Greenheart Group
綠心集團

GREENHEART GROUP LIMITED

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

ANNUAL REPORT 2022

5 years+
商界展關懷
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香港社會服務聯會頒發

Contents

	Page(s)
Corporate Information	2 – 3
Chairman's Statement	4 – 6
Management Discussion and Analysis	7 – 14
Biographical Details of Directors and Senior Management	15 – 19
Corporate Governance Report	20 – 46
Directors' Report	47 – 66
Independent Auditor's Report	67 – 73
Consolidated Statement of Profit or Loss and Other Comprehensive Income	74 – 75
Consolidated Statement of Financial Position	76 – 77
Consolidated Statement of Changes in Equity	78
Consolidated Statement of Cash Flows	79 – 80
Notes to the Consolidated Financial Statements	81 – 216

Corporate Information

BOARD OF DIRECTORS

Cheng Chi-Him, Conrad#
(Non-executive Chairman)
Ding Wai Chuen*
(Chief Executive Officer)
Kenneth Lau#
(appointed on 24 May 2022)
Lie Ken Jie Remy Anthony Ket Heng#
(appointed on 24 May 2022)
Simon Murray#
Wong Man Chung, Francis**
Cheung Pak To, Patrick**
To Chun Wai**
Tsang On-Yip, Patrick#
(retired on 24 May 2022)

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

AUDIT COMMITTEE

Wong Man Chung, Francis *(Chairman)*
Lie Ken Jie Remy Anthony Ket Heng
(appointed on 13 June 2022)
To Chun Wai
Tsang On-Yip, Patrick
(ceased to be a member on 24 May 2022)

REMUNERATION COMMITTEE

Wong Man Chung, Francis *(Chairman)*
Kenneth Lau
(appointed on 13 June 2022)
To Chun Wai
Tsang On-Yip, Patrick
(ceased to be a member on 24 May 2022)

NOMINATION COMMITTEE

Cheng Chi-Him, Conrad *(Chairman)*
Cheung Pak To, Patrick
(appointed on 13 June 2022)
To Chun Wai
Wong Man Chung, Francis
(ceased to be a member on 13 June 2022)

COMPANY SECRETARY

Fung Ka Man
(appointed on 1 January 2023)
Tse Nga Ying
(resigned on 1 January 2023)

AUTHORISED REPRESENTATIVES

Ding Wai Chuen
Fung Ka Man

REGISTERED OFFICE

Canon's Court, 22 Victoria Street
Hamilton HM 12, Bermuda

STOCK CODE

94

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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

INDEPENDENT AUDITORS

Deloitte Touche Tohmatsu
Registered Public Interest Entity Auditors

SOLICITOR

LC Lawyers LLP

Corporate Information

PRINCIPAL BANKERS

Bank of China (Hong Kong) Limited
China Construction Bank (Asia)
Corporation Limited
The Bank of East Asia, Limited
Bank of New Zealand

PRINCIPAL REGISTRAR & TRANSFER OFFICE IN BERMUDA

Appleby Global Corporate Services
(Bermuda) Limited
Canon's Court, 22 Victoria Street
Hamilton HM 12, Bermuda

BRANCH SHARE REGISTRAR & TRANSFER OFFICE IN HONG KONG

Tricor Tengis Limited
17/F, Far East Finance Centre
16 Harcourt Road
Hong Kong

WEBSITE

http://www.greenheartgroup.com/

INVESTOR RELATIONS

ir@greenheartgroup.com

Chairman's Statement

Dear Shareholders,

On behalf of the board (the "Board") of directors (the "Directors") of Greenheart Group Limited ("Greenheart" or the "Company"), I am pleased to present the annual report and our audited financial statements of the Company and its subsidiaries (together the "Group") for the year ended 31 December 2022.

REVIEW

2022 was a challenging year for the Group, as we continued to face market volatility and supply chain disruptions in New Zealand and Suriname. This resulted in a significant decrease in turnover of HK$156,216,000 and an increase in loss to HK$97,746,000 for the year (2021: HK$59,231,000). The primary reason for this was the adverse impact to the Group's New Zealand business operations.

The revenue generated from our New Zealand division decreased by 53.2% compared to last year, mainly due to a decline in average free-on-board ("FOB") sale prices by 19.4%. Faced with a weak market, the Group reduced its harvesting activities in order to preserve our wood reserve until the market recovers, resulting in sales dropping to 192,000m^3, representing 56.6% of the volume sold in the previous year. In addition to these unfavorable market conditions, our New Zealand division faced higher fuel and operating costs driven by an elevated inflation rate. The combined effect of the weak market and higher operating costs have resulted in a fair value loss of HK$3,250,000 on plantation forest assets during the year (2021: a fair value gain of HK$26,630,000).

In Suriname, following a strong rebound in European economic activity after the pandemic-related downturn, the demand for tropical wood products increased. However, extreme and persistent heavy rain caused unprecedented country-wide flooding, damaging all major roads and exacerbating logistical disruptions. This flooding seriously affected our harvesting and product delivery capabilities, particularly in our west Suriname operation, which has the longest distance to the port among our concessions.

As a result, our Suriname division's ability to meet market demand was restricted, despite the strong market recovery for tropical hardwood products. The revenue generated from our Suriname division decreased by 14.2%, reflecting a slight decrease in volume sold compared to last year.

Furthermore, our Suriname division is facing increasing uncertainty associated with the renewal of our concession licences. We have reviewed and accelerated the amortisation of our concession licences in order to reflect the shorter expected economic useful lives of these concessions.

Despite these difficulties, our Suriname division reduced its negative adjusted EBITDA by 28.9% to HK$8,913,000 this year.

Chairman's Statement

OUTLOOK

Looking forward in 2023, the Group acknowledges the challenges and uncertainties presented by the current state of the global economy. While the Chinese government is making strides towards economic recovery by removing all COVID-related travel restrictions, the Group remains vigilant in our approach to managing high fuel prices, supply chain disruptions, inflation and other market uncertainties.

Despite an improvement in FOB prices of New Zealand radiata pine in January and February, the property sector in China remains challenging due to high levels of debts and lower buyer confidence in the first half of 2023. It is anticipated that the demand for our New Zealand radiata pine will remain under pressure. However, the Group expects that consumer confidence will slowly return as the economic backdrop improves after the Chinese government rolls out policy measures to support the property sector, including relaxing restrictions on property developer borrowing.

In addition to the plantation business, the Group is committed to exploring and investing in carbon farming opportunities in New Zealand. The carbon project not only provides a sustainable income stream for the Group but also contributes to the mitigation of climate change. The Group believes that the carbon project has the potential to significantly contribute to the Group's growth and profitability in the long term.

In Suriname, we are gradually overcoming the challenges resulting from extreme weather and the pandemic, which caused supply chain disruptions for the past two years. Our Suriname division has maintained stable revenue while improving operational efficiency and reducing costs through outsourcing, and generating additional revenue through subcontracting the right to operate in our forest concession areas.

We will continue to be prudent in managing our business operations and financial resources and maximize our business potential during this challenging time.

Chairman's Statement

APPRECIATION

In closing, on behalf of the board of directors of the Company, I would like to thank shareholders for their continued support and to extend my thanks to all of my fellow directors and all of our staff across Greenheart for their commitment and their invaluable contribution in what has been a challenging year for the business.

Cheng Chi-Him, Conrad
Non-executive Chairman
Hong Kong
29 March 2023

Management Discussion and Analysis

BUSINESS REVIEW

2022 was another challenging year for Greenheart in the face of uncertain global economic environment. The Group recorded a net loss of HK$97,746,000 (2021: HK$59,231,000). The substantial increase in net loss was mainly due to the net results of a decrease in revenue from the New Zealand division, a fair value loss on plantation forest assets located in New Zealand, an increase in the amortisation of timber concessions and cutting rights due to the revision of expected economic useful lives of the concessions in Suriname, and a reversal of provision for impairment on an earnest money recovered during the year.

Revenue

The Group's revenue for the year decreased by 48.7% or HK$156,216,000 to HK$164,305,000. Revenue from the New Zealand and Suriname divisions was HK$132,777,000 (2021: HK$283,758,000) and HK$31,528,000 (2021: HK$36,763,000), respectively.

The revenue contributed by the New Zealand division dropped by 53.2% or HK$150,981,000 due to the weak demand for the New Zealand radiata pine, caused by a weak property market in China. Furthermore, the Group reduced the harvesting activities to preserve the wood reserve in anticipation of market recovery. As a result, the average export selling price on a FOB basis reduced by 19.4%, and the sales volume reduced by 43.4% during the year.

Apart from sales of logs, revenue from forest management services increased by 20.1% or HK$911,000.

Revenue from the Suriname division decreased by 14.2% or HK$5,235,000 because of the decrease in sales volume of logs and lumber caused by the serious disruption in harvesting activities due to the persistent heavy rain. However, this effect was partially offset by the increase in the average selling price of lumber, reflecting the success of our strategy in switching to high-value export products. Meanwhile, the subcontracting fee income maintained at HK$3,666,000 (2021: HK$3,561,000).

Gross loss

The Group's gross loss for the year was HK$47,972,000 (2021: profit of HK$27,677,000), excluding an impairment on timber concessions and cutting rights of HK$942,000 (2021: reversal of HK$12,785,000) and an impairment on property, plant and equipment of nil (2021: HK$8,128,000) recognised in Suriname division. The New Zealand division contributed a gross loss of HK$9,402,000 (2021: profit of HK$40,214,000) while the Suriname division recorded a gross loss of HK$38,570,000 for the year (2021: HK$12,537,000).

Management Discussion and Analysis

The gross loss margin, excluding impairment adjustments, for the year was 29.2% as compared to the gross profit margin of 8.6% last year. The New Zealand division had a gross loss margin of 7.1% for the year (2021: gross profit margin of 14.2%), while the Suriname division had a gross loss margin of 122.3% for the year (2021: 34.1%), excluding impairment adjustments.

The gross loss margin from the New Zealand division was primarily due to decrease in average export selling price on FOB basis as mentioned above. On the other hand, the increase in gross loss margin for the Suriname division was mainly due to a one-off impact of the acceleration of amortisation of timber concessions and cutting rights of HK$26,584,000. The Group has recently faced longer delays in obtaining renewal approval from the government authority of the concession licences. To reflect the increasing uncertainty surrounding concession licence renewal, the Group has shortened the expected economic useful lives and accelerated the amortisation of its timber concessions and cutting rights.

An impairment on timber concessions and cutting rights of HK$942,000 was provided during the year (2021: reversal of HK$12,785,000). This was mainly due to a decrease in the recoverable amount associated with our west Suriname cash-generating units, caused by an increase in discount rate.

No impairment on property, plant and equipment (2021: HK$8,128,000) were provided during the year.

Other income

Other income decreased by 13.0% or HK$198,000 for the year mainly due to the repayment of the finance lease receivable balance, which was partially offset by the one-off COVID-19-related subsidies provided by the Hong Kong government during the year.

Other gains and losses

Other gains and losses for the year comprised the reversal of impairment of right-of-use assets.

Reversal of impairment on right-of-use assets of HK$901,000 (2021: impairment of HK$91,000) for the year was primarily due to the increase in fair value less costs of disposal of certain leasehold land in Suriname.

Impairment losses reversed on financial assets, net

Impairment losses reversed on financial assets for the year was mainly the result of the recovery during the year of an earnest money of RMB20,000,000 in relation to an aborted investment project in China.

Fair value loss on plantation forest assets

The fair value loss on our plantation forest assets in New Zealand amounted to HK$3,250,000 (2021: gain of HK$26,630,000) for the year. The fair value loss was primarily caused by unfavourable market conditions and higher operating costs, driven by high inflation rate and high fuel costs.

Selling and distribution costs

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

The reduction for the year by HK$17,472,000 or 39.8% was primarily due to the reduction of sales volume of New Zealand radiata pine and the depreciation of New Zealand dollars during the year.

Administrative expenses

Administrative expenses for the year maintained at HK$48,189,000 (2021: HK$47,767,000). The increase in depreciation of property, plant and equipment caused by the additional roading in New Zealand was partially offset by the decrease in forest management fee resulted from the completion of harvesting activities of some forests in New Zealand.

Finance costs

The finance costs for the year represented interests on bank borrowings, loans from immediate holding company and a fellow subsidiary and lease liabilities.

The increase of finance costs for the year by HK$937,000 or 5.8% was primarily attributable to the increase in interest on loan from a fellow subsidiary, newly drawdown in the second half of 2021, as well as following the general increase in London Interbank Offered Rates during the year. Such increase was partly offset by the repayment of US$25,000,000 of bank loan facilities from Bank of New Zealand in the second half of 2021.

Income tax credit

Income tax credit is mainly comprised of current tax credit and deferred tax credit.

Current tax credit mainly represented the over-provision of current tax in previous years.

The deferred tax credit for the year comprised the deferred tax expense of HK$4,128,000 (2021: HK$6,406,000) and the deferred tax credit of HK$13,362,000 (2021: expense of HK$1,146,000) in the New Zealand and the Suriname divisions, respectively.

Management Discussion and Analysis

The deferred tax expense in the New Zealand division was mainly due to the taxable temporary differences arising from the de-recognition of tax losses, fair value loss on New Zealand plantation forest assets, different amortisation/depreciation rates for tax and accounting purposes related to the New Zealand forest roads assets and the year-end foreign currency translation adjustment for United States dollars denominated term loans and 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 Group's EBITDA dropped significantly by 90.8% to HK$7,148,000 for the year (2021: HK$77,473,000). The EBITDA for New Zealand division and Suriname division for the year were HK$3,084,000 (2021: HK$94,417,000) and a loss of HK$7,806,000 (2021: HK$3,947,000), respectively.

The reduction of EBITDA of the Group was mainly attributable to the fair value loss on plantation forest assets and the deterioration of underlying operating results in our New Zealand division, which were partially offset by the reversal of impairment loss on other receivables.

Loss for the year attributable to owners of the Company

As a result of the aforementioned, the loss attributable to owners of the Company increased significantly from HK$36,938,000 in 2021 to HK$68,152,000 for the year.

Additional information related to valuations of plantation forest assets

The Group's plantation forest assets were independently valued by Indufor Asia Pacific Limited ("Indufor") as at 31 December 2022 and 2021. Indufor is an independent professional forest specialist consulting firm. The key valuers involved in the valuations are members of the New Zealand Institute of Forestry, and have no present or prospective interest in the Group's plantation forest assets, and no personal interest or bias with respect to the Group. In the opinion of the Directors, Indufor is independent and competent to determine the fair value of the Group's plantation forest assets.

As part of the independent valuation, a ground inspection was conducted by Indufor in relation to certain areas of the Group's plantation forest assets so as to verify the physical existence and quality in 2022 and 2021. In addition, a high level area validation exercise using satellite imagery was performed for the Group's plantation forest assets with a total land area of 15,306 hectares. The area verification covered the entire planted forest area.

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

(a) comparing the status of plantation information provided by the forest manager with the results of the ground inspection in relation to the health and quality of the plantation conducted by Indufor;

(b) assessment of the yield and grade mix of the plantation forest assets based on (i) the actual harvesting records obtained from the forest manager since the acquisition of the plantation forest assets; and (ii) the yield tables prepared by the previous owners of the plantation forest assets which the Group obtained during due diligence in previous years; and

(c) comparing the forest planted area maps provided by the forest manager with a sample of newly planted stands inspected by Indufor during the field inspection.

LIQUIDITY AND FINANCIAL REVIEW

As at 31 December 2022, the Group's current assets and current liabilities were HK$139,173,000 and HK$86,577,000 respectively (31 December 2021: HK$202,530,000 and HK$101,510,000), HK$71,681,000 (31 December 2021: HK$92,916,000) of which were cash and bank balances. The Group's outstanding borrowings as at 31 December 2022 represented the loans from immediate holding company amounting to HK$194,386,000 (31 December 2021: HK$187,214,000), loan from a fellow subsidiary amounting to HK$163,236,000 (31 December 2021: HK$156,500,000), bank borrowings amounting to HK$24,960,000 (31 December 2021: HK$24,960,000) and lease liabilities of HK$17,931,000 (31 December 2021: HK$22,101,000). Accordingly, the Group's gearing ratio as of 31 December 2022, which was calculated on the basis of outstanding borrowings as a percentage of equity attributable to owners of the Company, was 47.1% (31 December 2021: 42.6%).

As at 31 December 2022, there were 1,854,991,056 ordinary shares of the Company in issue. The Group adopts conservative treasury policies in cash and financial management. Cash is generally placed in short-term deposits mostly denominated in United States dollars and Hong Kong dollars. The Group's liquidity and financing requirements are reviewed regularly.

Management Discussion and Analysis

Most of the Group's sales are denominated in United States dollars, to which the Hong Kong dollars is pegged. All the Group's outstanding borrowings, and the majority of costs and expenses incurred in Hong Kong and Suriname are also denominated in United States dollars. The domestic sales generated from the New Zealand plantation forest assets and the forest management fee income from New Zealand division are denominated in New Zealand dollars, which helps to partially offset the Group's operating expenses payable in New Zealand dollars. During the year, the Group did not use any financial instruments for hedging purposes and the Group did not have any hedging instruments outstanding as at 31 December 2022. However, we will continue to closely monitor all possible exchange risk arising from the Group's existing operations and any new investments and will implement the necessary hedging arrangement(s) to mitigate any significant foreign exchange exposure.

During the year ended 31 December 2022, the Group breached certain of the terms of the bank loan, which are primarily related to the debt service cover ratio of the Group. Upon the breach of the covenant, the Directors of the Company informed the bank and commenced a renegotiation of the terms of the loan with the bank. As at 31 December 2022, those negotiations had not been concluded. Since the bank had not agreed to waive its right to demand immediate payment as at the end of the reporting period, the loan was classified as a current liability as at 31 December 2022. Subsequent to the reporting period, the Group has obtained waiver from the bank and the bank has confirmed the continuity of the bank loan facilities offered to the Group until the final maturity date.

PROSPECTS

The global property and constriction sector continues to face challenges in 2023 due to higher production costs caused by inflation, interest rates and economic uncertainty. However, we expect the global trade environment to gradually improve throughout the year, although a return to pre-pandemic level of economic growth may take longer.

In New Zealand, with China removing all COVID-19 related travel restrictions and the decrease in freight costs since the fourth quarter of 2022, margins have steadily recovered in the first quarter of 2023. The average export A-grade logs in cost and freight term ("CFR") range from US$130 to US$135 per m^3 and the average shipping rates to China dropped back to US$30 to US$35 per m^3 range in the first half of 2023. The demand for our New Zealand radiata pine logs is expected to remain steady in 2023 and the consumer confidence is expected to slowly return as the economic backdrop improves after the Chinese government rolls out policy measures to support the property sector.

In Suriname, we have expanded our processing capacity in the city of Paramaribo to refine rough sawn lumber into dressed lumber with higher saleable value. We have had all the necessary processing facilities in place since the fourth quarter of 2022, and we expect steady production to continue in 2023, providing a reliable contribution of revenue under our overall recovery strategy. We will continuously enhance our harvesting operations to ensure a steady supply to the market and maximise our sawmill capacity to take advantage of the growing demand for hardwood products as consumer trend shifts towards home improvements.

Management Discussion and Analysis

While we recently experienced a delay in obtaining the renewal of certain concessions licences in Suriname, we are working closely with the government authority to obtain an update on the situation and remain hopeful of obtaining the renewal licences in 2023.

CHARGE ON ASSETS

As at 31 December 2022 and 2021, 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 carrying amount of approximately HK$146,906,000 (2021: HK$140,215,000) ("Forestry Land");

b. the Group's plantation forest assets (located in New Zealand) with carrying amount of approximately HK$382,123,000 (2021: HK$411,173,000) 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.

CAPITAL EXPENDITURE

During the year, the Group incurred capital expenditure of approximately HK$9,298,000 (2021: HK$14,913,000) on investment in property, plant and equipment.

BUSINESS ACQUISITION AND DISPOSAL

The Group had no material business acquisitions or disposals for the year.

CONTINGENT LIABILITIES

As at 31 December 2022, the Group did not have any significant contingent liabilities (2021: nil).

EVENTS AFTER THE END OF THE REPORTING PERIOD

Details of the significant events after the end of the reporting period of the Group are set out in note 45 to the consolidated financial statements.

Management Discussion and Analysis

EMPLOYMENT AND REMUNERATION POLICY

As at 31 December 2022, the total number of employees of the Group was 152 (2021: 168). Employment costs (including Directors' emoluments) amounted to approximately HK$33,361,000 for the year (2021: HK$32,705,000). 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.

