO ECL MODEL

	For the six months ended 30 June	
	2019	2018
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Impairment loss (reversed) recognised, net in respect of		
– trade receivables	**(3,484)**	805
– other receivables	**(336)**	–
	(3,820)	805

The basis of determining the inputs and assumptions and the estimation techniques used in the condensed consolidated financial statements for the six months ended 30 June 2019 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2018.

During the Period, the Group provided impairment allowance for trade receivables of HK$103,000 and reversed the impairment allowance for trade receivables of HK$3,587,000, which has been made to an individual debtor due to full settlement of outstanding was received during the Period.

During the Period, the Group reversed the impairment allowance for other receivables of HK$336,000, which has been made to refundable earnest money due to settlement of the respective outstanding was received during the Period.

17. TRADE PAYABLES

The following is an aged analysis of trade payables presented based on invoice date.

	30 June 2019 (Unaudited) *HK$'000*	31 December 2018 (Audited) *HK$'000*
Within 1 month	**28,472**	19,993
From 1 to 3 months	**990**	1,640
Over 3 months	**4,846**	2,806
	34,308	24,439

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

18. OBLIGATIONS UNDER FINANCE LEASE

	30 June 2019 (Unaudited) *HK$'000*	31 December 2018 (Audited) *HK$'000*
Analysed for reporting purposes as:		
Current liabilities	**–**	890
Non-current liabilities	**–**	–
	–	890

In October 2018, the Group leased certain of its motor vehicles under hire purchase arrangements for its division in Suriname. These hire purchases were classified as finance leases with term of one year. The contracted interest rate was fixed at 8.5% per annum. The finance lease obligations were secured by certain motor vehicles of the Group with the title held by the lessor as at 31 December 2018. This lease has no term of renewal or purchase options and escalation clauses.

18. OBLIGATIONS UNDER FINANCE LEASE (continued)

	Minimum lease payments		Present value of minimum lease payments	
	30 June 2019	31 December 2018	**30 June 2019**	31 December 2018
	(Unaudited)	(Audited)	**(Unaudited)**	(Audited)
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Obligations under finance lease payable:				
Within one year	**–**	966	**–**	890
More than one year but not more than two years	**–**	–	**–**	–
	–	966	**–**	890
Less: future finance charges	**–**	(76)	**–**	–
Present value of lease obligations	**–**	890	**–**	890
Less: Amount due for settlement within 12 months (shown under current liabilities)			**–**	(890)
Amount due for settlement after 12 months			**–**	–

19. BANK BORROWINGS

	30 June 2019 (Unaudited) *HK$'000*	31 December 2018 (Audited) *HK$'000*
Bank overdrafts, secured	**6,629**	5,848
Bank loans, secured	**220,834**	220,985
	227,463	226,833

The carrying amounts of above borrowings are repayable:

	30 June 2019 (Unaudited) *HK$'000*	31 December 2018 (Audited) *HK$'000*
Within one year	**7,051**	373
Within a period of more than one year but not exceeding two years	**220,389**	226,218
Within a period of more than two years but not exceeding five years	**23**	242
	227,463	226,833
Less: Amounts due within one year shown under current liabilities	**(7,051)**	(373)
Amounts show under non-current liabilities	**220,412**	226,460

During the year ended 31 December 2018, the Group's bank loan facilities from Bank of New Zealand ("BNZ loan facilities") were renegotiated with the final maturity date extended to 1 July 2020 and the Group obtained additional loan facilities of US$25,000,000 (approximately HK$195,000,000), in which US$3,200,000 (approximately HK$24,960,000) was utilised as at 30 June 2019 and 31 December 2018.

19. BANK BORROWINGS (continued)

As at 30 June 2019 and 31 December 2018, the Group's bank loans from BNZ loan facilities were denominated in United States dollars, bearing interest at the base rate determined by the Bank of New Zealand, plus 1.65% per annum and repayable on 1 July 2020.

The Group's BNZ loan facilities are subject to the fulfillment of certain financial covenants as required by the Bank of New Zealand. During the Period, all financial covenants relating to the bank loan facilities were met.