Biographical Details of Directors and Senior Management

DIRECTORS

Mr. Cheng Chi-Him, Conrad, aged 44, has been a non-executive Director of the Company since 4 June 2015 and non-executive Chairman of the Board since 22 March 2016. Mr. Cheng is the chairman of the nomination committee of the Company (the "Nomination Committee"). He graduated from University of Toronto in Canada with a Bachelor of Arts degree in Statistics and has been specializing in project management of property projects in China since 2005.

Mr. Ding Wai Chuen, aged 63, has been an executive Director and Chief Executive Officer of the Company since 5 November 2018. Mr. Ding graduated from the University of Birmingham with a Bachelor's degree in Commerce. He is a fellow member of the Institute of Chartered Accountants in England and Wales. Mr. Ding has over 30 years of experience in professional accountancy with international firms in England and Hong Kong. Before joining the Company, he served as the chief executive of the Hong Kong Institute of Certified Public Accountants ("HKICPA") for six years. Mr. Ding was an independent non-executive director, non-executive director and executive director of Lam Soon (Hong Kong) Limited (stock code: 411) and an independent non-executive director and the executive director of Guoco Group Limited (stock code: 53). He was a member of the Commission on Strategic Development of the HKSAR Government from November 2005 to June 2007 and a member of Pan-Pearl River Delta Panel of the Central Policy Unit of the HKSAR Government between January 2006 and December 2009. Mr. Ding was a council member of HKICPA and a member of the Financial Reporting Review Panel of the Financial Reporting Council between 2007 and 2012. Since 2002, he has served as a member of the PRC Ministry of Finance Advisory Group of Foreign Experts for the development of the PRC's Independent Auditing Standards. Between 2016 and 2021, Mr. Ding served as a member of PRC Ministry of Finance Accounting Standards Advisory Committee. Between November 2014 and October 2018, he represented Hong Kong to serve on the board of International Federation of Accountants, the global organization for the accountancy profession with over 170 members and associates in 130 countries and jurisdictions.

Biographical Details of Directors and Senior Management

Mr. Kenneth Lau, aged 47, has been a non-executive Director of the Company since 24 May 2022. Mr. Lau is a member of the remuneration committee of the Company (the "Remuneration Committee"). He is the managing principal of Chow Tai Fook Enterprises Limited. Mr. Lau is currently an alternate director of Melbourne Enterprises Limited (stock code: 158), being a listed public company in Hong Kong. He is also a director of Yunnan Jinggu Forestry Co., Ltd. (stock code: 600265.SH), being a company listed on the Shanghai Stock Exchange. Mr. Lau has 20 years of experience in corporate finance, real estate and private equity investments. Prior to joining Chow Tai Fook Enterprises Limited, he was the co-founder and managing director at Pinnacle Real Estate Capital Partners Limited and the director in charge of China acquisitions at Aetos Capital LLC. Mr. Lau also previously worked in the Global Real Estate Group and the Investment Banking Division of Lehman Brothers Asia Limited. He holds a Master of Engineering degree from the University of Oxford in the United Kingdom.

Mr. Lie Ken Jie Remy Anthony Ket Heng, aged 43, has been a non-executive Director of the Company since 24 May 2022. Mr. Lie Ken Jie is a member of the audit committee of the Company (the "Audit Committee"). He is currently an executive director of i-CABLE Communications Limited (stock code: 1097), being a listed public company in Hong Kong. Mr. Lie Ken Jie is a senior vice president of Chow Tai Fook Enterprises Limited with responsibilities in making strategic investments globally. He is currently a director of Newforest Limited which is a substantial shareholder of the Company. Mr. Lie Ken Jie holds a Master's degree in Finance and a Master's degree in Civil Engineering, both from Imperial College London in the United Kingdom.

Mr. Simon Murray *CBE*, aged 83, has been a non-executive Director of the Company since 17 August 2010. Mr. Murray founded the private equity fund management company, General Enterprise Management Services Limited, in 1998.

Mr. Murray is also an independent non-executive director of Wing Tai Properties Limited (stock code: 369) and a non-executive director of China LNG Group Limited (stock code: 931), all being listed public companies in Hong Kong. He is also an independent non-executive director of Spring Asset Management Limited (manager of Spring Real Estate Investment Trust which is listed in Hong Kong).

Mr. Murray was an independent non-executive director of Hutchison Whampoa Limited and has previously acted as an independent non-executive director of Cheung Kong Property Holdings Limited (now renamed as CK Asset Holdings Limited) and an independent non-executive director of IRC Limited (stock code: 1029). He was also the executive chairman of Deutsche Bank AG Asia Pacific and a non-executive director of Compagnie Financière Richemont SA, a company listed on the Swiss stock exchange, and now serves on their Advisory Board.

Mr. Murray was appointed a Commander of The Most Excellent Order of the British Empire (CBE) and a Chevalier within the Ordre National du Mérite of the French Republic (Chevalier de La Legion d'Honneur). Mr. Murray holds an Honorary Degree in Law from Bath University and attended the Stanford Executive Program in the United States.

Biographical Details of Directors and Senior Management

Mr. Wong Man Chung, **Francis**, aged 58, has been an independent non-executive Director of the Company since 2 July 2015. Mr. Wong is the chairman of each of the Audit Committee and the Remuneration Committee. He holds a Master Degree in Management conferred by Guangzhou Jinan University, the People's Republic of China. He is a fellow member of the Institute of Chartered Accountants in England and Wales, the Association of Chartered Certified Accountants of the United Kingdom, the Hong Kong Institute of Certified Public Accountants and the Society of Chinese Accountants and Auditors and a Certified Tax Advisor of the Taxation Institute of Hong Kong. Mr. Wong is a Certified Public Accountant (Practising) and has over 25 years of experience in auditing, taxation, corporate internal control and governance, acquisition and financial advisory, corporate restructuring and liquidation, family trust and wealth management.

Previously, Mr. Wong worked for KPMG, an international accounting firm, for 6 years and the Hong Kong Securities Clearing Company Limited for 2 years. Mr. Wong is currently an independent non-executive director of each of Integrated Waste Solutions Group Holdings Limited (stock code: 923), China Oriental Group Company Limited (stock code: 581), Digital China Holdings Limited (stock code: 861), Wai Kee Holdings Limited (stock code: 610), Hilong Holding Limited (stock code: 1623), Qeeka Home (Cayman) Inc. (stock code: 1739), IntelliCentrics Global Holdings Limited (stock code: 6819) and Shanghai Dongzheng Automotive Finance Co., Ltd. (stock code: 2718), all being listed public companies in Hong Kong. Mr. Wong previously served as an independent non-executive director of GCL Technology Holdings Limited (stock code: 3800), Kunming Dianchi Water Treatment Co., Ltd. (stock code: 3768) and China New Higher Education Group Limited (stock code: 2001), all of which are listed companies in Hong Kong.

Biographical Details of Directors and Senior Management

Mr. Cheung Pak To, Patrick *BBS*, aged 73, has been an independent non-executive Director of the Company since 5 June 2019. Mr. Cheung is also a member of the Nomination Committee. Mr. Cheung holds a master's degree in public administration from the University of Hong Kong. He has extensive management and administrative experiences. Between 1969 and 1989, Mr. Cheung served with the United Kingdom Government, British Forces in Hong Kong for 21 years, with his final post as a Civilian Executive Officer. Thereafter from 1989, he was employed by the Securities and Futures Commission of Hong Kong for 20 years, with his final position as Senior Manager of the Finance & Administration Department. On the social and community responsibilities front, Mr. Cheung was a devoted volunteer officer in the Hong Kong Civil Aid Service for 30 years during which he was appointed as honorary Aide-de-Camp to Governors Lord Wilson and Mr. Christopher Patten; and Chief Executive Mr. Tung Chee-hwa for 10 consecutive years from 1990 to 1999. Mr. Cheung achieved the rank of Assistant Commissioner in the Hong Kong Civil Aid Service and was awarded the Bronze Bauhinia Star by the Hong Kong Government in 2003. He is currently an independent non-executive director of each of Minshang Creative Technology Holdings Limited (stock code: 1632) and Amasse Capital Holdings Limited (stock code: 8168), all being listed public companies in Hong Kong. Mr. Cheung formerly served as an executive director of Hong Kong Resources Holdings Company Limited (stock code: 2882) and re-designated as its non-executive director. He was also an independent non-executive director of National Agricultural Holdings Limited (stock code: 1236) during which this firm was a listed public company in Hong Kong.

Mr. To Chun Wai, aged 67, has been an independent non-executive Director of the Company since 30 July 2020. Mr. To is a member of each of the Remuneration Committee, the Audit Committee and the Nomination Committee. He is currently the chairman and chief executive officer of Gung-ho Consultancy Company Limited. Mr. To is an independent non-executive director of each of Auto Italia Holdings Limited (stock code: 720) and ISP Holdings Limited (stock code: 2340), both being listed public companies in Hong Kong. He formerly served as an executive director and a non-executive director of Integrated Waste Solutions Group Holdings Limited (stock code: 923), a listed public company in Hong Kong. Mr. To spent most of his career, beginning in 1974, with the Hong Kong Police, rising up the ranks to Assistant Commissioner of Police (Crime) overseeing crime operations and policies of the Hong Kong Police, until his retirement in 2011. He was awarded the Police Meritorious Service Medal in recognition of his long years of service and contribution to the Hong Kong society. Mr. To has wide administrative and management experience. He holds a master degree of public administration from The University of Hong Kong and also tutored public administration on a part-time basis from 2011 to 2012 at The University of Hong Kong.

Biographical Details of Directors and Senior Management

SENIOR MANAGEMENT

Ms. Tse Nga Ying, **Daphne**, aged 50, was the Chief Financial Officer, a member of the Executive Management Committee and the Company Secretary of the Company. She had worked for the Company and its affiliated companies for more than 10 years. Ms. Tse has over 20 years of experience in audit, accounting, financing and a strong background in manufacturing and trading companies. She graduated from the Chinese University of Hong Kong with a Bachelor's degree in Professional Accountancy. She is also a fellow of the Association of Chartered Certified Accountants and a member of the Hong Kong Institute of Certified Public Accountants. Ms. Tse resigned from all her positions with the Company (including as the Company Secretary and authorised representative of the Company) with effect from 1 January 2023.

Mr. Lai Kwok Hung, Danny, aged 49, is the overseas operations director of the Company and a member of the Executive Management Committee. Since joining the Company in 2015, Mr. Lai has been focusing on the overseas business operations, assessing and shaping transformational projects, execution and delivery of key targets and the development of new business growth initiatives. He is also responsible for the turnaround of Suriname operations and the business development in New Zealand. Mr. Lai has over 20 years of global experience from various industry covering oil and gas, advertising and technology spanning across Africa, Middle East, Asia and North and South America.

Mr. Chen Chun Ho, Chris, aged 38, is the financial controller of the Company and a member of the Executive Management Committee. Mr. Chen has more than 10 years of experience in financial and accounting operations. He holds a Bachelor's degree in Accountancy from the Hong Kong Baptist University. Mr. Chen is a member of both the Hong Kong Institute of Certified Public Accountants and the Institute of Chartered Accountants in England and Wales. Prior to joining the Company, he worked in the audit profession with an international accounting firm.

Corporate Governance Report

The Board and 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 applicable code provisions set out in the Corporate Governance Code (the "CG Code") contained in Part 2 of Appendix 14 to the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") throughout the year, except with the deviations set out below:

1. Code provision B.2.2 requires every director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years. However, the Chairman and the Managing Director of the Company shall not be subject to retirement by rotation under the existing Bye-laws of the Company. Mr. Cheng Chi-Him, Conrad is the non-executive Chairman of the Company. Given that the essential role in the leadership of the Company by the Chairman and the non-executive nature of chairmanship, the Board is of the view that such deviation is vital to the stability and continuity of the key management of the Company and the Board considers that the deviation is acceptable.

2. Code provision C.1.6 requires independent non-executive directors and other non-executive directors should attend general meetings to gain and develop a balanced understanding of the views of shareholders. However, Mr. Simon Murray was unable to attend the annual general meeting (the "AGM") held on 24 May 2022 due to overseas business commitments.

Save as disclosed above, the Directors are not aware of any deviation from the applicable code provisions of the CG Code as set forth in Part 2 of Appendix 14 to the Listing Rules throughout the year.

CORPORATE PURPOSE

The purposes of the Company are to promote success of the Group by visionary and effective leadership by the Board and upholding high standards of corporate governance to create and enhance long-term return for shareholders as well as stakeholders while undertaking corporate social responsibility with green sustainability.

Corporate Governance Report

CORPORATE VALUE AND CULTURE

The Group's value and culture are based on sustainability principles. They are comprised of four different scopes, namely, environmental protection, our people, operating practices, and community involvement.

Environmental protection	–	We adopt sustainable forestry practices in our operations.
Our people	–	We respect every person is unique and has his own talent in different aspects. We treasure lives of our workers and follow stringent safety measures in our forestry operations.
Operating practices	–	We do business lawfully, ethically and responsibly.
Community involvement	–	We listen, care and support our community.

Corporate Governance Report

CORPORATE STRATEGY

The Group embeds the sustainability principles into its core business strategy, including the focus on ways to protect our forests for the future, to create long-term economic value for our shareholders and to ensure a safe and healthy working environment for our employees.

Environmental protection	–	Management monitors closely the Group's greenhouse gas emissions and energy consumption and stays abreast of environment-related regulatory developments in the respective areas where the Group operates. Only trees that aged to certain years will be harvested. Harvested land will be replanted within 12 months after harvesting. The Group has adopted CELOS harvesting system for all its forestry operation in Suriname to minimize logging damage.
Our people	–	Recruitment is under open and transparent process. We prohibit the use of child labour and forced labour in any workplace. Personal protective equipment is provided to workers. Workers are asked to use available and applicable protection measures at all times to avoid accidents.
Operating practices	–	Whistleblowing Policy, Anti-Corruption Policy and Anti-Money Laundering and Counter-Terrorist Financing Policy outline the Group's business culture on maintaining high standards of ethics and integrity.
Community involvement	–	We actively participate in activities that promote green lives. We make donations to support the less privileged. In places where our forests are located, we impart of knowledge and experience to local tribes. We hold regular meetings with local communities to understand and address their needs.

Taking into account the corporate culture in a range of contexts, the Board considers that the culture and the purpose, value and strategy of the Group are aligned.

Corporate Governance Report

THE BOARD

The Board currently comprises eight Directors, including one executive Director, namely Mr. Ding Wai Chuen; four non-executive Directors, namely Mr. Cheng Chi-Him, Conrad (Chairman), Mr. Kenneth Lau, Mr. Lie Ken Jie Remy Anthony Ket Heng and Mr. Simon Murray, and three independent non-executive Directors, namely Mr. Wong Man Chung, Francis, Mr. Cheung Pak To, Patrick and Mr. To Chun Wai. All of the non-executive Directors and independent non-executive Directors come from various commercial sectors who possess different knowledge, skills and experience which enable them to discharge their director's duties, exercise independent judgement and give constructive opinions on the Company's strategy and policies. There is a strong independent element on the Board as a result of the number of non-executive Directors (including independent non-executive Directors) is far more than that of executive Director. Non-executive Directors are of sufficient calibre and number for their views to carry weight.

The Board has three independent non-executive Directors. One of the independent non-executive Directors, Mr. Wong Man Chung, Francis, is a certified public accountant, and has appropriate professional qualifications or accounting or related financial management expertise. The Company has complied with rules 3.10(1) and 3.10(2) of the Listing Rule throughout the year. The number of independent non-executive Directors represents more than one-third of the Board which complies with the requirement under rule 3.10A of the Listing Rules. The Company has received annual written confirmation from each of the independent non-executive Directors regarding his independence as required under rule 3.13 of the Listing Rules. The Company considers all the independent non-executive Directors to be independent and they are capable of effectively exercising independent judgment. The Board has a balanced structure, size and composition with various skills and expertise necessary for the Company's business.

The Board is supported by three board committees: the Audit Committee, the Nomination Committee and the Remuneration Committee. Each of the Committees has its own terms of reference approved by the Board clearly explaining its role and the authority delegated to it by the Board. All these Committees are chaired by non-executive Directors. All these Committees are given sufficient resources by the Company to perform their duties. Meetings of these committees are convened and conducted in accordance with their respective terms of reference and each board committee reports the outcome of the committee's meetings to the Board. The terms of reference for each of these Committees are available on both the websites of HKExnews and the Company.

The names of all the Directors are identified in various corporate communications and in all announcements. Biographical details of the Directors are set out in the section headed "Biographical Details of Directors and Senior Management" on pages 15 to 19. The list of Directors and their role and function are also available on both the websites of HKExnews and the Company. During the year, the Company has arranged appropriate Directors' and Officers' liabilities insurance coverage in respect of legal action against its Directors and officers.

Corporate Governance Report

CHANGES IN THE COMPOSITION OF THE BOARD AND ITS COMMITTEES

The changes to the composition of the Board and Board Committees since 1 January 2022 were as follows:

1. Mr. Tsang On-Yip, Patrick retired as a non-executive Director after the conclusion of the AGM held on 24 May 2022. He also ceased to be a member of each of the Audit Committee and the Remuneration Committee upon his retirement.

2. Mr. Kenneth Lau and Mr. Lie Ken Jie Remy Anthony Ket Heng were appointed as non-executive Directors of the Company at the AGM held on 24 May 2022.

3. Mr. Lie Ken Jie Remy Anthony Ket Heng was appointed as a member of the Audit Committee with effect from 13 June 2022.

4. Mr. Kenneth Lau was appointed as a member of the Remuneration Committee with effect from 13 June 2022.

5. Mr. Cheung Pak To, Patrick was appointed as a member of the Nomination Committee with effect from 13 June 2022.

6. Mr. Wong Man Chung, Francis ceased to be a member of the Nomination Committee with effect from 13 June 2022.

CHANGE IN INFORMATION OF DIRECTOR

Pursuant to rule 13.51B(1) of the Listing Rules, the change in information of Director, subsequent to the date of the 2022 interim report and up to the date of this corporate governance report is set out below:

Mr. Ding Wai Chuen is one of the directors of 深圳嘉漢林業科技有限公司 (Shenzhen Sino-Forest Science and Technology Company Limited*) ("Shenzhen SFST"), a limited liability company established in the People's Republic of China (the "PRC"). Before its Bankruptcy (as defined below), Shenzhen SFST was primarily engaged in the manufacturing of composite wood. Shenzhen SFST is a subsidiary of the ultimate holding company of the Company but not a subsidiary of the Company.

Mr. Ding has informed the Board that, by a judgment dated 27 October 2022 issued by the Intermediate People's Court of Shenzhen in the PRC (the "Court"), Shenzhen SFST was declared bankrupt (the "Bankruptcy") as its assets were insufficient to settle all its liabilities. Mr. Ding further informed that on 17 January 2023, the Court endorsed an asset allocation arrangement for distributing Shenzhen SFST's assets to its creditors. Mr. Ding confirmed that (i) he is not a party to the proceedings; (ii) he is not aware of any actual or potential claim that has been or will be brought against him as a result of the Bankruptcy; and (iii) the Bankruptcy does not have any financial impact on him personally. The Board has assessed the situation and concluded that to the best of its knowledge and information, the Bankruptcy will not have any financial or business impact on the Group.

ROLES OF THE BOARD AND MANAGEMENT

The Board is accountable to shareholders for the long-term success of the Company. The principal functions of the Board are to make decisions on the objectives, strategic plans, budgets and management structure of the Company; to oversee the management of the business and affairs of the Group with the objective of enhancing the Company's performance and shareholder value; to ensure appropriate delegation of authority to, coupled with commensurate accountability of, management to facilitate the day-to-day operations of the Group, implementation of the budgets and strategic plans and development of the organization of the Company for implementing the Board's decisions.

* *For identification purpose only*

Corporate Governance Report

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Pursuant to code provision C.2.1 of the CG Code, the roles of chairman and chief executive should be separate and should not be performed by the same individual. The division of responsibilities between the chairman and chief executive should be clearly established and set out in writing. As at the date of this annual report, the Chairman of the Board and the Chief Executive Officer are Mr. Cheng Chi-Him, Conrad and Mr. Ding Wai Chuen respectively. The Chairman's responsibility is to provide leadership and is responsible for the effective functioning of the Board in accordance with good corporate governance practice. The Chief Executive Office is responsible for formulating the Group's strategies, and focuses on implementing objectives, policies and strategies approved and delegated by the Board, and is in charge of the Company's day-to-day management and operations.

BOARD PROCESS

The Board meets regularly, and at least four times a year with meeting dates scheduled prior to the beginning of the year. Additional Board meetings are held whenever deemed necessary. In 2022, the Company held four meetings (2021: four meetings) with overall attendance of approximately 97.2%. The Board has delegated responsibility for day-to-day management of the Group to the executive Director and the Executive Management Committee, which presently comprises Mr. Lai Kwok Hung, Danny (the overseas operations director of the Company) and Mr. Chen Chun Ho, Chris (the financial controller of the Company). Sufficient notice was given for regular Board meetings and reasonable notice was given for non-regular Board meetings to all Directors to ensure that each of them had an opportunity to attend the meetings, and agendas and accompanying Board papers were given to all Directors in a timely manner before the date of the meeting in compliance with the CG Code. The Directors are able, at the Company's expense, to seek independent professional advice in appropriate circumstances. Directors are kept appraised of all major changes that may affect the Group's business between scheduled Board meetings to enable them to make informed decisions. The draft minutes of Board meetings are prepared by the secretary of the meetings and circulated to all Directors for comments within a reasonable time. The approved minutes of the Board meetings are maintained by the Company Secretary and are available for inspection by all Directors upon request.

All Directors attended the AGM held on 24 May 2022 except for one non-executive Director who did not attend one board meeting and the AGM due to overseas business commitments. The attendance record of Board meetings and annual general meeting during the year is set out below:

Name of Directors	Board meetings attended/ eligible to attend	AGM attended/held
Executive Director		
Mr. Ding Wai Chuen	4/4	1/1
Non-executive Directors		
Mr. Cheng Chi-Him, Conrad	4/4	1/1
Mr. Kenneth Lau (Note 1)	3/3	N/A
Mr. Lie Ken Jie Remy Anthony Ket Heng (Note 1)	3/3	N/A
Mr. Simon Murray (Note 2)	3/4	0/1
Mr. Tsang On-Yip, Patrick (Note 3)	1/1	1/1
Independent Non-executive Directors		
Mr. Wong Man Chung, Francis	4/4	1/1
Mr. Cheung Pak To, Patrick	4/4	1/1
Mr. To Chun Wai	4/4	1/1

Notes:

1. Both Mr. Kenneth Lau and Mr. Lie Ken Jie Remy Anthony Ket Heng were appointed as non-executive Directors of the Company at the annual general meeting held on 24 May 2022. They were present at this AGM as guests of the Company.

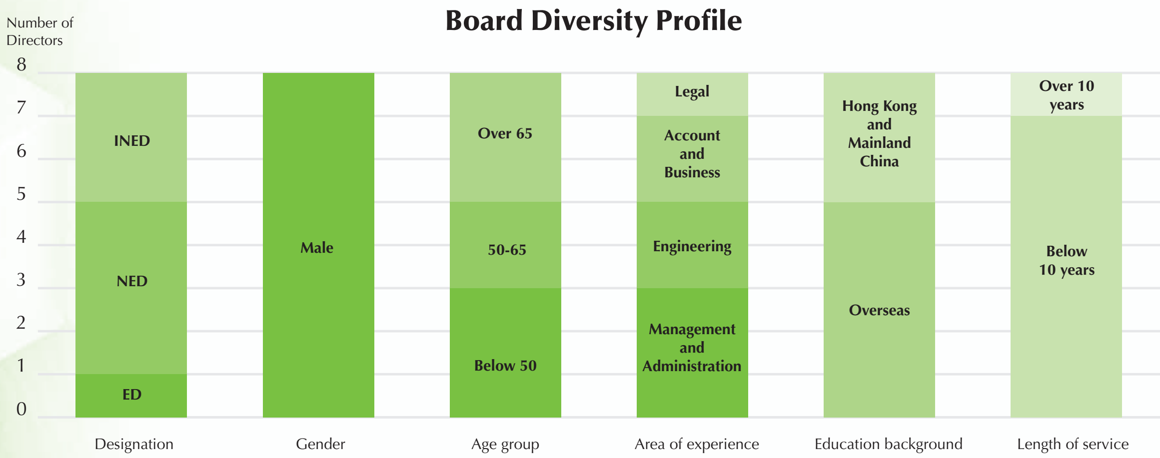
2. Mr. Simon Murray did not attend one board meeting and the AGM held on 24 May 2022 due to overseas business commitments.

3. Mr. Tsang On-Yip, Patrick retired as a non-executive Director after the conclusion of the AGM held on 24 May 2022.

BOARD DIVERSITY

The Board currently comprises of Directors who perform different functions: executive director performs managerial function, non-executive Directors perform monitoring function and independent non-executive Directors perform scrutinizing function. They are experienced in legal, accounting and economics, engineering, management and administration sectors and equip with broad business exposures and market experience. All of the Directors are tertiary educated from local and overseas universities and have worldwide horizons and diverse professional knowledge. Such a diversified board mix of knowledge and experience enable the Board to function effectively in achieving its strategic goals.

The following chart shows the diversity profile of the Board as at 31 December 2022:



Remarks:
ED – Executive Director
NED – Non-executive Director
INED – Independent Non-executive Director

Currently the Board is of single gender. In order to achieve a diversified Board with gender parity, the Company is inviting potential talents to join the Board in the future in order to achieve a more diversified Board. The Board will ensure that an appropriate balance of gender diversity is achieved with reference to stakeholders' expectation and international and local recommended best practices, with the goal to appoint a director of different gender no later than 31 December 2024. The Company will keep abreast of the latest recruitment dynamics and talent pool information. External recruitment agency in finding qualified and experienced professionals will be used where necessary.

As at 31 December 2022, the total number of employees of the Group was 152. The gender ratio in the workforce (including senior management) is approximately 3:1 (male: female). The Company encourages gender diversity at all departmental and working levels. Currently there is at least one female at managerial level in major departments. In order to nurture women leadership, the Company encourages its employees to participate in activities on gender equality.

BOARD INDEPENDENCE

The Board comprises one executive Director, four non-executive Directors and three independent non-executive Directors. The percentage of independent non-executive Directors of the Board is 37.5%, which represents more than one-third of the Board and exceeds the independence requirement as set out in rule 3.13 of the Listing Rules. The Company has received from each of the independent non-executive Directors an annual confirmation of his independence. None of the independent non-executive Directors has served the Board for more than nine years. This reduces the risk of becoming too reliant on one individual and complacency associated with their familiarity with management. None of the Directors has family relationship with one another and none of them has family relationship with senior management of the Company. Given that Mr. Simon Murray, a non-executive Director of the Company, holds less than 1% of the total number of issued shares of the Company, the Board is of the view that such ownership would not undermine his independence with respect to his directorship at the Company. Senior management and independent financial advisor are invited to present to the Board on different topics and give advice to the Board. The Company has established channels through formal and informal means whereby independent non-executive Directors can express their views in an open and/or in a confidential manner. Sufficient measures have been taken by the Company to ensure board independence and such measures remain effective throughout the year.

Corporate Governance Report

BOARD EFFECTIVENESS

Schedules of Board and committee meetings were well-planned in advice to facilitate Directors' attendance and participation. Remote facilities were provided for each board and committee meeting to further encourage directors' attendance. Four board meetings were held in 2022 which complied with code provision C.5.1 of Appendix 14 to the Listing Rules. The overall attendance rate of directors at Board meetings was approximately 97.2% in 2022. Meeting notices and meeting papers were dispatched to the directors prior to the meetings in a timely manner. Minutes of Board and committee meetings were prepared by the Company Secretary with details of decisions reached, any concerns raised and dissenting views expressed. Adequate information and proper materials were circulated to all Directors to enable them to make informed decision and perform their duties and responsibilities. Engagement of independent professional advice was available for Directors to discharge their duties. The Company was of the opinion that sufficient measures have been taken by the Company to ensure its board effectiveness.

DIRECTORS' INDUCTION AND PROFESSIONAL DEVELOPMENT

New Directors are provided with comprehensive induction training upon appointment to the Board to ensure that they have a thorough understanding of the Group's operations and governance policies, as well as their role and responsibilities. These orientation materials are presented by the executive Director and senior management in the form of a detailed induction to the Group's businesses, strategic direction and governance practice.

Directors are encouraged to participate in continuous professional development to develop and refresh their knowledge and skills necessary for the performance of their duties and keep abreast of current trends and issues facing the Group. This is to ensure that their contribution to the Board remains informed and relevant. Directors are appropriately briefed on the latest changes to, and development of, the Listing Rules, corporate governance practices and other regulatory regimes with written materials. They are also encouraged to attend professional seminars relating to director's duties and responsibilities.

Directors are committed to complying with the code provision C.1.4 of the CG Code on Directors' training. All Directors have participated in continuous professional development and provided a record of training they received for the year to the Company.

The individual training record of each Director received for the year is set out below:

Name of Directors	Director's duties	Legal and regulatory compliance	Topics on business ethics, financial reporting and risk management
Executive Director			
Mr. Ding Wai Chuen	✓	✓	✓
Non-executive Directors			
Mr. Cheng Chi-Him, Conrad	✓	✓	✓
Mr. Kenneth Lau	✓	✓	✓
Mr. Lie Ken Jie Remy Anthony Ket Heng	✓	✓	✓
Mr. Simon Murray	✓	✓	✓
Mr. Tsang On-Yip, Patrick (Note 1)	N/A	N/A	N/A
Independent Non-executive Directors			
Mr. Wong Man Chung, Francis	✓	✓	✓
Mr. Cheung Pak To, Patrick	✓	✓	✓
Mr. To Chun Wai	✓	✓	✓

Note:

1. Mr. Tsang On-Yip, Patrick retired as a non-executive Director after the conclusion of the AGM held on 24 May 2022.

Corporate Governance Report

NON-EXECUTIVE DIRECTORS

All non-executive Directors (including the Independent Non-executive Directors) have been appointed for a specific term of three years, subject to retirement by rotation and re-election at least once every three years at the AGM in accordance with the Bye-laws of the Company and the Listing Rules (with the exception of deviation from code provision B.2.2 disclosed above).

In compliance with rules 3.10(1) and (2) and 3.10A of the Listing Rules, the Company has appointed at least three INEDs, who represent more than one-third of the Board and one INED possesses appropriate professional qualifications, or accounting or related financial management expertise. They are expected to scrutinize the Company's performance in achieving agreed corporate goals and objectives, and ensure that the exercise of the board authority is within the powers conferred to the Board under the Company's Bye-laws and applicable laws, rules and regulations.

COMPANY SECRETARY

The Company Secretary of the Company supports the Board by ensuring good information flow to and within the Board, and that Board policies and procedures are followed, advising the Board on governance issues, facilitating induction and continuous professional development of Directors. The Company Secretary is an employee of the Company and reports to the Chief Executive Officer directly. The selection, appointment or dismissal of Company Secretary is subject to the approval of the Board. During the year and up to the date of this annual report, the Board approved the resignation of former Company Secretary Ms. Tse Nga Ying and approved the appointment of Ms. Fung Ka Man as the current Company Secretary with effect from 1 January 2023. Both the former and current Company Secretary have fulfilled the requirements of rules 3.28 and 3.29 of the Listing Rules and they had attained not less than 15 hours of relevant professional training during the year.

NOMINATION COMMITTEE

The Nomination Committee currently has three members comprising one non-executive Director, namely Mr. Cheng Chi-Him, Conrad (Chairman) and two INEDs, namely Mr. Cheung Pak To, Patrick and Mr. To Chun Wai. Mr. Wong Man Chung, Francis, ceased to be a member of the Nomination Committee on 13 June 2022 and Mr. Cheung Pak To, Patrick was appointed as a member of the Nomination Committee on the same date.

The primary responsibilities of the Nomination Committee are, among other matters, to assist the Board to review the size and structure of the Board and make recommendations to the Board on the selection of individuals nominated for directorships and on the appointment or re-appointment of Directors to the Board. The Nomination Committee is also responsible for assessing the independence of independent non-executive directors and reviewing the Nomination Policy and the Board Diversity Policy of the Company periodically and making recommendations on any proposed revisions to the Board where necessary.

During the year and up to date of this annual report, the Nomination Committee has (i) reviewed the size, composition and structure of the Board; (ii) reviewed the independence of Independent Non-executive Directors; (iii) discussed and recommended the Board the appointments of two non-executive Directors in accordance with the Nomination Policy and Board Diversity Policy of the Company; and (iv) adopted the Board Diversity Policy and the Nomination Policy and reviewed their implementation during the year.

Two meetings were held by the Nomination Committee during the year. Attendance of the members is set out below:

Members of Nomination Committee	**Number of meeting(s) attended/eligible to attend**
Mr. Cheng Chi-Him, Conrad *(Chairman)*	2/2
Mr. Cheung Pak To, Patrick (Note 1)	N/A
Mr. To Chun Wai	2/2
Mr. Wong Man Chung, Francis (Note 2)	2/2

Notes:

1. Mr. Cheung Pak To, Patrick was appointed as a member of the Nomination Committee on 13 June 2022.

2. Mr. Wong Man Chung, Francis ceased to be a member of the Nomination Committee on 13 June 2022.

The Nomination Committee has written terms of reference explaining its role and authority delegated to it by the Board. The terms of reference of the Nomination Committee are available on the websites of the Company and the Stock Exchange.

Corporate Governance Report

NOMINATION POLICY

The Company has approved and adopted a nomination policy of the Company (the "Nomination Policy"), setting out the nomination procedure and the process and criteria to nominate suitable candidates to the Board for it to consider and make recommendations to shareholders for election as Director(s) at general meetings.

In assessing the suitability of a proposed candidate, the Nomination Committee will consider a number of factors, including but not limited to the candidate's reputation for integrity, accomplishment and experience, commitment in respect of available time and relevant interest, the Company's board diversity policy (the "Board Diversity Policy"), independence of the candidate (where applicable); and any other factors that the Nomination Committee considers appropriate.

Nomination Procedures

1. *Appointment of new and replacement directors*

   If the Nomination Committee determines that an additional or replacement Director is required, it will arrange multiple channels for identifying suitable candidates, including referral from Directors, shareholders, management, advisors of the Company and external executive recruitment firms.

   Upon compilation and interview of the list of potential candidates, the Nomination Committee will shortlist candidates and make recommendation based on the selection criteria and such other factors that it considers appropriate for consideration by the Board. The Board has the final authority on determining suitable director candidate for appointment.

2. *Re-election of directors*

   Where a retiring Director, being eligible, offers himself for re-election, the Nomination Committee shall consider and, if consider appropriate, make recommendations to the Board for consideration, for such retiring Director to stand for re-election at a general meeting. A circular containing the requisite information on such retiring Director will be sent to shareholders prior to a general meeting in accordance with the Listing Rules.

3. *Nomination from shareholders*

   Any shareholder of the Company who wishes to nominate a person to stand for election as a Director at a general meeting must lodge with the Company Secretary within the lodgement period specified in the relevant shareholder circular (a) a written nomination of the candidate, (b) a written confirmation from such nominated candidate of his or her willingness to stand for election, and (c) biographical details of such nominated candidate as required under the Listing Rules. Particulars of the candidate so proposed will be sent to all shareholders for information by a supplemental circular.

BOARD DIVERSITY POLICY

The Board has also approved and adopted a board diversity policy of the Company (the "Board Diversity Policy") setting out the approach to achieve diversity in the Board composition. As set out in the policy, the Company seeks to achieve Board diversity through the consideration of a number of aspect, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service, and any other factors that the Board may consider relevant and applicable from time to time. All Board appointments will be based on merit, ability and contribution that the selected candidates will bring to the Board, having due regard to the benefits of diversity on the Board. The Board will ensure that appropriate balance of gender diversity is achieved with reference to stakeholders' expectation and international and local recommended best practices, with the goal to appoint a director of different gender no later than 31 December 2024.

Both the Nomination Policy and Board Diversity Policy can be accessed from the website of the Company. The Nomination Committee will review and monitor the implementation of the Nomination Policy and the Board Diversity Policy regularly to ensure their continued effectiveness and makes recommendations on any proposed revisions as may be required to the Board for approval.

REMUNERATION COMMITTEE

The Remuneration Committee has three members comprising two INEDs, namely Mr. Wong Man Chung, Francis (Chairman) and Mr. To Chun Wai and one non-executive Director, namely Mr. Kenneth Lau. As Mr. Tsang On Yip, Patrick ceased to be a member of the Remuneration Committee upon his retirement as a non-executive Director of the Company after the conclusion of the AGM held on 24 May 2022, the number of members of the Remuneration Committee fell below the minimum number of three as required under Article 3 of the terms of reference of the Remuneration Committee. Following the appointment of Mr. Kenneth Lau as a member of the Remuneration Committee on 13 June 2022, the Remuneration Committee is comprised of three members and as a result the Company has re-complied with Article 3 of the terms of reference of the Remuneration Committee.

The primary objectives of the Remuneration Committee are to formulate the remuneration policy based on the responsibilities, qualifications and performance of senior management and Directors; to review and make recommendations to the Board on the remuneration packages of individual Directors and senior management; and to review and/or approve matters relating to share schemes under Chapter 17 of the Listing Rules. The major objective of the remuneration policy is to ensure that the Company is able to attract, retain, and motivate a high-calibre team which is essential to the success of the Company. No Director and executive may determine his or her own remuneration.

During the year and up to date of this annual report, the Remuneration Committee has (i) reviewed and approved the remuneration policy of the Group; (ii) assessed the performance of executive Directors and senior management; (iii) reviewed and approved the remuneration packages of all Directors and senior management of the Group; and (iv) reviewed the terms of reference of the Remuneration Committee and recommended the Board to approve the revised terms of reference.

One meeting was held by the Remuneration Committee during the year. Attendance of the members is set out below:

Members of Remuneration Committee	**Number of meeting(s) attended/eligible to attend**
Mr. Wong Man Chung, Francis *(Chairman)*	1/1
Mr. Kenneth Lau (Note 1)	N/A
Mr. To Chun Wai	1/1
Mr. Tsang On-Yip, Patrick (Note 2)	1/1

Notes:

1. Mr. Kenneth Lau was appointed as a member of the Remuneration Committee on 13 June 2022.

2. Mr. Tsang On Yip, Patrick ceased to be a member of the Remuneration Committee following his retirement as a non-executive Director of the Company after the AGM held on 24 May 2022.

The Remuneration Committee has written terms of reference explaining its role and authority delegated to it by the Board. The terms of reference of the Remuneration Committee were revised on 20 January 2023 and they are available on the websites of the Company and the Stock Exchange.

AUDIT COMMITTEE

The Audit Committee currently has three members comprising two INEDs, namely Mr. Wong Man Chung, Francis (Chairman) and Mr. To Chun Wai and one non-executive Director, namely Mr. Lie Ken Jie Remy Anthony Ket Heng. As Mr. Tsang On Yip, Patrick ceased to be a member of the Audit Committee upon his retirement as a non-executive Director after the conclusion of the AGM held on 24 May 2022, the number of members of the Audit Committee fell below the minimum number of three as required under rule 3.21 of the Listing Rules. Following the appointment of Mr. Lie Ken Jie Remy Anthony Ket Heng as a member of the Audit Committee on 13 June 2022, the Audit Committee is comprised of three members and as a result the Company has re-complied with rule 3.21 of the Listing Rules in relation to the composition of the Audit Committee. 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 are, among other matters, to assist the Board in fulfilling its duties through the review and supervision of the Company's financial reporting and the judgment contained therein; risk management and internal control systems and taking on any other responsibility as may be delegated by the Board from time to time. The Audit Committee is also responsible for reviewing accounting policies and practices with management and external auditors, reviewing and monitoring the independence of the external auditors and reviewing the Company's compliance with the CG Code.

During the year and up to the date of this annual report, the Audit Committee has (i) reviewed and discussed with management the interim and annual results, the interim and annual reports and other financial, internal control, corporate governance and risk management matters of the Group; (ii) reviewed the independence of external auditors, Deloitte Touche Tohmatsu ("Deloitte"), as well as the objectivity and effectiveness of the audit process; (iii) recommended the Board on the re-appointment of Deloitte as the external auditors based on their performance and independence; and (iv) reviewed the terms of reference of the Audit Committee and recommended the Board to approve the revised terms of reference.