As at 30 June 2019 and 31 December 2018, 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$109,090,000 (31 December 2018: HK$109,109,000);

b. the Group's plantation forest assets (located in New Zealand) with a net carrying value of approximately HK$450,337,000 (31 December 2018: HK$477,440,000) (note 13) 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.

During the year ended 31 December 2018, the Group obtained bank loan facilities from Hakrinbank in Suriname ("Hakrinbank Loan Facilities"), comprising of US$150,000 (approximately HK$1,170,000) loan facility which was fully utilised as at 30 June 2019 and 31 December 2018 and repayable by 36 monthly instalments up to 30 June 2021 and US$850,000 overdraft facility in which US$850,000 (approximately HK$6,629,000) (31 December 2018: US$750,000 (approximately HK$5,848,000)) was utilised as at 30 June 2019 and repayable on 30 April 2020.

As at 30 June 2019 and 31 December 2018, the Group's bank overdraft and bank loan from Hakrinbank Loan Facilities were denominated in United States dollars, bearing interest at 8.5% and 9.5% per annum, respectively.

19. BANK BORROWINGS (continued)

As at 30 June 2019 and 31 December 2018, the Group's bank loan facilities are secured by a fixed charge over:

(i) the Group's certain leasehold land (located in Suriname) with a carrying value of approximately HK$7,558,000 (31 December 2018: prepaid lease payment of HK$7,670,000); and

(ii) the Group's certain motor vehicles with a carry value of approximately HK$1,619,000 (31 December 2018: HK$1,813,000).

The exposure of the Group's bank borrowings are as follows:-

	30 June 2019 (Unaudited) *HK$'000*	31 December 2018 (Audited) *HK$'000*
Floating rate		
– due after one year	**219,960**	219,960
Fixed rate		
– due within one year	**7,051**	373
– due after one year	**452**	6,500
	7,503	6,873

20. SHARE CAPITAL

Shares

	30 June 2019 (Unaudited) HK$'000	31 December 2018 (Audited) HK$'000
Authorised:		
15,000,000,000 ordinary shares of HK$0.01 each	**150,000**	150,000
Issued and fully paid:		
1,854,991,056 (31 December 2018: 1,854,991,056) ordinary shares of HK$0.01 each	**18,550**	18,550

The movements in the Company's issued share capital during the Period are as follows:

	Notes	Number of shares in issue	Share capital *HK$'000*
At 1 January 2018		1,686,337,506	16,863
Shares issued upon exercise of share options	(a)	18,000	–
Bonus issue of shares	(b)	168,635,550	1,687
At 31 December 2018 and 30 June 2019		1,854,991,056	18,550

Notes:

(a) During the year ended 31 December 2018, 18,000 share options were exercised at the subscription price HK$0.78 per share, resulting in the issue of 18,000 ordinary shares of the Company for a total cash consideration of approximately HK$15,000. As a result of the exercise of these share options, their fair value of HK$6,000 previously recognised in the share option reserve was transferred to the share premium account.

(b) As disclosed in the announcements dated 15 June 2018, the Company distributed one bonus shares for every ten existing shares held by qualifying shareholders whose names are on the register of members of the Company on 7 June 2018. As a result of the bonus issue, the number of shares in issue of the Company has increased by 168,635,550 shares. The bonus shares were allotted and issued by way of capitalisation of an amount equal to the aggregate nominal amount of the bonus shares amounting to HK$1,687,000 standing to the credit of the share premium account of the Company.