Corporate Governance Report

Two meetings were held by the Audit Committee during the year, one of which was attended by the external auditors. Attendance of the members is set out below:

Members of Audit Committee	Number of meeting(s) attended/eligible to attend
Mr. Wong Man Chung, Francis *(Chairman)*	2/2
Mr. Lie Ken Jie Remy Anthony Ket Heng (Note 1)	1/1
Mr. To Chun Wai	2/2
Mr. Tsang On-Yip, Patrick (Note 2)	1/1

Notes:

1. Mr. Lie Ken Jie Remy Anthony Ket Heng was appointed as a member of the Audit Committee on 13 June 2022.

2. Mr. Tsang On Yip, Patrick ceased to be a member of the Audit Committee following his retirement as a non-executive Director of the Company after the AGM held on 24 May 2022.

The Audit Committee has written terms of reference explaining its role and authority delegated to it by the Board. The terms of reference of the Audit Committee were revised on 20 January 2023 and they are available on the websites of the Company and the Stock Exchange.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted a code of conduct regarding securities transactions by Directors (the "Code of Conduct") on terms no less exacting than the required standard as set out in the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 to the Listing Rules (the "Model Code"). Having made specific enquiry of all Directors by the Company, all Directors have confirmed that they have complied with the required standards set out in the Model Code and the Code of Conduct regarding their securities transactions throughout their tenure during the year.

ACCOUNTABILITY AND AUDIT

Financial Reporting

Senior management provides explanations and information to the Board to facilitate an informed assessment of the financial and other information put before the Board for approval.

The Directors acknowledge their responsibility to prepare financial statements which give a true and fair view of the state of affairs of the Group. Meanwhile, the Directors are responsible for ensuring that appropriate accounting policies are selected and applied consistently; and that judgments and estimates made are prudent and reasonable. In preparing the financial statements for the year, accounting principles generally accepted in Hong Kong have been adopted and the requirements of the Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the applicable laws were complied with.

The financial statements of the Group for the year have been reviewed by the Audit Committee and audited by the external auditors, Deloitte. The audit fee was HK$2,300,000 and there were no non-audit service fees paid and payable to Deloitte for the year. The responsibilities of the external auditors with respect to financial reporting are set out in the section headed "Independent Auditor's Report".

Risk Management and Internal Control

Board Oversight

The Board has overall responsibility for maintaining sound and effective risk management and internal control systems for the Group. The Group's risk management and internal control systems feature a well-defined management structure with limited authority at each operational unit. Internal control policies and procedures are in place to safeguard assets against unauthorized use or disposition, and ensure maintenance of proper records, reliability of financial information for internal use or publication and compliance with relevant legislation and regulations. The systems are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable but not absolute assurance against material misstatements or loss.

The Board oversees the Group's risk management and internal control policies, which are aimed at evaluating and determining the nature and extent of the risks that are compatible with the Group's business environment and risk appetite. The Board has delegated to management the implementation of such systems of internal controls as well as the annual review of relevant financial, operational and compliance controls and risk management procedures.

Framework of Risk Management and Internal Control

The Board has the overall responsibility to ensure that sound and effective internal controls are maintained, while management of the Group is charged with the responsibility to design and implement internal control system to manage risks. The Board through its Audit Committee oversees and reviews the adequacy and effectiveness of relevant financial, operational and compliance controls and risk management procedures that have been in place. The Audit Committee reviews the emerging risks of the Group, and the risk management and internal control measures in place to address those risks. Qualified personnel within the business maintain and monitor the system of controls on an ongoing basis.

The internal control and risk management framework of the Group covers three main areas. They are (i) internal controls model, (ii) risk profile and mitigating measures; and (iii) internal audit and external audits.

The Group's internal controls model is based on that set down by the Committee of Sponsoring Organisations of the U.S. Treadway Commission ("COSO") for internal controls, and has five components, namely control environment; risk assessment; control activities; information and communication; and monitoring activities. In developing the Group's internal controls model, Management have taken into consideration the Groups' organisational structure and the nature of business activities.

The Group continues to drive improvements to the Group's risk management process and the quality of risk information generated, while at the same time maintains a simple and practical approach. Instead of setting up a separate risk management department, the Group seeks to have risk management features embedded within its operations and functional areas (including sales, production, finance, human resources and administration). The Group has a risk management system that is practiced on a day-to-day basis by its operating units. Department heads identify potential risks during the daily operation and ensure that effective controls are in place. Management also sets the relevant policies and monitors potential weaknesses and action items regularly. The Group's approach for managing risk is underpinned by identifying the current risk exposures and understanding how the risks are changing over time and how they are managed. In conjunction with the Audit Committee, management regularly monitors and updates the Group's risk profile and reviews the effectiveness of the system of internal control in mitigating risks.

Management conducted internal control assessment by reviewing system documentation and testing of the related key controls on business operations and accounting functions. The internal control self-assessment is performed in a two-year cycle program to cover all business operations. The Group's external auditor, Deloitte, performs independent statutory audit of the Group's accounts. To facilitate the audit, the external auditor initiates meetings with the Audit Committee. The external auditor also reports to the Audit Committee any significant weaknesses in our internal control procedures which might come to its notice during the course of audit. Deloitte noted no significant internal control weaknesses in its audit for 2022.

In light of the Group's scale of the operation, the Group is currently of the view that there is no immediate need to have a separate internal audit department. The Group's internal audit and risk management functions are currently carried out by selected members from the financial department of the head office in Hong Kong who are free from the influence of those being audited. An annual audit plan will be prepared and reviewed by the Audit Committee every year. The audit plan is derived from risk assessment basis and is aimed at covering each significant business unit within a reasonable period. Major audit findings and recommendations are reported to the Audit Committee, which in turn reports to the Board. Management is responsible for ensuring appropriate actions are taken to rectify any control deficiencies highlighted in the internal audit reports within a reasonable period. The status of the implementation of the appropriate actions is reported to the Audit Committee.

Based on the assessment which covers all material controls including financial, operational and compliance controls and risk management functions, the management believes that for the year, the Company's systems of risk management and internal control were effective. The Board is satisfied that there are adequate resources with appropriate qualifications and experience in its accounting and financial reporting team and that sufficient training and budget have been provided.

The risk management and internal control systems of the Group are reviewed annually. The Audit Committee received the internal control and risk management report for the year and has taken such report into consideration when it makes recommendation to the Board for approval of the interim and annual results of the Group.

The Group has zero tolerance on corruption and bribery. The Company has adopted an anti-corruption policy which nurtures a culture of integrity within the workplace. The Company has also adopted a whistleblowing policy which encourages whistleblowers to expose to the Audit Committee malpractices in the workplace in good faith without the fear of retaliation. All these policies further underpin the effectiveness of internal control and risk management systems of the Group.

Handling and Dissemination of Inside Information

Confidentiality of unpublished inside information is essential to risk management for the Company. The Group has adopted the proper measures to handle and disseminate the inside information in order to ensure the Group is in compliance with the regulatory requirements. Access to inside information is restricted to employees on a need-to-know basis only. Inside information will be handled and communicated to outsider by designated employees. Employees are absolutely prohibited at all times from dealing in the securities of the Company when they are in possession of unpublished price-sensitive or inside information. When the Group enters into significant negotiations or dealings with an outsider, appropriate confidentiality agreements are in place before the Group discloses any inside information to the outsider.

DELEGATION OF CORPORATE GOVERNANCE FUNCTION BY THE BOARD

The Board is responsible for performing the corporate governance duties. It has delegated its corporate governance duties for determining the policy for the corporate governance of the Company to the Audit Committee. The Audit Committee has written terms of reference explaining its duties and functions delegated to it by the Board. The Audit Committee has performed such duties delegated by the Board under code provision A.2.1 of Part 2 of Appendix 14 to the Listing Rules including (i) developing and reviewing the Company's policies and practices on corporate governance and made recommendations to the Board; (ii) reviewing and monitoring the training and continuous professional development of directors and senior management; (iii) reviewing and monitoring the Company's policies and practices on compliance with legal and regulatory requirements; (iv) developing, reviewing and monitoring the code of conduct applicable to employees and Directors; and (v) reviewing the Company's compliance with the CG Code and disclosure in the Corporate Governance Report.

SHAREHOLDERS' RIGHTS

Convening a Special General Meeting ("SGM") by Shareholders

Bye-laws of the Company

1.1 Bye-law 55 sets out the position under the Bye-laws where a requisition is made by shareholders of the Company (the "Shareholders" and each a "Shareholder"). Bye-law 55 provides that a SGM shall be convened on requisition, as provided by the Companies Act (as defined therein), or, in default, may be convened by the requisitionists.

Companies Act 1981 (as amended) of Bermuda ("Companies Act")

1.2 Pursuant to section 74 of the Companies Act, a Shareholder or Shareholders holding at the date of the deposit of the requisition not less than one-tenth of the paid-up capital of the Company as at the date of the deposit carries the right of voting at general meetings of the Company may make requisition to the directors of the Company (the "Directors" and each a "Director") to forthwith proceed duly to convene a SGM by depositing a written requisition at the registered office of the Company.

1.3 The written requisition must state the purposes of the meeting (including the resolutions to be considered at the meeting), signed by the requisitionists, deposited at the registered office of the Company at Canon's Court, 22 Victoria Street, Hamilton HM 12, Bermuda and may consist of several documents in like form each signed by one or more requisitionists.

1.4 If the Directors do not within twenty-one days from the date of the deposit of the requisition proceed duly to convene a SGM, the requisitionists, or any of them representing more than one half of the total voting rights of all of them, may themselves convene a SGM, but any SGM so convened shall not be held after the expiration of three months from the date of deposit of the requisition.

1.5 A SGM so convened by the requisitionists shall be convened in the same manner, as nearly as possible, as that in which meetings are to be convened by the Directors.

Corporate Governance Report

Companies Act

2.1 Sections 79 and 80 of the Companies Act allow certain Shareholder(s) to make requisitions to the Company to give notice to the shareholders in respect of any resolution which is intended to be moved at an AGM of the Company or circulate a statement in respect of any proposed resolution or business to be considered at a general meeting of the Company. Under section 79 of the Companies Act, at the expense of the requisitionists unless the Company otherwise resolves, it shall be the duty of the Company on the requisition in writing by such number of Shareholders:

(a) to give to the Shareholders entitled to receive notice of the next AGM notice of any resolution which may properly be moved and is intended to be moved at that meeting;

(b) to circulate to the Shareholders entitled to have notice of any general meeting sent to them any statement of not more than one thousand words with respect to the matter referred to in any proposed resolution or the business to be dealt with at that meeting.

2.2 The number of Shareholders necessary to make the above-mentioned requisitions to the Company shall be:

(a) either any number of Shareholders representing not less than one-twentieth of the total voting rights of all the Shareholders having at the date of the requisition a right to vote at the meeting to which the requisition relates; or

(b) not less than one hundred Shareholders.

2.3 Notice of any such intended resolution shall be given, and any such statement shall be circulated, to Shareholders entitled to have notice of the meeting sent to them by serving a copy of the resolution or statement on each such Shareholder in any manner permitted for service of notice of the meeting, and notice of any such resolution shall be given to any other Shareholder by giving notice of the general effect of the resolution in any manner permitted for giving him notice of meetings of the Company, provided that the copy shall be served, or notice of the effect of the resolution shall be given, as the case may be, in the same manner and, so far as practicable, at the same time as notice of the meeting and, where it is not practicable for it to be served or given at that time, it shall be served or given as soon as practicable thereafter.

2.4 Section 80 of the Companies Act sets out the conditions to be met before the Company is bound to give any notice of resolution or to circulate any statement. Pursuant to section 80 of the Companies Act, the Company shall not be bound to give notice of any resolution or to circulate any statement as mentioned in paragraph 2.1 above unless:

(a) a copy of the requisition signed by the requisitionists, or two or more copies which between them contain the signatures of all the requisitionists, is deposited at the registered office of the Company:

(i) in the case of a requisition requiring notice of a resolution, not less than six weeks before the meeting; and

(ii) in the case of any other requisition, not less than one week before the meeting; and

(b) there is deposited or tendered with the requisition a sum reasonably sufficient to meet the Company's expense in giving effect to the procedures in paragraph 2.1 above (i.e. the giving of notice of resolution and/or circulation of statement).

Provided that if, after a copy of the requisition requiring notice of a resolution has been deposited at the registered office of the Company, an AGM is called for a date six weeks or less after the copy has been deposited, the copy though not deposited within the above-mentioned time shall be deemed to have been properly deposited for the purposes thereof.

With respect to proposing a person for election as a Director, the procedures can be found on the Company's website at www.greenheartgroup.com.

Making Enquiries to the Board

Shareholders may send written enquiries, either by post, facsimile or email, together with their contact details, such as postal address, email or fax, addressed to the head office of the Company at the following address, facsimile number or via email:

Address: 32A, 32/F., Fortis Tower, Nos. 77-79 Gloucester Road, Wanchai, Hong Kong
Fax: (852) 2511 8998
Email: ir@greenheartgroup.com

Shareholders may also make enquiries of the Board at the general meetings of the Company.

CONSTITUTIONAL DOCUMENTS

During the year, there was no change in the Company's constitutional documents.

COMMUNICATION WITH SHAREHOLDERS

The Company has adopted a shareholders' communication policy (the "Shareholders' Communication Policy") in order to maintain an ongoing dialogue with the Shareholders and the investment community. These include provision of corporate communication details, convening shareholders' meetings and publication of interim and annual reports, notices, announcements and circulars.

The Company publishes its interim and annual reports in accordance with the timeframe of the Listing Rules. The Company includes its corporate email address in all announcements. All announcements, circulars and notices of board meeting and general meeting have been published on the websites of the Company and HKEXnews in a timely manner. The AGM of the Company was convened on 24 May 2022. Directors and external auditors attended the AGM to answer questions from the Shareholders. The Dividend Policy (as defined in the Directors' Report) of the Company is published in the annual report and the Company is committed to maintaining an optimal capital structure. Taking into account the above measures, the Board is of the opinion that sufficient measures have been implemented by the Company to ensure the Shareholders' Communication Policy was effective throughout the year.

Directors' Report

The Directors present their report and the audited financial statements of the Group for the year.

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

The principal activity of the Company is investment holding. The principal activities of the subsidiaries of the Company comprise log harvesting, timber processing, marketing, sales and trading of logs and timber products, provision of forest management services and managing harvest right of concession. There were no significant changes in the nature of the Group's principal activities during the year.

A fair review of the business of the Group as required by Schedule 5 to the Hong Kong Companies Ordinance (Chapter 622 of the Laws of Hong Kong) comprising a discussion and analysis of the Group's performance and an analysis using financial key performance indicators during the year as well as an indication of likely future development in the Group's business can be found in the Chairman's Statement and Management Discussion and Analysis set out on pages 4 to 14 of this annual report. The discussions form part of this directors' report.

PRINCIPAL RISK AND UNCERTAINTIES

The Group's normal course of business is exposed to a variety of key risks including interest rate risk, foreign currency risk, credit risk and liquidity risk. Details of the aforesaid key risks and risk mitigation are elaborated in note 40 to the consolidated financial statements. The discussion forms part of this directors' report.

As the Group conducts substantial business operations around the world, and hold all its plantation assets in New Zealand, forest concessions and sawmills in Suriname, its business, prospects, financial condition and results of operations may be affected by political, economic and social developments in New Zealand and Suriname, by regional events affecting New Zealand and Suriname, as well as heightened global environmental consciousness. In addition, the general global economy may affect the Group's business, financial condition and results of operations.

ENVIRONMENTAL POLICIES AND PERFORMANCE

The Group is committed to conducting its business in an environmentally conscious manner and minimizing the adverse effects caused by its operations on the environment. The Group continues to make endeavours in saving energy and reducing unnecessary waste by adopting various green measures in its workplace. Such measures include using energy-efficient light tubes, encouraging the use of recycle papers and both sides of papers for printing and copying and keeping office temperature at a reasonable level. The Group reviews the environmental policy from time to time and will consider implementing further environmentally friendly measures and practices in the operation of the Group's business. Further discussions on the Company's environmental policies and performance can be found in the "Environmental, Social and Governance Report" which is published separately.

COMPLIANCE WITH LAWS AND REGULATIONS

The Board paid attention to the Group's policies and practices on compliance with all significant legal and regulatory requirements essential to its business operations. The Group would seek professional advice from its external legal advisers and consultants to ensure that transactions and business to be performed by the Group are in compliance with applicable environmental policies, laws and regulations. During the reporting period, as far as the Company is aware, it has complied in all material respects of the laws or regulations that have a significant impact on the Group's business and operation. Discussions on the Company's compliance with the relevant laws and regulations can also be found in the "Environmental, Social and Governance Report" which is published separately.

KEY RELATIONSHIPS WITH THE GROUP'S EMPLOYEES, CUSTOMERS, SUPPLIERS AND OTHER STAKEHOLDERS

The Group believes that employees are instrumental to the success of the Group and that their industry knowledge and understanding of the market will enable the Group to maintain its competitiveness in the market. The Group has developed a desirable working environment and provided a variety of benefits and career development to its employees. Share options may also be granted for the purpose of providing incentives and rewards to eligible participants who contributed to the success of the Group's operations.

The Group also recognises that maintaining a good and stable relationship with its existing and potential customers, suppliers and other stakeholders is the key to the sustainable development of the Group. Accordingly, the management has kept good communication with its suppliers and customers in order to monitor the credit quality of the customers and to make timely adjustments to its operating strategies to conform to the market trends. In addition, the Group places effort in building up and maintaining good relationships with various commercial banks and financial institutions as the businesses of the Group are capital intensive and require on-going funding to maintain continuous growth.

RESULTS AND DIVIDENDS

The Group's results for the year and the Group's financial position at year end are set out in the consolidated financial statements on pages 74 to 216.

The Directors do not recommend the payment of any dividend for the year (2021: nil).

SUMMARY FINANCIAL INFORMATION

A summary of the published results and assets, liabilities and non-controlling interests of the Group for the last five financial years, as extracted from the published audited financial statements and the annual report of the Company and restated/reclassified as appropriate, is set out below. This summary does not form part of the audited financial statements.

	Year ended 31 December				
	2022	2021	2020	2019	2018
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Results					
Revenue	**164,305**	320,521	326,253	374,435	427,081
Loss for the year	**(97,746)**	(59,231)	(36,127)	(228,121)	(105,050)
Attributable to:					
Equity holders of the Company	**(68,152)**	(36,938)	(17,237)	(143,814)	(56,880)
Non-controlling interests	**(29,594)**	(22,293)	(18,890)	(84,307)	(48,170)
	(97,746)	(59,231)	(36,127)	(228,121)	(105,050)

	31 December				
	2022	2021	2020	2019	2018
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Assets and liabilities and non-controlling interests					
Total assets	**968,017**	1,110,112	1,209,343	1,222,134	1,568,277
Total liabilities	**(547,205)**	(593,432)	(633,579)	(628,964)	(756,771)
Non-controlling interests	**430,393**	400,799	378,506	359,616	275,309
	851,205	917,479	954,270	952,786	1,086,815

Directors' Report

SHARE CAPITAL AND SHARE OPTIONS

There were no movements in the Company's authorized share capital during the year. Details of movements in the Company's issued share capital and share options during the year are set out in notes 33 and 34 to the consolidated financial statements.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's Bye-laws or the laws of Bermuda which would oblige the Company to offer new shares on a pro-rata basis to existing Shareholders.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

During the year, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

DISTRIBUTABLE RESERVES

As at 31 December 2022, the Company had no reserves available for distribution in accordance with the Companies Act. However, the Company's share premium account, in the amount of HK$2,091,657,000 (2021: HK$2,091,657,000) may be distributed in the form of fully paid bonus shares.

DIVIDEND POLICY

The Board may from time to time declare interim dividends and may recommend annual dividends, subject to the approval by the Shareholders, in a general meeting but must not exceed the amount recommended by the Board, in accordance with the provision of the Bye-Laws and the Companies Act.

In accordance with the applicable requirements of the Bye-Laws and the Companies Act, the Company may only declare or pay a dividend, or make a distribution out of profits available for distribution if:

(a) the Company is, or after the payment be, able to pay its liabilities as they become due; or

(b) the realisable value of the Company's assets will not thereby be less than its liabilities.

In addition to cash, dividends may be distributed in the form of shares. Any dividend satisfied wholly in the form of an allotment of shares credited as fully paid without offering any right to the Shareholders to elect to receive such dividend in cash in lieu of such allotment must be approved by a special resolution of the Shareholders.

The declaration of dividends is subject to the discretion of the Board, which will take into account, inter alia, the following factors when considering the payment or declaration of dividends:

(a) the Group's actual and expected operations, financial performance and conditions and liquidity position;

(b) the shareholder's interests;

(c) the retained earnings and distributable reserves of the Company and each of the members of the Group;

(d) any restrictions on payment of dividends that may be imposed by the Group's lenders;

(e) the Group's expected working capital requirements and future expansion plans;

(f) statutory and regulatory restrictions;

(g) general economic conditions and other internal or external factors that may have any impact on the business or financial performance and position of the Company; and

(h) any other factors that the Board deems appropriate.

The Board endeavours to maintain a balance between meeting Shareholders' expectations and prudent capital management with a sustainable dividend policy. The Board will continue to review the dividend policy and reserve the right in its sole and absolute discretion to update, amend and/or modify the dividend policy from time to time, and the dividend policy shall in no way constitute an assurance or a legally binding commitment by the Company in respect of its future dividend and/or in no way obligate the Company to declare a dividend in any particular amount for any given period.

Directors' Report

PERMITTED INDEMNITY PROVISION

During the year and up to the date of this annual report, the permitted indemnity provision as defined in section 469 of the Hong Kong Companies Ordinance (Chapter 622 of the laws of Hong Kong) for the benefit of the directors of the Company was in force. The Company has arranged for appropriate insurance cover for directors' and officers' liabilities in respect of legal action against its directors and senior management arising out of corporate activities.

MAJOR CUSTOMERS AND SUPPLIERS

During the year, sales to the Group's five largest customers accounted for 76.0% of the total gross revenue before export tax and sales to the largest customer included therein amounted to 64.4%. Purchases from the Group's five largest suppliers accounted for 42.9% of the total purchases for the year and purchases from the largest supplier included therein amounted to 15.5%.

None of the Directors or any of their associates or any Shareholders (which, to the best knowledge of the Directors, own more than 5% of the Company's issued share capital) had any beneficial interest in the Group's five largest customers or suppliers.

DIRECTORS

The Directors of the Company during the year and up to the date of this annual report are:

Mr. Cheng Chi-Him, Conrad#
Mr. Ding Wai Chuen*
Mr. Kenneth Lau# *(appointed on 24 May 2022)*
Mr. Lie Ken Jie Remy Anthony Ket Heng# *(appointed on 24 May 2022)*
Mr. Simon Murray#
Mr. Wong Man Chung, Francis**
Mr. Cheung Pak To, Patrick**
Mr. To Chun Wai**
Mr. Tsang On-Yip, Patrick# *(retired on 24 May 2022)*

*	Executive Director
#	Non-executive Director
**	Independent Non-executive Directors

The following changes to the composition of the Board took place during 2022:

1. Mr. Tsang On-Yip, Patrick retired as a non-executive Director of the Company after the conclusion of the AGM held on 24 May 2022.

2. Mr. Kenneth Lau and Mr. Lie Ken Jie Remy Anthony Ket Heng were appointed as non-executive Directors of the Company at the AGM held on 24 May 2022.

Mr. Tsang On-Yip, Patrick confirmed that he had no disagreement with the Board and nothing relating to the affairs of the Company needed to be brought to the attention of the Shareholders.

In accordance with the Company's Bye-laws, Mr. Cheung Pak To, Patrick and Mr. To Chun Wai will retire by rotation and, being eligible, will offer himself for re-election at the forthcoming AGM. Mr. Simon Murray will retire after the conclusion of the AGM and will not stand for re-election. The Board will identify suitable candidate(s) to fill the vacancy and details of the candidate(s) will be included in the Company's circular containing the notice of the AGM to be despatched to the Shareholders.

The Company has received annual confirmations of independence pursuant to rule 3.13 of the Listing Rules from Mr. Wong Man Chung, Francis, Mr. Cheung Pak To, Patrick and Mr. To Chun Wai and as at the date of this annual report still considers them to be independent.

DIRECTORS' AND SENIOR MANAGEMENT'S BIOGRAPHIES

Biographical details of the Directors and senior management of the Company are set out on pages 15 to 19 of this annual report.

DIRECTORS' SERVICE CONTRACTS

No Director proposed for re-election at the forthcoming AGM has a service contract with the Company which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

DIRECTORS' REMUNERATION

The Directors' fees are subject to Shareholders' approval at general meetings. Other emoluments are determined by the Board with reference to the recommendation from the Remuneration Committee based on the Directors' duties, responsibilities and performance and the results of the Group.

Directors' Report

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

Neither Director nor a connected entity of a Director had a material interest, either directly or indirectly, in any transactions, arrangements or contracts of significance to the business of the Group to which the holding company of the Company, or any of the Company's subsidiaries or fellow subsidiaries was a party during the year.

CONNECTED TRANSACTIONS

During the year and up to the date of this annual report, the Company and the Group had the following connected and continuing connected transactions:

Continuing connected transactions

i. *Provision of facility by Silver Mount to Greenheart Resources*

On 14 May 2008, Greenheart Resources Holdings Limited ("Greenheart Resources"), a 60.39% indirect subsidiary of the Company, and Silver Mount Group Limited ("Silver Mount"), an indirect wholly-owned subsidiary of the Company, entered into a facility agreement in relation to the provision of a revolving loan facility of up to HK$50,000,000 (the "Facility Limit") by Silver Mount to Greenheart Resources (the "Facility"). The Facility is unsecured, bears interest at prime rate for Hong Kong dollars per annum from time to time as quoted by The Hongkong & Shanghai Banking Corporation Limited (or such other bank as may be designated by Silver Mount) and was due on 14 May 2011 or such later day as Silver Mount and Greenheart Resources agreed in writing. Sino-Forest Corporation ("Sino-Forest") became a substantial shareholder of the Company from 2007 until January 2013. Sino-Capital was a wholly-owned subsidiary of Sino-Forest and holds 39.61% of the issued share capital of Greenheart Resources ("Greenheart Resources Shares") following the acquisition of an aggregate of 2,638,469,000 ordinary shares of Greenheart Resources by Sino-Capital in June 2010. After the completion of such acquisition, Greenheart Resources became a connected person of the Company under Listing Rules and the provision of the Facility from Silver Mount to Greenheart Resources constitutes a continuing connected transaction of the Company under Chapter 14A of the Listing Rules.

On 22 November 2010, Silver Mount entered into a supplemental facility agreement with Greenheart Resources pursuant to which the parties agreed to increase the Facility Limit to HK$215,000,000 and extend the drawdown period and repayment date of the Facility to 22 November 2013 or such later day as Silver Mount and Greenheart Resources may agree in writing.

On 4 November 2013, Silver Mount entered into a second supplemental facility agreement with Greenheart Resources pursuant to which the parties agreed to, among other things, (a) extend the repayment date of the outstanding amount drawn under the Facility for three years to 22 November 2016; (b) extend the drawdown period; and (c) change the interest payments from monthly payments in arrears to six-monthly payments in arrears, or such other interest payment date as may be mutually agreed.

Following the completion of Newforest's acquisition of the Greenheart Resources Shares from Sino-Capital and its acquisition of 496,189,028 shares of the Company from Sino-Capital on 7 May 2015, Greenheart Resources became a connected subsidiary of the Company by virtue of Newforest's shareholding in Greenheart Resources.

On 12 December 2016, Silver Mount entered into a third supplemental facility agreement with Greenheart Resources pursuant to which the parties agreed to, among other things, (a) extend the repayment date of the outstanding amount drawn under the Facility for three years to 22 November 2019; and (b) extend the drawdown period. This renewal of continuing connected transaction was approved by the independent Shareholders at the special general meeting of the Company held on 23 January 2017.

On 26 January 2018, Silver Mount entered into a fourth supplemental facility agreement with Greenheart Resources pursuant to which the parties agreed to, among other things, (a) increase the Facility Limited to HK$371,000,000; (b) extend the repayment date of the outstanding amount drawn under the Facility to 30 November 2020; and (c) extend the drawdown period. This renewal of continuing connected transaction was approved by the independent Shareholders at the special general meeting of the Company held on 12 March 2018.

On 15 June 2020, Silver Mount entered into a fifth supplemental facility agreement with Greenheart Resources pursuant to which the parties agreed to, among other things, (a) increase the Facility Limited to HK$400,000,000; (b) extend the repayment date of the outstanding amount drawn under the Facility to 4 August 2023; and (c) extend the drawdown period. This renewal of continuing connected transaction was approved by the independent Shareholders at the special general meeting of the Company held on 4 August 2020.

As at 31 December 2022, a total of HK$384,564,000 had been drawn down by Greenheart Resources from the Facility and the related interest incurred for the year amounted to HK$19,109,000.

The INEDs have reviewed the continuing connected transactions set out above and have confirmed that the continuing connected transaction was entered into (i) in the ordinary and usual course of business of the Group; (ii) on normal commercial terms or on terms no less favourable to the Group than terms available to or from independent third parties; and (iii) in accordance with the relevant agreements governing them and on terms that are fair and reasonable and in the interests of the Shareholders of the Company as a whole.

Deloitte, the Company's external auditor, was engaged to report on the Group's continuing connected transactions in accordance with the Hong Kong Standard on Assurance Engagements 3000 *Assurance Engagements Other Than Audits or Reviews of Historical Financial Information* and with reference to Practice Note 740 *Auditor's Letter on Continuing Connected Transactions under the Listing Rules* issued by the Hong Kong Institute of Certified Public Accountants. Deloitte has issued their unqualified letter containing their findings and conclusions in respect of the continuing connected transaction disclosed above by the Group in accordance with rule 14A.56 of the Listing Rules. A copy of the auditor's letter has been provided by the Company to the Stock Exchange.

In respect of each related party transaction disclosed in note 38 to the consolidated financial statements, the Company confirms that it has reviewed the transaction and complied with the relevant requirements under the Listing Rules (if applicable). Save as disclosed above and the following continuing connected transactions mentioned below which are exempted from the reporting, annual review, announcement and independent Shareholders' approval requirements under Chapter 14A of the Listing Rules, the related party transactions set out in note 38 to the consolidated financial statements do not constitute connected transactions or continuing connected transactions under the Listing Rules.

(i) Pursuant to seven loan agreements between a non-wholly-owned subsidiary of the Company, namely Greenheart Resources and the immediate holding company of the Company, namely Newforest, a loan facility of an aggregate principal amount of US$8,000,000, a loan facility of an aggregate principal amount of US$3,500,000, a loan facility of an aggregate principal amount of US$3,000,000, a loan facility of an aggregate principal amount of US$911,000, a loan facility of an aggregate principal amount of US$792,000, a loan facility of an aggregate principal amount of US$1,100,000 and a loan facility of an aggregate principal amount of US$1,030,000 were granted by Newforest to Greenheart Resources. As the loan facilities are on normal commercial terms and no security over the assets of the Group was granted in respect of the loan facilities, the grant of the loan facilities by Newforest to Greenheart Resources is exempted from the reporting, annual review, announcement and independent Shareholders' approval requirements under Chapter 14A of the Listing Rules. The transactions contemplated thereunder constitute a related party transaction as disclosed in note 38(a)(i) to the consolidated financial statements.

(ii) Pursuant to the loan agreement between a non-wholly-owned subsidiary of the Company and a fellow subsidiary of the Company, a loan facility of an aggregate principal amount of US$20,000,000 were granted by the fellow subsidiary to the non-wholly-owned subsidiary of the Company. As the loan facilities are on normal commercial terms and no security over the assets of the Group was granted in respect of the loan facilities, the grant of the loan facilities by the fellow subsidiary is exempted from the reporting, annual review, announcement and independent Shareholders' approval requirements under Chapter 14A of the Listing Rules. The transactions contemplated thereunder constitute a related party transaction as disclosed in note 38(a)(ii) to the consolidated financial statements.

(iii) The Group has granted to its fellow subsidiary (the "Licensee") a license to enter into, use and occupy part of the Group's Hong Kong office premises. In connection with the license, the Group shares certain administrative expenses with the Licensee. The Group recharges the Licensee the rent of the licensed area of the premises together with administrative expenses attributable to the Licensee monthly. As the recharge is on a cost basis, it is exempted from the reporting, annual review, announcement and independent Shareholders' approval requirements under Chapter 14A of the Listing Rules. The transactions contemplated thereunder constitute related party transactions as disclosed in note 38(a)(iii) to the consolidated financial statements.

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

As at 31 December 2022, 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 Securities and Futures Ordinance ("SFO"), as recorded in the register required to be kept by the Company pursuant to section 352 of the SFO), or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code, were as follows:

(a) Long positions in ordinary shares and underlying shares of the Company:

Name of Director	Capacity	Number of shares held and underlying shares interested	Approximate percentage of the total issued share capital of the Company
			%
Simon Murray	Beneficial owner	2,239,477	0.12

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

Due to the expiry of the exercise period of 8,800,000 share options in IWS held by Mr. Wong Man Chung, Francis under the share option scheme of IWS on 6 September 2022, all share options held by him had lapsed without being exercised. No share options in IWS was held by any Directors of the Company as at 31 December 2022.

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 year 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.

EQUITY-LINKED AGREEMENTS

For the year ended 31 December 2022, save for the Old Share Option Scheme (as defined below) and the New Share Option Scheme (as defined below), the Company has not entered into any equity linked agreement, nor did any equity linked agreement subsist at the end of the year.

MANAGEMENT CONTRACTS

No contract concerning the management and administration of the whole or any substantial part of the business of the Company was entered into or existed during the year.

SHARE OPTION SCHEMES

Termination of share option scheme adopted by the Company in 2012

The Company had a share option scheme which was adopted at its special general meeting held on 28 June 2012 (the "Old Share Option Scheme"). Such scheme was valid and effective for a period of ten years ending on 28 June 2022. At the AGM held on 24 May 2022, the Old Share Option Scheme was terminated upon the adoption of a new share option scheme (the "New Share Option Scheme") by an ordinary resolution passed by the Shareholders.

Adoption of the New Share Option Scheme by the Company in 2022

The New Share Option Scheme was approved and adopted by the Shareholders at its AGM held on 24 May 2022 in replacement of the Old Share Option Scheme. A summary of the New Share Option Scheme is set out below:

(1) *Purpose*

The purpose of the New Share Option Scheme is to grant options to selected participants as incentives or awards for their contribution to the Group.

(2) *Eligible participants*

The eligible participant as defined in the New Share Option Scheme are individuals or entities who or which may participate in the New Share Option Scheme. The following individuals or entities who in the absolute discretion of the Board have contributed to the development and growth of the Group may participate in the New Share Option Scheme: (i) an employee or executive director of the Group ("Employee Participant"); (ii) a non-executive director or an independent non-executive director of any member of the Group; and (iii) an employee or director of any holding company, fellow subsidiary or associated company of the Company.

(3) *Maximum number of shares available for subscription*

Mandate Limit: Subject to the paragraph below, the total number of Shares which may be issued upon exercise of all options to be granted under the New Share Option Scheme and any other schemes of the Company must not in aggregate exceed 10% of the Shares in issue as of 24 May 2022, being 185,499,105 Shares.

Overriding Limit: The Company may by ordinary resolutions of the Shareholders refresh the Mandate Limit as referred to in the above paragraph provided that the Company shall issue a circular in accordance with and containing such information as required under the Listing Rules to the Shareholders before such approval is sought. Subject to the Listing Rules, the maximum number of Shares subject to outstanding unvested or vested options and outstanding other scheme options must not exceed 30% of the Shares in issue from time to time. No option or other scheme options may be granted if it will result in this Overriding Limit being exceeded.

(4) *Maximum entitlement of each eligible participant*

Unless approval of Shareholders is obtained under a specific mandate in general meeting with such eligible participant and his close associates (or associates if the eligible participant is a connected person) abstaining from voting and subject to the Listing Rules including but not limited to rules relating to grant of options to connected persons, the Board cannot grant any option ("Triggering Option") to any eligible participant which, if exercised, would result in that eligible participant becoming entitled to subscribe for such number of Shares as, when aggregated with the total number of Shares already issued or to be issued to him upon exercise of all options and other scheme options granted to him in the 12-month period immediately preceding the grant date of the Triggering Option to exceed 1%. of the number of Shares in issue as at that grant date.

(5) *Option period*

The period during which an option may be exercised as determined by the Board in its absolute discretion at the time of grant, save that such period must not exceed 10 years from the date of grant of the relevant option.

(6) *Vesting period*

Subject to the other provisions in the New Share Option Scheme, all applicable laws, rules and regulations and with its terms and conditions, an option will vest on the date or dates as specified in the letter of grant, subject to satisfaction of vesting conditions (if any).

(7) *Subscription price and the basis of its determination*

The Board will determine the subscription price and will notify the grantee such subscription price in the letter of grant. The Board will comply with such basis of determination of the price for exercising any option as set out in the Listing Rules unless otherwise approved or permitted by the Stock Exchange, such exercise price, pursuant to the Listing Rules, shall not be less than the highest of: (i) the closing price of the Shares as stated in the Stock Exchange's daily quotations sheet on the grant date; (ii) the average closing price of the Shares as stated in the Stock Exchange's daily quotations sheets for the five business days immediately preceding the grant date; and (iii) the nominal value of a share.

(8) *Scheme period*

The New Share Option Scheme will remain in force for a period of 10 years from the date of its adoption and will expire on 23 May 2032.

(9) *Termination*

The New Share Option Scheme may be terminated at any time: (i) by approval of Shareholders; or (ii) by the Board when it resolves that no further options will be granted under the New Share Option Scheme.

As at 31 December 2022 and up to the date of this annual report, no options have been granted under the New Share Option Scheme. The total number of Shares available for issue under the New Share Option Scheme was 185,499,105, which represented approximately 10.0% of the issued share capital of the Company.

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 31 December 2022, 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 Shareholders	Capacity	Number of Shares	Number of underlying Shares	Approximate percentage of issued share capital of the Company %
Newforest Limited	Beneficial owner (Notes 1 & 2)	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
Chow Tai Fook Capital Limited	Interest of controlled corporation (Note 1)	1,122,005,927	–	60.49
Chow Tai Fook (Holding) Limited	Interest of controlled corporation (Note 1)	1,122,005,927	–	60.49
Chow Tai Fook Nominee Limited	Interest of controlled corporation (Note 1)	1,122,005,927	–	60.49

Name of Shareholders	Capacity	Number of Shares	Number of underlying Shares	Approximate percentage of issued share capital of the Company %
Sharpfield Holdings Limited	Interest of controlled corporation (Notes 1 & 2)	1,122,005,927	–	60.49
Gallent Elite International Limited	Interest of controlled corporation (Notes 1 & 3)	1,122,005,927	–	60.49
China Forestry Group Corporation	Interest of controlled corporation (Note 4)	110,000,000	–	5.93
Hong Kong Genghis Khan Group Limited	Beneficial owner (Note 5)	110,000,000	–	5.93
Ge Jian	Interest of controlled corporation (Note 5)	110,000,000	–	5.93

Notes:

1. Newforest Limited is directly and beneficially owned as to 40% by Gallant Elite International Limited and as to 60% by Sharpfield Holdings Limited. Both Gallant Elite International Limited and Sharpfield Holdings Limited are wholly-owned subsidiaries of Chow Tai Fook Nominee Limited. Chow Tai Fook Nominee Limited is owned as to 99.90% by Chow Tai Fook (Holding) Limited. Chow Tai Fook (Holding) Limited is owned as to 81.03% by 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, 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 Limited is interested by virtue of Part XV of the SFO.

2. Mr. Cheng Chi-Him, Conrad and Mr. Lie Ken Jie Remy Anthony Ket Heng are directors of each of Newforest Limited and Sharpfield Holdings Limited.

3. Mr. Lie Ken Jie Remy Anthony Ket Heng is a director of Gallant Elite International Limited.

4. 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.

5. 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 31 December 2022 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.

SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of the Directors, at least 25% of the Company's total issued share capital was held by the public as at the date of this annual report.

CORPORATE GOVERNANCE

The Company is committed to maintaining a high standard of corporate governance. The corporate governance practices adopted by the Company are set out in the Corporate Governance Report on pages 20 to 46.

TAX RELIEF

The Company is not aware of any relief from taxation available to Shareholders by reason of their holding of the Company's shares.

DONATIONS

Charitable donation made by the Group during the year amounted to HK$160,000 (2021: HK$27,000).

EVENTS AFTER THE REPORTING PERIOD

Details of the significant events after the reporting period of the Group are set out in note 45 to the consolidated financial statements.

AUDITORS

The financial statements for the year ended 31 December 2022 have been audited by Deloitte, who will retire and, being eligible, offer themselves for re-appointment at the AGM in 2023. A resolution to re-appoint Deloitte as auditors of the Company and to authorise the Board to fix their remuneration will be proposed at the forthcoming AGM in 2023.