21. FINANCIAL INSTRUMENTS BY CATEGORY

	30 June 2019 (Unaudited) *HK$'000*	31 December 2018 (Audited) *HK$'000*
Financial assets		
Amortised cost	**219,145**	314,853
Financial liabilities		
Amortised cost	**502,534**	540,115

22. RELATED PARTY DISCLOSURES

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

Related party	**Nature of transaction**	*Notes*	**For the six months ended 30 June 2019 (Unaudited) *HK$'000***	2018 (Unaudited) *HK$'000*
Immediate holding company	Interest expenses paid and payable on loans	(i)	**3,585**	3,471
Ultimate holding company	Interest expenses paid and payable on a loan	(ii)	**931**	1,934
Fellow subsidiary	Recharge of license fee and administrative expenses received and receivable	(iii)	**1,550**	1,452
Fellow subsidiary	Reimbursements	(iv)	**–**	335

22. RELATED PARTY DISCLOSURES (continued)

(a) (continued)

Notes:

(i) 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);
- an unsecured loan with principal amount of HK$27,300,000 (i.e. US$3,500,000);
- an unsecured loan with principal amount of HK$23,400,000 (i.e. US$3,000,000);
- an unsecured loan with principal amount of HK$7,106,000 (i.e. US$911,000);
- an unsecured loan with principal amount of HK$6,179,000 (i.e. US$792,000);
- an unsecured loan with principal amount of HK$8,580,000 (i.e. US$1,100,000); and
- an unsecured loan with principal amount of HK$6,084,000 (i.e. US$780,000).

On 26 August 2019, supplemental letters in relation to the above loans were signed with immediate holding company to extend the maturity date of both principal and interest payables of these loans from 31 March 2020 to 31 March 2021 with effect from 30 June 2019 (the "Supplemental Letters").

22. RELATED PARTY DISCLOSURES (continued)

(a) (continued)

Notes: (Continued)

(i) (Continued)

In addition, based on the Supplemental Letters, the lender shall have the right to demand immediate payment of all the above loans and their outstanding interest in the event of either (a) any change in the beneficial owner of more than 50% of the voting equity shares of the borrower, a non-wholly owned subsidiary of the Company; or (b) after the existing executive and non-executive directors of the Company cease to constitute a majority of the board of directors of the Company, subject to a 30-day re-negotiation period regarding the continuing availability of the loans.

(ii) 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 and repayable on 31 March 2019. The principal amount and the interest payable were fully repaid during the Period.

(iii) The license fee and administrative expenses were recharged to a fellow subsidiary with reference to the actual costs incurred.

(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 certain administrative expenses.

(b) Outstanding balances with related parties

(i) The amount due from a fellow subsidiary as at 30 June 2019 and 31 December 2018 was unsecured, interest-free and repayable within one year.

22. RELATED PARTY DISCLOSURES (continued)

(c) Compensation of key management personnel of the Group

	For the six months ended 30 June	
	2019	2018
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Short-term employee benefits	**5,782**	5,853
Pension scheme contributions	**36**	36
	5,818	5,889

23. CONTINGENT LIABILITIES

As at 30 June 2019 and 31 December 2018, the Group did not have any significant contingent liabilities.

24. EVENTS AFTER THE REPORTING PERIOD

Saved as disclosed in other sections of these interim financial statements, no significant events occurred subsequent to the end of the reporting period.

25. COMPARATIVE AMOUNTS

Certain comparative amounts have been reclassified and restated to conform to the presentation of the Period.

26. APPROVAL OF THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

These condensed consolidated interim financial statements were approved by the Board of Directors on 26 August 2019.

OTHER INFORMATION

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

As at 30 June 2019, 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:

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	5,500,000 *(Note 1)*	0.30
Lim Hoe Pin	Beneficial owner	6,600,000 *(Note 1)*	0.36
Nguyen Van Tu, Peter	Beneficial owner	2,200,000 *(Note 1)*	0.12
Simon Murray	Beneficial owner	3,339,477 *(Note 2)*	0.18
Tsang On-Yip, Patrick	Beneficial owner	5,500,000 *(Note 1)*	0.30
Wong Man Chung, Francis	Beneficial owner	2,200,000 *(Note 1)*	0.12

Notes:

1. It represents number of share options granted by the Company.

2. The number includes 1,100,000 share options granted by the Company.

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.

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.