Directors' Report

PAST PERFORMANCE AND FORWARD LOOKING STATEMENTS

The performance and the results of operations of the Group in the past years as contained in this annual report are historical in nature and past performance can be no guarantee of future results of the Group. This annual report contains forward looking statements and opinions 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. Neither the Group nor the Directors, employees or agents of the Group assume (a) any obligation to correct or update the forward-looking statements or opinions contained in this annual report; and (b) any liability in the event that any of the forward-looking statements or opinions do not materialize or prove to be incorrect.

APPRECIATION

The Board would like to take this opportunity to express its sincere gratitude to our Shareholders, clients and suppliers for their continuous and valuable support and to extend its appreciation to our management and staff for their diligence and dedication, despite the fact that 2022 was a challenging year.

ON BEHALF OF THE BOARD
GREENHEART GROUP LIMITED

Cheng Chi-Him, Conrad
Non-executive Chairman

Hong Kong, 29 March 2023

Deloitte. 德勤

TO THE MEMBERS OF GREENHEART GROUP LIMITED
(incorporated in Bermuda with limited liability)

OPINION

We have audited the consolidated financial statements of Greenheart Group Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 74 to 216, which comprise the consolidated statement of financial position as at 31 December 2022, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2022, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants ("the Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independent Auditor's Report

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the key audit matter
Impairment assessment of the timber concessions and cutting rights in Suriname	
We identified the impairment assessment of the timber concessions and cutting rights ("Concessions") in west and central Suriname as a key audit matter as it is significant to the consolidated financial statements and significant judgements and estimates are involved in the impairment assessment of the Concessions. As disclosed in note 19 to the consolidated financial statements, the carrying amount of the Concessions at 31 December 2022 was HK$104,411,000, which represented 10.8% of the Group's total assets. With the operating loss before finance cost in Suriname for the year ended 31 December 2022 as disclosed in note 6 to the consolidated financial statements, the directors of the Company considered that there was an impairment indicator.	Our procedures in relation to assessing impairment assessment of the Concessions included: • Assessing the competence, capabilities and objectivity of the Valuer and obtaining an understanding of the Valuer's scope of work; • Obtaining the valuation report from the management for the calculation of the fair value less costs of disposal and comparing with the carrying amount of the Concessions; • Obtaining the detailed work of the Valuer, particularly the key inputs to the valuation including harvest volume, discount rates and revenue during the forecast period with reference to the respective concession terms;

KEY AUDIT MATTERS *(continued)*

Key audit matter	How our audit addressed the key audit matter
Impairment assessment of the timber concessions and cutting rights in Suriname (continued)	
For the impairment assessment, the recoverable amounts of the relevant Concessions in west and central Suriname are determined at fair value less costs of disposal by the directors of the Company with reference to a valuation carried out by an independent professional valuer (the "Valuer"). As detailed in note 19 to the consolidated financial statements, the determination of the fair value less costs of disposal of the Concessions is dependent on certain key inputs, including harvest volume, discount rates and revenue during the forecast period with reference to the respective concession terms, which are highly judgemental. Based on the impairment assessment of the Concessions, an impairment loss of HK$942,000 was recognised for the Concessions during the year ended 31 December 2022.	• Working with our internal valuation expert and evaluating the appropriateness of the Valuer's valuation approach, accuracy and relevance of key data inputs underpinning the valuation and assessing the reasonableness of the key assumptions applied based on available market data and our knowledge of the business and industry; and • Evaluating the reasonableness of the cash flow projections by comparing the actual results of those cash-generating units to the previously forecasted results used.

KEY AUDIT MATTERS *(continued)*

Key audit matter	How our audit addressed the key audit matter
Valuation of plantation forest assets in New Zealand	
We identified the valuation of plantation forest assets in New Zealand as a key audit matter as it is significant to the consolidated financial statements and significant judgements and estimates are involved in the valuation of the plantation forest assets. As disclosed in note 21 to the consolidated financial statements, the carrying amount of the plantation forest assets at 31 December 2022 was HK$382,123,000, which represented 39.5% of the Group's total assets. The Group engaged the Valuer to estimate the fair value less costs to sell of the plantation forest assets. As detailed in note 21 to the consolidated financial statements, the determination of the fair value of the plantation forest assets is dependent on certain key inputs, including discount rate and log price projections, which are highly judgemental.	Our procedures in relation to assessing the valuation of the plantation forest assets in New Zealand included: • Assessing the competence, capabilities and objectivity of the Valuer and obtaining an understanding of the Valuer's scope of work; • Obtaining the valuation report provided by the management for the determination of the fair value less costs to sell of plantation forest assets; • Obtaining the detailed work of the Valuer, particularly the key inputs to the valuation including discount rate and log price projections; and • Working with our internal valuation expert and evaluating the appropriateness of the Valuer's valuation approach, accuracy and relevance of key data inputs underpinning the valuation and assessing the reasonableness of the key assumptions applied based on available market data and our knowledge of the business and industry.

OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises the information included in the annual report, but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF DIRECTORS AND THOSE CHARGED WITH GOVERNANCE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion solely to you, as a body, in accordance with Section 90 of the Bermuda Companies Act, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in the independent auditor's report is Leung Po Shan.

Deloitte Touche Tohmatsu
Certified Public Accountants

Hong Kong
29 March 2023

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2022

	NOTES	2022 HK$'000	2021 HK$'000
Revenue	5	**164,305**	320,521
Cost of sales and services		**(213,219)**	(288,187)
Gross (loss) profit		**(48,914)**	32,334
Other income	7	**1,330**	1,528
Other gains and losses	7	**901**	(394)
Impairment losses reversed (recognised) on financial assets, net	8	**24,922**	(1,626)
Fair value (loss) gain on plantation forest assets	21	**(3,250)**	26,630
Share of loss of an associate	22	**(61)**	(124)
Selling and distribution costs		**(26,439)**	(43,911)
Administrative expenses		**(48,189)**	(47,767)
Finance costs	9	**(17,108)**	(16,171)
Loss before tax	10	**(116,808)**	(49,501)
Income tax credit (expense)	13	**19,062**	(9,730)
Loss for the year		**(97,746)**	(59,231)
Other comprehensive income (expense)			
Item that will not be reclassified to profit or loss			
Revaluation gain on forestry land		**13,845**	8,875
Item that may be reclassified subsequently to profit or loss			
Exchange differences arising on translation of foreign operations		**(11,967)**	(8,728)
Other comprehensive income for the year		**1,878**	147
Total comprehensive expense for the year		**(95,868)**	(59,084)

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2022

	NOTES	2022 HK$'000	2021 HK$'000
Loss for the year attributable to:			
Owners of the Company		**(68,152)**	(36,938)
Non-controlling interests		**(29,594)**	(22,293)
		(97,746)	(59,231)
Total comprehensive expense for the year attributable to:			
Owners of the Company		**(66,274)**	(36,791)
Non-controlling interests		**(29,594)**	(22,293)
		(95,868)	(59,084)
Loss per share			
Basic	15	**HK$(0.037)**	HK$(0.020)
Diluted	15	**HK$(0.037)**	HK$(0.020)

Consolidated Statement of Financial Position

At 31 December 2022

	NOTES	2022 HK$'000	2021 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment	16	**298,220**	304,907
Right-of-use assets	17	**34,666**	38,996
Goodwill	18	**5,651**	5,651
Timber concessions and cutting rights	19	**104,411**	142,886
Finance lease receivables	20	**1,520**	–
Plantation forest assets	21	**382,123**	411,173
Prepayments, deposits and other assets	25	**627**	2,143
Interest in an associate	22	**1,626**	1,826
		828,844	907,582
CURRENT ASSETS			
Inventories	23	**13,293**	40,318
Trade receivables	24	**34,689**	42,169
Finance lease receivables	20	**1,403**	4,716
Prepayments, deposits and other assets	25	**11,075**	14,867
Amount due from a fellow subsidiary	38(b)(i)	**–**	428
Tax recoverable		**7,032**	7,116
Bank balances and cash	26	**71,681**	92,916
		139,173	202,530
CURRENT LIABILITIES			
Trade payables	27	**14,287**	27,479
Other payables and accruals	28	**21,493**	45,800
Contract liabilities	29	**1,431**	1,430
Lease liabilities	30	**3,801**	3,581
Loan from a fellow subsidiary	38(a)(ii)	**7,236**	500
Bank borrowings	31	**24,960**	–
Tax payable		**13,369**	22,720
		86,577	101,510
NET CURRENT ASSETS		**52,596**	101,020
TOTAL ASSETS LESS CURRENT LIABILITIES		**881,440**	1,008,602

Consolidated Statement of Financial Position

At 31 December 2022

	NOTES	2022 HK$'000	2021 HK$'000
NON-CURRENT LIABILITIES			
Lease liabilities	30	**14,130**	18,520
Loans from immediate holding company	38(a)(i)	**194,386**	187,214
Loan from a fellow subsidiary	38(a)(ii)	**156,000**	156,000
Bank borrowings	31	**–**	24,960
Deferred tax liabilities	32	**96,112**	105,228
		460,628	491,922
NET ASSETS		**420,812**	516,680
CAPITAL AND RESERVES			
Equity attributable to owners of the Company			
Share capital	33	**18,550**	18,550
Reserves		**832,655**	898,929
		851,205	917,479
Non-controlling interests	35	**(430,393)**	(400,799)
TOTAL EQUITY		**420,812**	516,680

The consolidated financial statements on pages 74 to 216 were approved and authorised for issue by the board of directors on 29 March 2023 and are signed on its behalf by:

DING WAI CHUEN
DIRECTOR

LIE KEN JIE REMY ANTHONY KET HENG
DIRECTOR

Consolidated Statement of Changes in Equity

For the year ended 31 December 2022

	Attributable to owners of the Company											
	Share capital HK$'000	Share premium account HK$'000	Contributed surplus HK$'000 (note (b))	Share option reserve HK$'000 (note 34)	Capital reserve HK$'000	Land revaluation reserve HK$'000	Merger reserve HK$'000 (note (a))	Translation reserve HK$'000	Accumulated losses HK$'000	Sub-total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
At 1 January 2021	18,550	2,091,657	83,274	4,687	846	50,853	265	7,562	(1,303,424)	954,270	(378,506)	575,764
Loss for the year	–	–	–	–	–	–	–	–	(36,938)	(36,938)	(22,293)	(59,231)
Other comprehensive income (expense) for the year												
Exchange differences arising on translation of foreign operations	–	–	–	–	–	–	–	(8,728)	–	(8,728)	–	(8,728)
Revaluation gain on forestry land	–	–	–	–	–	8,875	–	–	–	8,875	–	8,875
Total comprehensive income (expense) for the year	–	–	–	–	–	8,875	–	(8,728)	(36,938)	(36,791)	(22,293)	(59,084)
Transfer upon the lapse of share options	–	–	–	(4,687)	–	–	–	–	4,687	–	–	–
At 31 December 2021	18,550	2,091,657	83,274	–	846	59,728	265	(1,166)	(1,335,675)	917,479	(400,799)	516,680
Loss for the year	–	–	–	–	–	–	–	–	(68,152)	(68,152)	(29,594)	(97,746)
Other comprehensive income (expense) for the year												
Exchange differences arising on translation of foreign operations	–	–	–	–	–	–	–	(11,967)	–	(11,967)	–	(11,967)
Revaluation gain on forestry land	–	–	–	–	–	13,845	–	–	–	13,845	–	13,845
Total comprehensive income (expense) for the year	–	–	–	–	–	13,845	–	(11,967)	(68,152)	(66,274)	(29,594)	(95,868)
At 31 December 2022	**18,550**	**2,091,657**	**83,274**	**–**	**846**	**73,573**	**265**	**(13,133)**	**(1,403,827)**	**851,205**	**(430,393)**	**420,812**

Notes:

(a) The merger reserve represents the difference between the fair value of the consideration given for the acquisition of a subsidiary in prior years pursuant to a business combination under common control and the total amount of the historical carrying amount of the consolidated net assets of the acquiree at the date of acquisition and the amount of certain liabilities of the acquiree assumed by the Group in connection with the business combination.

(b) The Group's contributed surplus, which arose from the Group reorganisation on 2 July 1991, represents the difference between the nominal value of the Company's shares issued under the reorganisation scheme, in exchange for the shares in the subsidiaries and the consolidated net asset value of the acquired subsidiaries, reduced by distributions to shareholders.

Consolidated Statement of Cash Flows

For the year ended 31 December 2022

	2022 HK$'000	2021 HK$'000
OPERATING ACTIVITIES		
Loss before tax	**(116,808)**	(49,501)
Adjustments for:		
Finance costs	**17,108**	16,171
Interest income and finance lease income	**(515)**	(689)
Loss on disposal of property, plant and equipment	**–**	1
Loss on early termination of a lease	**–**	302
Depreciation of property, plant and equipment	**20,280**	19,829
Depreciation of right-of-use assets	**5,755**	6,564
Amortisation of:		
Forest depletion cost	**37,347**	68,091
Harvest roading costs	**5,933**	6,297
Timber concessions and cutting rights	**37,533**	10,022
Reversal of write-down of inventories	**(814)**	(3,447)
Impairment (reversal of impairment) of:		
Property, plant and equipment	**–**	8,128
Timber concessions and cutting rights	**942**	(12,785)
Trade receivables	**(126)**	1,626
Right-of-use assets	**(901)**	91
Other receivables	**(24,796)**	–
Fair value loss (gain) on plantation forest assets	**3,250**	(26,630)
Share of loss of an associate	**61**	124
Operating cash flows before movements in working capital	**(15,751)**	44,194
Decrease (increase) in inventories	**20,457**	(4,555)
Decrease (increase) in trade receivables	**7,606**	(27,436)
Increase in prepayments, deposits and other assets	**(261)**	(1,621)
Decrease (increase) in amount due from a fellow subsidiary	**428**	(215)
Decrease in trade payables	**(11,224)**	(5,727)
Decrease in other payables and accruals	**(23,440)**	(2,105)
Increase in contract liabilities	**1**	101
Cash (used in) generated from operations	**(22,184)**	2,636
Interest received	**327**	52
Overseas taxes paid	**(27)**	(1,835)
Hong Kong tax refunded	**666**	2,187
NET CASH (USED IN) FROM OPERATING ACTIVITIES	**(21,218)**	3,040

Consolidated Statement of Cash Flows

For the year ended 31 December 2022

	NOTE	2022 HK$'000	2021 HK$'000
INVESTING ACTIVITIES			
Purchases of property, plant and equipment		**(9,298)**	(14,913)
Proceeds from disposal of property, plant and equipment		**–**	6
Additions of plantation forest assets		**(4,165)**	(4,717)
Acquisitions of plantation forest assets		**(1,282)**	(1,201)
Refund of earnest money		**24,445**	–
NET CASH FROM (USED IN) INVESTING ACTIVITIES		**9,700**	(20,825)
FINANCING ACTIVITIES			
Loan advanced from a fellow subsidiary		**–**	156,000
Repayments of bank borrowings		**–**	(195,243)
Repayments of lease liabilities		**(3,404)**	(4,589)
Interest paid on lease liabilities		**(1,200)**	(1,467)
Interest paid on borrowings		**(1,558)**	(8,654)
NET CASH USED IN FINANCING ACTIVITIES		**(6,162)**	(53,953)
NET DECREASE IN CASH AND CASH EQUIVALENTS		**(17,680)**	(71,738)
CASH AND CASH EQUIVALENTS AT 1 JANUARY		**92,916**	167,684
Effect of foreign exchange rate changes		**(3,555)**	(3,030)
CASH AND CASH EQUIVALENTS AT 31 DECEMBER		**71,681**	92,916
Represented by:			
Bank balances and cash	26	**71,681**	92,916

1. GENERAL INFORMATION

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, a company incorporated in Cayman Islands and its ultimate parent is Chow Tai Fook Nominee Limited, 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 annual report.

The consolidated financial statements are presented in Hong Kong dollars ("HK$"), which is different from the functional currency of the Company, United States dollars ("US$"). 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 HK$ is preferable in presenting the operating results and financial position of the Group.

The Company is an investment holding company. The activities of its principal subsidiaries are set out in note 46.

2. APPLICATION OF AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

Amendments to HKFRSs that are mandatorily effective for the current year

In the current year, the Group has applied the following amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") for the first time, which are mandatorily effective for the Group's annual period beginning on 1 January 2022 for the preparation of the consolidated financial statements:

Amendments to HKFRS 3	*Reference to the Conceptual Framework*
Amendment to HKFRS 16	*Covid-19-Related Rent Concessions beyond 30 June 2021*
Amendments to HKAS 16	*Property, Plant and Equipment - Proceeds before Intended Use*
Amendments to HKAS 37	*Onerous Contracts - Cost of Fulfilling a Contract*
Amendments to HKFRSs	*Annual Improvements to HKFRSs 2018 - 2020*

The application of the amendments to HKFRSs in the current year has had no material impact on the Group's financial positions and performance for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

2. APPLICATION OF AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(continued)*

New and amendments to HKFRSs in issue but not yet effective

The Group has not early applied the following new and amendments to HKFRSs that have been issued but are not yet effective:

HKFRS 17 (including the October 2020 and February 2022 Amendments to HKFRS 17)	*Insurance Contracts*[1]
Amendments to HKFRS 10 and HKAS 28	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[2]
Amendments to HKFRS 16	*Lease Liability in a Sale and Leaseback*[3]
Amendments to HKAS 1	*Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020)*[3]
Amendments to HKAS 1	*Non-current Liabilities with Covenants*[3]
Amendments to HKAS 1 and HKFRS Practice Statement 2	*Disclosure of Accounting Policies*[1]
Amendments to HKAS 8	*Definition of Accounting Estimates*[1]
Amendments to HKAS 12	*Deferred Tax related to Assets and Liabilities arising from a Single Transaction*[1]

1 Effective for annual periods beginning on or after 1 January 2023.
2 Effective for annual periods beginning on or after a date to be determined.
3 Effective for annual periods beginning on or 1 January 2024.

Except for the amendments to HKFRSs mentioned below, the directors of the Company anticipate that the application of all other new and amendments to HKFRSs will have no material impact on the consolidated financial statements in the foreseeable future.

2. APPLICATION OF AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(continued)*

New and amendments to HKFRSs in issue but not yet effective (continued)

(a) Amendments to HKAS 1 Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020) (the "2020 Amendments") and Amendments to HKAS 1 Non-current Liabilities with Covenants (the "2022 Amendments")

The 2020 Amendments provide clarification and additional guidance on the assessment of right to defer settlement for at least twelve months from reporting date for classification of liabilities as current or non-current, which:

- clarify that if a liability has terms that could, at the option of the counterparty, result in its settlement by the transfer of the entity's own equity instruments, these terms do not affect its classification as current or non-current only if the entity recognises the option separately as an equity instrument applying HKAS 32 *Financial Instruments: Presentation*.

- specify that the classification of liabilities as current or non-current should be based on rights that are in existence at the end of the reporting period. Specifically, the amendments clarify that the classification should not be affected by management intentions or expectations to settle the liability within 12 months.

For rights to defer settlement for at least twelve months from reporting date which are conditional on the compliance with covenants, the requirements introduced by the 2020 Amendments have been modified by the 2022 Amendments. The 2022 Amendments specify that only covenants with which an entity is required to comply with on or before the end of the reporting period affect the entity's right to defer settlement of a liability for at least twelve months after the reporting date. Covenants which are required to comply with only after the reporting period do not affect whether that right exists at the end of the reporting period.

2. APPLICATION OF AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(continued)*

New and amendments to HKFRSs in issue but not yet effective (continued)

(a) ***Amendments to HKAS 1 Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020) (the "2020 Amendments") and Amendments to HKAS 1 Non-current Liabilities with Covenants (the "2022 Amendments") (continued)***

In addition, the 2022 Amendments specify the disclosure requirements about information that enables users of financial statements to understand the risk that the liabilities could become repayable within twelve months after the reporting period, if the entity classify liabilities arising from loan arrangements as non-current when the entity's right to defer settlement of those liabilities is subject to the entity complying with covenants within twelve months after the reporting period.

The 2022 Amendments also defer the effective date of applying the 2020 Amendments to annual reporting periods beginning on or after 1 January 2024. The 2022 Amendments, together with the 2020 Amendments, are effective for annual reporting periods beginning on or after 1 January 2024, with early application permitted. If an entity applies the 2020 amendments for an earlier period after the issue of the 2022 Amendments, the entity should also apply the 2022 Amendments for that period.

As at 31 December 2022, the Group's right to defer settlement for bank borrowings of HK$24,960,000 are subject to compliance with certain financial ratios within 12 months from the reporting date, as disclosed in note 31; and the Group's right to defer settlement for loans from immediate holding company and a fellow subsidiary of HK$194,386,000 and HK$163,236,000, respectively, are subject to compliance with certain non-financial covenants, as disclosed in note 38(a)(i) and (ii). Except for bank borrowings of HK$24,960,000 and loan from a fellow subsidiary of HK$7,236,000, which were classified as current, others were classified as non-current as the Group expects to meet such covenants. The Group is still in the process of assessing the impacts of the 2022 Amendments in relations to these borrowings. The impacts on application, if any, will be disclosed in the Group's future consolidated financial statements.

Except as described above, the application of the 2020 and 2022 Amendments will not affect the classification of the Group's other liabilities as at 31 December 2022.

2. APPLICATION OF AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(continued)*

New and amendments to HKFRSs in issue but not yet effective (continued)

(b) Amendments to HKAS 1 and HKFRS Practice Statement 2 Disclosure of Accounting Policies

HKAS 1 is amended to replace all instances of the term "significant accounting policies" with "material accounting policy information". Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements.

The amendments also clarify that accounting policy information may be material because of the nature of the related transactions, other events or conditions, even if the amounts are immaterial. However, not all accounting policy information relating to material transactions, other events or conditions is itself material. If an entity chooses to disclose immaterial accounting policy information, such information must not obscure material accounting policy information.

HKFRS Practice Statement 2 *Making Materiality Judgements* (the "Practice Statement") is also amended to illustrate how an entity applies the "four-step materiality process" to accounting policy disclosures and to judge whether information about an accounting policy is material to its financial statements. Guidance and examples are added to the Practice Statement.

The application of the amendments is not expected to have significant impact on the financial position or performance of the Group but may affect the disclosures of the Group's significant accounting policies. The impacts of application, if any, will be disclosed in the Group's future consolidated financial statements.

2. APPLICATION OF AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(continued)*

New and amendments to HKFRSs in issue but not yet effective (continued)

(c) Amendments to HKAS 8 Definition of Accounting Estimates

The amendments define accounting estimates as "monetary amounts in financial statements that are subject to measurement uncertainty". An accounting policy may require items in financial statements to be measured in a way that involves measurement uncertainty - that is, the accounting policy may require such items to be measured at monetary amounts that cannot be observed directly and must instead be estimated. In such a case, an entity develops an accounting estimate to achieve the objective set out by the accounting policy. Developing accounting estimates involves the use of judgements or assumptions based on the latest available, reliable information.

In addition, the concept of changes in accounting estimates in HKAS 8 is retained with additional clarifications.

The application of the amendments is not expected to have significant impact on the Group's consolidated financial statements.

(d) Amendments to HKAS 12 Deferred Tax related to Assets and Liabilities arising from a Single Transaction

The amendments narrow the scope of the recognition exemption of deferred tax liabilities and deferred tax assets in paragraphs 15 and 24 of HKAS 12 *Income Taxes* so that it no longer applies to transactions that, on initial recognition, give rise to equal taxable and deductible temporary differences.

As disclosed in note 3 to the consolidated financial statements, for leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies HKAS 12 requirements to the relevant assets and liabilities as a whole. Temporary differences relating to relevant assets and liabilities are assessed on a net basis.

Upon the application of the amendments, the Group will recognise a deferred tax asset (to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised) and a deferred tax liability for all deductible and taxable temporary differences associated with the right-of-use assets and the lease liabilities.

2. APPLICATION OF AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(continued)*

New and amendments to HKFRSs in issue but not yet effective (continued)

(d) Amendments to HKAS 12 Deferred Tax related to Assets and Liabilities arising from a Single Transaction (continued)

The amendments are effective for the Group's annual reporting period beginning on 1 January 2023. The application of the amendments is not expected to have significant impact on the financial position and performance of the Group.

2A. CHANGE OF ACCOUNTING ESTIMATE

Change of amortisation rate of certain timber concessions and cutting rights in the year

The Group has in recent years experienced longer delay in obtaining renewal approval from the Suirname government authority of concession licences that were eligible for extension. This has increased the uncertainty associated with the renewal of concession licences, details are set out in note 19. The Group has therefore accelerated the amortisation of those timber concessions and cutting rights which are subject to renewal to reflect the shorter expected useful lives which, in the opinion of the Directors, better reflects the consumption of the economic benefits of these concessions and cutting rights. The change in accounting estimate is accounted on a prospective basis. The net carrying amount of timber concessions and cutting rights is amortised on a straight-line basis over the revised expected useful lives of the timber concessions and cutting rights. The change in estimation has resulted in an additional amortisation charge of HK$26,584,000 in 2022. The carrying amounts of the relevant timber concessions and cutting rights, the useful lives of which have been revised are insignificant as at 31 December 2022.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation of consolidated financial statements

The consolidated financial statements have been prepared in accordance with HKFRSs issued by the HKICPA. For the purpose of preparation of the consolidated financial statements, information is considered material if such information is reasonably expected to influence decisions made by primary users. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited ("Listing Rules") and by the Hong Kong Companies Ordinance.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Basis of preparation of consolidated financial statements (continued)

The 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, as explained in the accounting policies set out below.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of HKFRS 2 *Share-based Payment*, leasing transactions that are accounted for in accordance with HKFRS 16 *Leases* and measurements that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 *Inventories* or value in use in HKAS 36 *Impairment of Assets*.

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

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Basis of preparation of consolidated financial statements (continued)

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

Significant accounting policies

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Significant accounting policies (continued)

Basis of consolidation (continued)

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

Profit or loss and each item of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Non-controlling interests in subsidiaries are presented separately from the Group's equity therein, which represent present ownership interests entitling their holders to a proportionate share of net assets of the relevant subsidiaries upon liquidation.

Goodwill

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business less accumulated impairment losses, if any.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units (or group of cash-generating units) that is expected to benefit from the synergies of the combination, which represent the lowest level at which the goodwill is monitored for internal management purposes and not larger than an operating segment.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Significant accounting policies (continued)

Goodwill (continued)

A cash-generating unit (or group of cash-generating units) to which goodwill has been allocated is tested for impairment annually or more frequently when there is indication that the unit may be impaired. For goodwill arising on an acquisition in a reporting period, the cash-generating unit (or group of cash-generating units) to which goodwill has been allocated is tested for impairment before the end of that reporting period. If the recoverable amount is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit (or group of cash-generating units).

On disposal of the relevant cash-generating unit or any of the cash-generating unit within the group of cash-generating units, the attributable amount of goodwill is included in the determination of the amount of profit or loss on disposal. When the Group disposes of an operation within the cash-generating unit (or a cash-generating unit within a group of cash-generating units), the amount of goodwill disposed of is measured on the basis of the relative values of the operation (or the cash-generating unit) disposed of and the portion of the cash-generating unit (or the group of cash-generating units) retained.

The Group's policy for goodwill arising on the acquisition of an associate is described below.

Investment in an associate

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The results and assets and liabilities of associates are incorporated in these consolidated financial statements using the equity method of accounting. The financial statements of the associate used for equity accounting purposes are prepared using uniform accounting policies as those of the Group for like transactions and events in similar circumstances. Under the equity method, an investment in an associate is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associate. When the Group's share of losses of an associate exceeds the Group's interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Significant accounting policies (continued)

Investment in an associate (continued)

An investment in an associate is accounted for using the equity method from the date on which the investee becomes an associate. On acquisition of the investment in an associate, any excess of the cost of the investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognised immediately in profit or loss in the period in which the investment is acquired.

The Group assesses whether there is an objective evidence that the interest in an associate may be impaired. When any objective evidence exists, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with HKAS 36 as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount. Any impairment loss recognised is not allocated to any asset, including goodwill that forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with HKAS 36 to the extent that the recoverable amount of the investment subsequently increases.

When a group entity transacts with an associate of the Group, profits and losses resulting from the transactions with the associate are recognised in the Group's consolidated financial statements only to the extent of interests in the associate that are not related to the Group.

Revenue from contracts with customers

The Group recognises revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customer.

A performance obligation represents a good or service (or a bundle of goods or services) that is distinct or a series of distinct goods or services that are substantially the same.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Significant accounting policies (continued)

Revenue from contracts with customers (continued)

Control is transferred over time and revenue is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met:

- the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;

- the Group's performance creates or enhances an asset that the customer controls as the Group performs; or

- the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

Otherwise, revenue is recognised at a point in time when the customer obtains control of the distinct good or service.

A contract liability represents the Group's obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

Over time revenue recognition: measurement of progress towards complete satisfaction of a performance obligation

Output method

The progress towards complete satisfaction of a performance obligation is measured based on output method, which is to recognise revenue on the basis of direct measurements of the value of the goods or services transferred to the customer to date relative to the remaining goods or services promised under the contract, that best depict the Group's performance in transferring control of goods or services.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Significant accounting policies (continued)

Revenue from contracts with customers (continued)

Contract costs

Incremental costs of obtaining a contract

Incremental costs of obtaining a contract are those costs that the Group incurs to obtain a contract with a customer that it would not have incurred if the contract had not been obtained.

The Group recognises such costs (sales commissions) as an asset if it expects to recover these costs. The asset so recognised is subsequently amortised to profit or loss on a systematic basis that is consistent with the transfer to the customer of the goods or services to which the assets relate.

The Group applies the practical expedient of expensing all incremental costs to obtain a contract if these costs would otherwise have been fully amortised to profit or loss within one year.

Leases

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 of HKFRS 16 or arising from business combinations, the Group assesses whether a contract is or contains a lease based on the definition under HKFRS 16 at inception, modification date or acquisition date, as appropriate. Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed. As a practical expedient, leases with similar characteristics are accounted on a portfolio basis when the Group reasonably expects that the effects on the consolidated financial statements would not differ materially from individual leases within the portfolio.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Significant accounting policies (continued)

Leases (continued)

The Group as a lessee

Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to leases 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 or another systematic basis over the lease term.

Right-of-use assets

The cost of right-of-use assets 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 are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any re-measurement of lease liabilities.

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. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Significant accounting policies (continued)

Leases (continued)

The Group as a lessee (continued)

Refundable rental deposits

Refundable rental deposits paid are accounted under HKFRS 9 *Financial Instruments* 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; and

- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date.

Variable lease payments that reflect changes in market rental rate are initially measured using the published consumers price index in New Zealand 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 in which the event or condition that triggers the payment to occur.

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

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Significant accounting policies (continued)

Leases (continued)

The Group as a lessee (continued)

Lease liabilities (continued)

The Group re-measures 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 re-measured by discounting the revised lease payments using a revised discount rate at the date of reassessment.

- the lease payments change due to changes in published consumers price index in New Zealand under annual review in which cases the related lease liability is re-measured by discounting the revised lease payments using the initial discount rate.

The Group presents lease liabilities as a separate line item on the consolidated statement of financial position.

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 re-measures the lease liability, less any lease incentives receivable, 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.

The Group accounts for the re-measurement of lease liabilities by making corresponding adjustments to the relevant right-of-use assets.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Significant accounting policies (continued)

Leases (continued)

The Group as a lessor

Classification and measurement of leases

Leases for which the Group is a lessor are classified as finance or operating leases. Whenever the terms of the lease transfer substantially all the risks and rewards incidental to ownership of an underlying asset to the lessee, the contract is classified as a finance lease. All other leases are classified as operating leases.

Amounts due from lessees under finance leases are recognised as receivables at commencement date at amounts equal to net investments in the leases, measured using the interest rate implicit in the respective leases. Initial direct costs (other than those incurred by manufacturer or dealer lessors) are included in the initial measurement of the net investments in the leases. Interest income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Group's net investment outstanding in respect of the leases.

Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset, and such costs are recognised as an expense on a straight-line basis over the lease term. Variable lease payments for operating leases that do not depend on an index or a rate are recognised as income when they arise.

Rental income which is derived from the Group's ordinary course of business are presented as revenue.

Lease modification

Changes in considerations of lease contracts that were not part of the original terms and conditions are accounted for as lease modifications, including lease incentives provided through forgiveness or reduction of rentals.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Significant accounting policies (continued)

Leases (continued)

The Group as a lessor (continued)

Lease modification (continued)

The Group accounts for a change in the lease payments of a finance lease as a lease modification, that is not accounted for as a separate lease, in accordance with the requirements of HKFRS 9. If the change represents a substantial modification, the finance lease receivables of the original lease are derecognised and a derecognition gain or loss calculated using the revised lease payments discounted at the revised discount rate is recognised in profit or loss on the date of the modification. If the change does not represent a substantial modification, the Group continues to recognise the finance lease receivables in which such carrying amount will be calculated at the present value of the modified contractual cash flows discounted at the related receivables' original discount rate. Any adjustment to the carrying amount is recognised in profit or loss at the effective date of modification.

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recognised at the rates of exchanges prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. When a fair value gain or loss on a non-monetary item is recognised in profit or loss, any exchange component of that gain or loss is also recognised in profit or loss. When a fair value gain or loss on a non-monetary item is recognised in other comprehensive income, any exchange component of that gain or loss is also recognised in other comprehensive income. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Significant accounting policies (continued)

Foreign currencies (continued)

For the purposes of presenting the consolidated financial statements, (i) the assets and liabilities of the Group's foreign operations are translated into US$; and (ii) the assets and liabilities of the Group denominated or translated into US$ are then translated into the presentation currency of the Group (i.e., HK$), using exchange rates prevailing at the end of each reporting period. Income and expenses items are translated at the average exchange rates for the year, unless exchange rates fluctuate significantly during the period, in which case, the exchange rates prevailing at the dates of transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of translation reserve.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognised in the period in which they are incurred.

Government grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants related to income that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable. Such grants are presented under "other income".

Retirement benefit costs

Pension scheme

Payments to defined contribution retirement benefit plans are recognised as an expense when employees have rendered service entitling them to the contributions.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Significant accounting policies (continued)

Short-term employee benefits

Short-term employee benefits are recognised at the undiscounted amount of the benefits expected to be paid as and when employees rendered the services. All short-term employee benefits are recognised as an expense unless another HKFRS requires or permits the inclusion of the benefit in the cost of an asset.

A liability is recognised for benefits accruing to employees (such as wages and salaries, annual leave and sick leave) after deducting any amount already paid.

Share-based payments

Equity-settled share-based payment transaction

Share options granted to directors and employees

Equity-settled share-based payments to directors, employees and others providing similar services are measured at the fair value of the equity instruments at the grant date.

The fair value of the equity-settled share-based payments determined at the grant date without taking into consideration all non-market vesting conditions is expensed on a straight-line basis over the vesting period, based on the Group's estimate of equity instruments that will eventually vest, with a corresponding increase in equity (share option reserve). At the end of each reporting period, the Group revises its estimate of the number of equity instruments expected to vest based on assessment of all relevant non-market vesting conditions. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects with the revised estimate, with a corresponding adjustment to share option reserve. For share options that vest immediately at the date of grant, the fair value of the share options granted is expensed immediately to profit or loss.

Where share options are exercised, the amount previously recognised in share option reserve will be transferred to share premium. When the share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognised in share options reserve will be transferred to accumulated losses.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Significant accounting policies (continued)

Share-based payments (continued)

Equity-settled share-based payment transaction (continued)

Share options granted to consultants

Equity-settled share-based payment transactions with parties other than employees are measured at the fair value of the goods or service received, except where that fair value cannot be estimated reliably, in which case they are measured at the fair value of the equity instruments granted, measured at the date the entity obtains the goods or the counterparty renders the service. The fair values of the goods or services received are recognised as expenses (unless the goods or services qualify for recognition as assets).

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from loss before tax as reported in the consolidated statement of profit or loss and other comprehensive income because of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax base used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit. In addition, deferred tax liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Significant accounting policies (continued)

Taxation (continued)

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and interests in associates, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

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

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

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

For the purposes of measuring deferred tax liabilities or assets for non-depreciable assets (i.e. freehold land), the carrying amounts of such assets are presumed to be recovered entirely through sale.

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies HKAS 12 requirements to the leasing transaction as a whole. Temporary differences relating to right-of-use assets and lease liabilities are assessed on a net basis. Excess of depreciation on right-of-use assets over the lease payments for the principal portion of lease liabilities resulting in net deductible temporary differences.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied to the same taxable entity by the same taxation authority.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Significant accounting policies (continued)

Taxation (continued)

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

Plantation forest assets

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

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

At the time the tree is harvested, the log is measured at its fair value less costs to sell at the point of harvest, which will be accounted for as depletion of the plantation forest assets (non-current assets) with corresponding increase in inventories (current assets). Depletion of plantation forest assets is calculated based on the net present value of the harvest in the current year from the most recent forest revaluation, spread over the planned harvest volume for the current year.

Property, plant and equipment

Property, plant and equipment are tangible assets that are held for use in the production or supply of goods or services, or for administrative purposes (other than forestry land and construction in progress as described below) are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and accumulated impairment losses, if any. Forestry land of the Group is freehold land, which is stated in the consolidated statement of financial position at revalued amount, being the fair value less subsequent accumulated impairment losses, if any at the date of revaluation.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Significant accounting policies (continued)

Property, plant and equipment (continued)

Properties in the course of construction for production, supply or administrative purposes are carried at cost, less any recognised impairment loss. Costs include any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management and, for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policy. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

Any revaluation increase arising from revaluation of forestry land is recognised in other comprehensive income and accumulated in land revaluation reserve, except to the extent that it reverses a revaluation decrease of the forestry land previously recognised in profit or loss, in which case the increase is credited to profit or loss to the extent of the decrease previously charged. A decrease in net carrying amount arising on revaluation of forestry land is recognised in profit or loss to the extent that it exceeds the balance, if any, on the land revaluation reserve relating to a previous revaluation of the forestry land. On the subsequent sale or retirement of the forestry land, the attributable revaluation surplus is transferred to accumulated losses.

Depreciation is recognised so as to write off the cost of assets (other than forestry land and construction in progress) less their residual values over their estimated lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Significant accounting policies (continued)

Intangible assets (other than goodwill)

Timber concessions and cutting rights

Timber concessions and cutting rights with finite useful lives, which give the Group rights to harvest trees in the allocated concession forests in designated areas in the Republic of Suriname ("Suriname").

Intangible assets acquired in a business combination are recognised separately from goodwill and are initially recognised at their fair value at the acquisition date (which is regarded as their cost). Subsequent to initial recognition, intangible assets acquired in a business combination with finite useful lives are carried at costs less accumulated amortisation and any accumulated impairment losses. Timber concessions and cutting rights are amortised on a straight-line basis, over the terms of license of respective timber concessions and cutting rights.

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains and losses from de-recognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognised in profit or loss when the asset is derecognised.

Impairment on property, plant and equipment, right-of-use assets and intangible assets other than goodwill (see accounting policy in respect of goodwill above)

At the end of each reporting period, the Group reviews the carrying amounts of its property, plant and equipment, right-of-use assets and intangible assets with finite useful lives to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the relevant asset is estimated in order to determine the extent of the impairment loss, if any.

The recoverable amount of property, plant and equipment, right-of-use assets and intangible assets are estimated individually. When it is not possible to estimate the recoverable amount individually, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Significant accounting policies (continued)

Impairment on property, plant and equipment, right-of-use assets and intangible assets other than goodwill (see accounting policy in respect of goodwill above) (continued)

In testing a cash-generating unit for impairment, corporate assets are allocated to the relevant cash-generating unit when a reasonable and consistent basis of allocation can be established, or otherwise they are allocated to the smallest group of cash generating units for which a reasonable and consistent allocation basis can be established. The recoverable amount is determined for the cash-generating unit or group of cash-generating units to which the corporate asset belongs, and is compared with the carrying amount of the relevant cash-generating unit or group of cash-generating units.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset (or the cash-generating unit) for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or a cash-generating unit) is reduced to its recoverable amount. For corporate assets or portion of corporate assets which cannot be allocated on a reasonable and consistent basis to a cash-generating unit, the Group compares the carrying amount of a group of cash-generating units, including the carrying amounts of the corporate assets or portion of corporate assets allocated to that group of cash-generating units, with the recoverable amount of the group of cash-generating units. In allocating the impairment loss, the impairment loss is allocated first to reduce the carrying amount of any goodwill (if applicable) and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit or the group of cash-generating units. The carrying amount of an asset is not reduced below the highest of its fair value less costs of disposal (if measurable), its value in use (if determinable) and zero. The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit or the group of cash-generating units. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount under another standard, in which case the impairment loss is treated as a revaluation decrease under that standard.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Significant accounting policies (continued)

Impairment on property, plant and equipment, right-of-use assets and intangible assets other than goodwill (see accounting policy in respect of goodwill above) (continued)

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit or a group of cash-generating units) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or a cash-generating unit or a group of cash-generating units) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount under another standard, in which case the reversal of the impairment loss is treated as a revaluation increase under that standard.