SHARE OPTION SCHEME (Continued)

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

Name or category of participant	Number of share options: As at 1 January 2019	Granted during the Period	Exercised during the Period	Cancelled during the Period	Lapsed during the Period	As at 30 June 2019	Exercise period of share options	Vesting period	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$*
Directors, chief executive and a substantial shareholder and their associates												
Lim Hoe Pin	3,300,000	–	–	–	–	3,300,000	17 Jul 2015 to 16 Jul 2020	N/A	1.12	17 Jul 2015	1.24	–
	3,300,000	–	–	–	–	3,300,000	13 Sep 2016 to 12 Sep 2021	N/A	0.71	13 Sep 2016	0.76	–
Cheng Chi-Him, Conrad	2,200,000	–	–	–	–	2,200,000	17 Jul 2015 to 16 Jul 2020	N/A	1.12	17 Jul 2015	1.24	–
	3,300,000	–	–	–	–	3,300,000	13 Sep 2016 to 12 Sep 2021	N/A	0.71	13 Sep 2016	0.76	–
Tsang On-Yip, Patrick	2,200,000	–	–	–	–	2,200,000	17 Jul 2015 to 16 Jul 2020	N/A	1.12	17 Jul 2015	1.24	–
	3,300,000	–	–	–	–	3,300,000	13 Sep 2016 to 12 Sep 2021	N/A	0.71	13 Sep 2016	0.76	–
Simon Murray	1,100,000	–	–	–	–	1,100,000	13 Sep 2016 to 12 Sep 2021	N/A	0.71	13 Sep 2016	0.76	–
Nguyen Van Tu, Peter	1,100,000	–	–	–	–	1,100,000	17 Jul 2015 to 16 Jul 2020	N/A	1.12	17 Jul 2015	1.24	–
	1,100,000	–	–	–	–	1,100,000	13 Sep 2016 to 12 Sep 2021	N/A	0.71	13 Sep 2016	0.76	–
Tang Shun Lam, Steven *(retired on 27 May 2019)*	1,100,000	–	–	–	(1,100,000)	–	17 Jul 2015 to 16 Jul 2020	N/A	1.12	17 Jul 2015	1.24	–
	1,100,000	–	–	–	(1,100,000)	–	13 Sep 2016 to 12 Sep 2021	N/A	0.71	13 Sep 2016	0.76	–
Wong Man Chung, Francis	1,100,000	–	–	–	–	1,100,000	17 Jul 2015 to 16 Jul 2020	N/A	1.12	17 Jul 2015	1.24	–
	1,100,000	–	–	–	–	1,100,000	13 Sep 2016 to 12 Sep 2021	N/A	0.71	13 Sep 2016	0.76	–

OTHER INFORMATION (continued)

SHARE OPTION SCHEME (continued)

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

Name or category of participant	Number of share options						Exercise period of share options	Vesting period	Exercise price of share options	Date of grant of share options	Closing price of the Company's share immediately before the date of grant of share options	Weighted average closing price of the Company's shares immediately before the exercise date
	As at 1 January 2019	Granted during the Period	Exercised during the Period	Cancelled during the Period	Lapsed during the Period	As at 30 June 2019			*HK$*		*HK$*	*HK$*
Employees (other than Directors)												
In aggregate	1,762,200	-	-	-	-	1,762,200	13 Sep 2016 to 12 Sep 2021	*Note*	0.71	13 Sep 2016	0.76	-
Others	4,400,000	-	-	-	-	4,400,000	13 Sep 2016 to 12 Sep 2021	N/A	0.71	13 Sep 2016	0.76	-
Total	31,462,200	-	-	-	(2,200,000)	29,262,200						

Note:

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

(a) 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;

(b) 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 the 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

(c) 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 2019, 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 the total issued share capital of the Company %
Newforest Limited	Beneficial owner *(Notes 1, 3&4)*	1,122,005,927	–	60.49
Cheng Yu Tung Family (Holdings) Limited	Interest of controlled corporation *(Note 1)*	1,122,005,927	–	60.49
Cheng Yu Tung Family (Holdings II) Limited	Interest of controlled corporation *(Note 1)*	1,122,005,927	–	60.49
Wu Wai Leung, Danny	Interest of controlled corporation *(Notes 1&2)*	1,122,005,927	–	60.49
Chow Tai Fook (Holding) Limited	Interest of controlled corporation *(Notes 1&4)*	1,122,005,927	–	60.49
Chow Tai Fook Capital Limited	Interest of controlled corporation *(Note 1)*	1,122,005,927	–	60.49
Chow Tai Fook Enterprises Limited	Interest of controlled corporation *(Notes 1&4)*	1,122,005,927	–	60.49
Gateway Asia Resources Limited	Interest of controlled corporation *(Notes 1&2)*	1,122,005,927	–	60.49

OTHER INFORMATION (continued)

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

Long Positions in Shares and underlying Shares: (continued)

Name of Shareholder	Capacity	Number of Shares	Number of underlying Shares	Approximate percentage of the total issued share capital of the Company %
Sharpfield Holdings Limited	Interest of controlled corporation *(Notes 1, 3&4)*	1,122,005,927	–	60.49
China Forestry Group Corporation	Interest of controlled corporation *(Note 5)*	110,000,000	–	5.93
Hong Kong Genghis Khan Group Limited	Interest of controlled corporation *(Note 6)*	110,000,000	–	5.93
Ge Jian	Beneficial owner *(Note 6)*	110,000,000	–	5.93

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 Chow Tai Fook Enterprises Limited). Chow Tai Fook Enterprises Limited is a wholly-owned subsidiary of Chow Tai Fook (Holding) Limited, an 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. Mr. Wu Wai Leung, Danny is a director of Gateway Asia Resources Limited.

3. Mr. Cheng Chi-Him, Conrad is a director of Newforest and Sharpfield Holdings Limited.

4. Mr. Tsang On-Yip, Patrick is a director of Chow Tai Fook (Holding) Limited, Chow Tai Fook Enterprises Limited, Newforest and Sharpfield Holdings Limited.

5. The 110,000,000 shares are held by China Forestry International Resource Company Limited which is wholly-owned by China Forestry Group Corporation. By virtue of the SFO, China Forestry Group Corporation is deemed to be interested in the 110,000,000 shares.

6. The 110,000,000 shares are held by Hong Kong Genghis Khan Group Limited which is wholly-owned by Mr. Ge Jian. By virtue of the SFO, Mr. Ge Jian is deemed to be interested in the 110,000,000 shares.

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 2018 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.

CHANGES IN THE COMPOSITION OF THE BOARD

Mr. Tang Shun Lam, Steven retired as an independent non-executive Director of the Company with effect from 27 May 2019. Upon his retirement, he also ceased to be the chairman of the remuneration committee and a member of each of the audit committee and nomination committee of the Company with effect from 27 May 2019.

Mr. Cheung Pak To, Patrick has been appointed as an independent non-executive Director of the Company with effect from 5 June 2019.

Mr. Wong Man Chung, Francis has been appointed as the chairman of the remuneration committee of the Company with effect from 5 June 2019.

AUDIT COMMITTEE

As at the date of this report, the audit committee of the Company (the "Audit Committee") has three members comprising two independent non-executive Directors, namely Mr. Wong Man Chung, Francis (Chairman) and Mr. Nguyen Van Tu, Peter 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 2019.

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 2019 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.

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 2019.

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.

OTHER INFORMATION (continued)

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.

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
Ding Wai Chuen
Executive Director and Chief Executive Officer

Hong Kong, 26 August 2019

As at the date hereof, the Board comprises two executive Directors, namely Messrs. Ding Wai Chuen and Lim Hoe Pin, four non-executive Directors, namely Messrs. Cheng Chi-Him Conrad, Tsang On-Yip Patrick, Simon Murray and Cheng Yang, and three independent non-executive Directors, namely Messrs. Nguyen Van Tu Peter, Wong Man Chung Francis and Cheung Pak To Patrick.

Website: http://www.greenheartgroup.com