Impairment loss on property, plant and equipment, right-of-use assets and intangible assets other than goodwill is classified in the consolidated statement of profit or loss and other comprehensive income within the functions to which the asset relates, consistent with how the depreciation or amortisation of the relevant asset is classified.

Cash and cash equivalents

Bank balances and cash presented on the consolidated statement of financial position and the consolidated statement of cash flows include:

(a) cash, which comprises of cash on hand and demand deposits, excluding bank balances that are subject to regulatory restrictions that result in such balances no longer meeting the definition of cash; and

(b) cash equivalents, which comprises of short-term (generally with original maturity of three months or less), highly liquid investments that are readily convertible to a known amount of cash and which are subject to an insignificant risk of changes in value. Cash equivalents are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Significant accounting policies (continued)

Inventories

Inventories are stated at the lower of cost and net realisable value. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale. Costs necessary to make the sale include incremental costs directly attributable to the sale and non-incremental costs which the Group must incur to make the sale.

Cost of the Group's logs and timber products in Suriname is determined on a weighted average cost basis. The cost comprises direct materials, direct labour and an appropriate proportion of overheads and amortisation of timber concessions and cutting rights.

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

Financial instruments

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value except for trade receivables arising from contracts with customers which are initially measured in accordance with HKFRS 15 *Revenue from Contract with Customers*. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets or financial liabilities at fair value through profit or loss ("FVTPL")) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at FVTPL are recognised immediately in profit or loss.

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income and interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts and payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset or financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Significant accounting policies (continued)

Financial instruments (continued)

Financial assets

Classification and subsequent measurement of financial assets

Financial assets that meet the following conditions are subsequently measured at amortised cost:

- the financial asset is held within a business model whose objective is to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Amortised cost and interest income

Interest income is recognised using the effective interest method for financial assets measured subsequently at amortised cost. Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired (see below). For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset from the next reporting period. If the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset from the beginning of the reporting period following the determination that the asset is no longer credit-impaired.

Impairment of financial assets and lease receivables subject to impairment assessment under HKFRS 9

The Group performs impairment assessment under expected credit loss ("ECL") model on financial assets (including trade receivables for contracts with customers, other receivables, refundable earnest money paid for investments, amount due from a fellow subsidiary, bank balances) and lease receivables, which are subject to impairment assessment under HKFRS 9. The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Significant accounting policies (continued)

Financial instruments (continued)

Financial assets (continued)

Impairment of financial assets and lease receivables subject to impairment assessment under HKFRS 9 (continued)

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12-month ECL ("12m ECL") represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting date. Assessments are done based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.

The Group always recognises lifetime ECL for trade receivables.

For all other instruments, the Group measures the loss allowance equal to 12m ECL, unless when there has been a significant increase in credit risk since initial recognition, in which case the Group recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition.

(i) Significant increase in credit risk

In assessing whether the credit risk has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Significant accounting policies (continued)

Financial instruments (continued)

Financial assets (continued)

Impairment of financial assets and lease receivables subject to impairment assessment under HKFRS 9 (continued)

(i) Significant increase in credit risk (continued)

In particular, the following information is taken into account when assessing whether credit risk has increased significantly:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- significant deterioration in external market indicators of credit risk, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor;
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Significant accounting policies (continued)

Financial instruments (continued)

Financial assets (continued)

Impairment of financial assets and lease receivables subject to impairment assessment under HKFRS 9 (continued)

(ii) Definition of default

For internal credit risk management, the Group considers an event of default occurs when information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collaterals held by the Group).

Irrespective of the above, the Group considers that default has occurred when a financial asset is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

(iii) Credit-impaired financial assets

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

- significant financial difficulty of the issuer or the borrower;
- a breach of contract, such as a default or past due event;
- the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider; or
- it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Significant accounting policies (continued)

Financial instruments (continued)

Financial assets (continued)

Impairment of financial assets and lease receivables subject to impairment assessment under HKFRS 9 (continued)

(iv) Write-off policy

The Group writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, for example, when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. A write-off constitutes a de-recognition event. Any subsequent recoveries are recognised in profit or loss.

(v) Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information. Estimation of ECL reflects an unbiased and probability-weighted amount that is determined with the respective risks of default occurring as the weights. The Group uses a practical expedient in estimating ECL on certain trade receivables using a provision matrix taking into consideration debtors' aging historical credit loss experience, adjusted for forward looking information that is available without undue cost or effort. Debtors with significant balances or credit-impaired balances are assessed individually.

Generally, the ECL is the difference between all contractual cash flows that are due to the Group in accordance with the contract and the cash flows that the Group expects to receive, discounted at the effective interest rate determined at initial recognition. For a lease receivable, the cash flows used for determining the ECL is consistent with the cash flows used in measuring the lease receivable in accordance with HKFRS 16.

Interest income is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit-impaired, in which case interest income is calculated based on amortised cost of the financial asset.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Significant accounting policies (continued)

Financial instruments (continued)

Financial assets (continued)

Impairment of financial assets and lease receivables subject to impairment assessment under HKFRS 9 (continued)

(v) Measurement and recognition of ECL (continued)

The Group recognises an impairment gain or loss in profit or loss for all financial instruments by adjusting their carrying amount, with the exception of trade receivables where the corresponding adjustment is recognised through a loss allowance account.

De-recognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire.

On de-recognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

Financial liabilities and equity

Classification as debt or equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recognised at the proceeds received, net of direct issue costs.

Financial liabilities at amortised cost

Financial liabilities (including trade payables, other payables, loans from immediate holding company and a fellow subsidiary and bank borrowings) are subsequently measured at amortised cost, using the effective interest method.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Significant accounting policies (continued)

Financial instruments (continued)

Financial liabilities and equity (continued)

De-recognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Modification of financial liabilities such as borrowings, trade and other payables, etc.

When the contractual terms of a financial liability are modified, the Group assess whether the revised terms result in a substantial modification from original terms taking into account all relevant facts and circumstances including qualitative factors. If qualitative assessment is not conclusive, the Group considers that the terms are substantially different if the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received, and discounted using the original effective interest rate, is at least 10 per cent different from the discounted present value of the remaining cash flows of the original financial liability. The above said fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. Accordingly, such modification of terms is accounted for as an extinguishment, any costs or fees incurred are recognised as part of the gain or loss on the extinguishment. The exchange or modification is considered as non-substantial modification when such difference is less than 10 per cent.

For non-substantial modifications of financial liabilities that do not result in de-recognition, the carrying amount of the relevant financial liabilities will be calculated at the present value of the modified contractual cash flows discounted at the financial liabilities' original effective interest rate. Transaction costs or fees incurred are adjusted to the carrying amount of the modified financial liabilities and are amortised over the remaining term. Any adjustment to the carrying amount of the financial liability is recognised in profit or loss at the date of modification.

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 3, the Directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Critical judgement in applying accounting policies

The following are the critical judgments, apart from those involving estimations (see below), that the Directors have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the consolidated financial statements.

Determination on lease term of contracts with renewal options

The Group applies judgment to determine the lease term for lease contracts in which it is a lessee that include renewal option, specifically, the leases relating to offices and leasehold lands. In determining the lease term and assessing the length of the non-cancellable period, the Group applies the definition of a contract and determines the period for which the contract is enforceable.

The assessment of whether the Group is reasonably certain to exercise renewal options impacts the lease term, which significantly affects the amount of lease liabilities and right-of-use assets recognised. Re-assessment is performed upon the occurrence of either a significant event or a significant change in circumstances that is within the control of lessee and that affects the assessment.

When assessing reasonable certainty, the Group considers all relevant facts and circumstances including economic incentives/penalties for exercising or not exercising the options. Factors considered include the conditions and quality of the forestry land and the future harvesting plans of the Group.

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY *(continued)*

Critical judgement in applying accounting policies (continued)

Determination on lease term of contracts with renewal options (continued)

During the year ended 31 December 2022, the undiscounted potential future lease payments for extension options in which the Group is not reasonably certain to exercise, which is detailed in note 17, amount to HK$31,264,000 (2021: HK$33,381,000).

Determination on the useful lives of the concession licences

The timber concessions and cutting rights have finite useful lives with contractual terms with the first term ranging from 10 to 20 years and can be extended for further 10 to 20 years for the second term upon the approval of renewal by relevant authorities in Suriname.

In previous years, the Group considered that their useful lives should include the second term on the basis that the term of concession and cutting rights can be renewed without significant costs. However, the Group has recently experienced longer delay in obtaining renewal approval from the Suriname government authority.

Therefore, the Group has accelerated the amortisation of those timber concessions and cutting rights to reflect the shorter expected useful lives which, in the opinion of the Directors, better reflects the consumption of the economic benefits of these concessions and rights. The remaining expected useful lives range from 1 year to 17 years.

Key sources of estimation uncertainty

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY *(continued)*

Key sources of estimation uncertainty (continued)

Fair value of forestry land and plantation forest assets

The Group's forestry land and plantation forest assets are stated at revaluated amount and at fair value less costs to sell, respectively. In determining the fair value of the plantation forest assets, the professional valuer has applied income approach according to HKFRS 13. The methodologies require key assumptions and estimates regarding discount rate and log price projections. Some weighting has also been given to a cost-based approach for young stands, where the cost of establishing and tending those stands is considered. The professional valuer of the underlying forestry land has carried out the fair value assessment by using sales comparison approach.

Any change in the valuation assumptions may affect the fair value of the forestry land and the plantation forest assets significantly.

The management reviews the assumptions and estimates periodically to identify any significant change in the fair value of the forestry land and the plantation forest assets. The carrying amounts of the Group's forestry land and plantation forest assets as at 31 December 2022 were HK$146,906,000 and HK$382,123,000 (2021: HK$140,215,000 and HK$411,173,000), respectively. Further details of these are set out in notes 16 and 21.

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 sensitivity factors on the fair value of plantation forest assets).

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY *(continued)*

Key sources of estimation uncertainty (continued)

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

Year ended 31 December 2022

Change in production costs	Increase (decrease) in production costs %	Increase (decrease) in loss before tax HK$'000
If the production costs increase	5	36,419
If the production costs decrease	(5)	(36,419)

Change in transport costs	Increase (decrease) in transport costs %	Increase (decrease) in loss before tax HK$'000
If the transport costs increase	5	17,855
If the transport costs decrease	(5)	(17,855)

Change in log price	Increase (decrease) in log price %	(Decrease) increase in loss before tax HK$'000
If the log price increases	5	(83,384)
If the log price decreases	(5)	83,384

Change in discount rate	Increase (decrease) in discount rate %	Increase (decrease) in loss before tax HK$'000
If the discount rate increases	1	69,981
If the discount rate decreases	(1)	(90,788)

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY *(continued)*

Key sources of estimation uncertainty (continued)

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

Year ended 31 December 2021

Change in production costs	Increase (decrease) in production costs %	Increase (decrease) in loss before tax HK$'000
If the production costs increase	5	33,632
If the production costs decrease	(5)	(33,632)

Change in transport costs	Increase (decrease) in transport costs %	Increase (decrease) in loss before tax HK$'000
If the transport costs increase	5	17,554
If the transport costs decrease	(5)	(17,554)

Change in log price	Increase (decrease) in log price %	(Decrease) increase in loss before tax HK$'000
If the log price increases	5	(84,806)
If the log price decreases	(5)	84,806

Change in discount rate	Increase (decrease) in discount rate %	Increase (decrease) in loss before tax HK$'000
If the discount rate increases	1	74,119
If the discount rate decreases	(1)	(94,708)

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY *(continued)*

Key sources of estimation uncertainty (continued)

Impairment of timber concessions and cutting rights and property, plant and equipment

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

As at 31 December 2022, the carrying amount of timber concessions and cutting rights is HK$104,411,000 (2021: HK$142,886,000), net of accumulated impairment loss of HK$588,006,000 (2021: HK$587,064,000). Details of the recoverable amount calculation are disclosed in note 19.

As at 31 December 2022, the carrying amount of property, plant and equipment of Suriname segment is HK$34,584,000 (2021: HK$38,180,000), net of accumulated impairment loss of HK$138,186,000 (2021: HK$138,186,000). Details of the recoverable amount calculation are disclosed in note 16.

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY *(continued)*

Key sources of estimation uncertainty (continued)

Net realisable value of inventories

Net realisable value of inventories is the estimated selling price in the ordinary course of business, less estimated costs of completion and other costs necessary to sell inventories including allocation of direct costs of sales department. These estimates are based on the analysis of the status of the subsequent sales and the current market price of inventories. It could change significantly as a result of changes in customer taste and competitor actions in response to severe industry cycle. The Directors reassess the estimations at the end of each reporting period. At 31 December 2022, the carrying amount of inventories is HK$13,293,000 (2021: HK$40,318,000).

Provision of ECL for trade receivables

Trade receivables with significant balances and credit-impaired are assessed for ECL individually. In addition, the Group uses practical expedient in estimating ECL on trade receivables which are not assessed individually using a provision matrix. The provision rates are based on aging of debtors as groupings of various debtors taking into consideration the Group's historical default rates and forward-looking information that is reasonable and supportable available without undue costs or effort. At every reporting date, the historical observed default rates are reassessed and changes in the forward-looking information are considered.

The provision of ECL is sensitive to changes in estimates. The information about the ECL and the Group's trade receivables are disclosed in notes 40 and 24.

5. REVENUE

	2022 HK$'000	2021 HK$'000
Types of goods or services		
Sales of logs and timber products	**155,201**	312,433
Forest management fee	**5,438**	4,527
Total revenue from contracts with customers	**160,639**	316,960
Subcontracting fee income	**3,666**	3,561
Total revenue	**164,305**	320,521

(i) Disaggregation of revenue from contracts with customers

	For the year ended 31 December 2022		
Segments	**Suriname HK$'000**	**New Zealand HK$'000**	**Total HK$'000**
Types of goods or services			
Sales of logs and timber products	**27,862**	**127,339**	**155,201**
Forest management fee	**–**	**5,438**	**5,438**
Total	**27,862**	**132,777**	**160,639**
Timing of revenue recognition			
A point in time	**27,862**	**127,339**	**155,201**
Over time	**–**	**5,438**	**5,438**
Total	**27,862**	**132,777**	**160,639**

5. REVENUE *(continued)*

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

Set out below is the reconciliation of the revenue from contracts with customers with the amounts disclosed in the segment information:

	For the year ended 31 December 2022		
Segments	**Suriname HK$'000**	**New Zealand HK$'000**	**Segment and consolidated total HK$'000**
Revenue from contracts with customers	**27,862**	**132,777**	**160,639**
Subcontracting fee income	**3,666**	**–**	**3,666**
Revenue disclosed in segment information	**31,528**	**132,777**	**164,305**

	For the year ended 31 December 2021		
Segments	Suriname HK$'000	New Zealand HK$'000	Total HK$'000
Types of goods or services			
Sales of logs and timber products	33,202	279,231	312,433
Forest management fee	–	4,527	4,527
Total	33,202	283,758	316,960
Timing of revenue recognition			
A point in time	33,202	279,231	312,433
Over time	–	4,527	4,527
Total	33,202	283,758	316,960

5. REVENUE *(continued)*

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

Set out below is the reconciliation of the revenue from contracts with customers with the amounts disclosed in the segment information:

	For the year ended 31 December 2021		
Segments	Suriname	New Zealand	Segment and consolidated total
	HK$'000	HK$'000	HK$'000
Revenue from contracts with customers	33,202	283,758	316,960
Subcontracting fee income	3,561	–	3,561
Revenue disclosed in segment information	36,763	283,758	320,521

Geographical markets

Information about the Group's revenue from external customers is presented based on the location of customers with reference to the billing address, regardless of the destination of the shipment:

	For the year ended 31 December 2022		
Segments	**Suriname**	**New Zealand**	**Total**
	HK$'000	**HK$'000**	**HK$'000**
New Zealand*	**–**	**132,777**	**132,777**
Suriname	**6,749**	**–**	**6,749**
The United States	**6,649**	**–**	**6,649**
Hong Kong	**3,261**	**–**	**3,261**
Mauritius	**2,662**	**–**	**2,662**
Mainland China	**2,351**	**–**	**2,351**
Belgium	**2,341**	**–**	**2,341**
Taiwan	**1,921**	**–**	**1,921**
Denmark	**1,600**	**–**	**1,600**
India	**1,434**	**–**	**1,434**
The Netherlands	**1,109**	**–**	**1,109**
Other countries	**1,451**	**–**	**1,451**
Total	**31,528**	**132,777**	**164,305**

5. REVENUE *(continued)*

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

Geographical markets (continued)

	For the year ended 31 December 2021		
Segments	Suriname	New Zealand	Total
	HK$'000	HK$'000	HK$'000
New Zealand*	–	283,758	283,758
Hong Kong	9,191	–	9,191
Suriname	5,983	–	5,983
Mauritius	4,600	–	4,600
India	4,119	–	4,119
Belgium	3,676	–	3,676
The Netherlands	1,864	–	1,864
Denmark	1,582	–	1,582
Mainland China	1,377	–	1,377
The United States	1,373	–	1,373
Other countries	2,998	–	2,998
Total	36,763	283,758	320,521

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

The subcontracting fee income of HK$3,666,000 (2021: HK$3,561,000) is included in the revenue from customers located in Suriname above for the year ended 31 December 2022.

5. REVENUE *(continued)*

(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 overseas customers. Revenue from domestic customers is recognised at a point in time when control of the goods has been transferred at an agreed location. For overseas sales, revenue is recognised at a point in time when control of the goods has been transferred to the customers, when the goods have been delivered to port of discharge or the loading port to which the related shipping is arranged by the customers. Any shipping and handling activities before the customer obtains control of goods are considered as fulfilment activities and are not regarded as a separate performance obligation. Significant payment terms are disclosed in note 24.

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 as the Group performs. 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, which approximates the value of performance completed in accordance with output method.

During the years ended 31 December 2022 and 2021, all performance obligations for sales of products and forest management fee are for the period less than one year. As permitted under HKFRS 15, the transaction price allocated to unsatisfied performance obligations as at 31 December 2022 and 2021 are not disclosed.

5. REVENUE *(continued)*

(iii) Subcontracting fee income

The Group entered into contracts with subcontractors pursuant to which the subcontractors are granted the right to operate in certain forest concession areas in Suriname division. The income received from the subcontractors varies and it is billed at a predetermined rate based on each volume of the output of logs and the subcontractors are committed to have a minimum output of logs and fixed payments in each year. It is accounted for as operating lease arrangements under HKFRS 16.

	2022 **HK$'000**	2021 HK$'000
Lease payments that are fixed	**3,510**	3,510
Variable lease payments that do not depend on an index or a rate	**156**	51
Total revenue arising from leases	**3,666**	3,561

6. OPERATING SEGMENTS

The Group manages its businesses by geographical location, and the chief operating decision makers (i.e. the key management of the Group (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 and the management and operation of forest concessions

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

6. OPERATING SEGMENTS *(continued)*

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

Segment performance is evaluated by the Management based on reportable segment Adjusted EBITDA (as defined below), which is a measure of loss before tax and excluding finance costs, interest income, finance lease income and other non-cash items comprising depreciation, forest depletion cost as a result of harvesting, amortisation of timber concessions and cutting rights, harvest roading costs, fair value (loss) gain on plantation forest assets, reversal of write-down of inventories, impairment losses and reversal of impairment. In addition, the Management also reviews the abovementioned non-cash items, finance costs, interest income, finance lease income, earnings before interest, taxes, depreciation, and amortisation ("EBITDA") and loss before tax for each reportable segment.

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

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

The Group allocates property, plant and equipment, right-of-use assets, plantation forest assets, timber concessions and cutting rights, harvest roading included in prepayments, deposits and other assets, inventories and financial assets to segment assets whereas the related depreciation, depletion, fair value changes, amortisation and impairment losses are excluded in the segment results ("Adjusted EBITDA").

Details of geographical segment information are disclosed in note 5.

6. OPERATING SEGMENTS *(continued)*

Segment revenues and results

The following table presents revenue, results, assets and liabilities and other information regarding the Group's operating segments for the year:

For the year ended 31 December 2022

	Suriname HK$'000	New Zealand HK$'000	Segment total HK$'000	Unallocated corporate items HK$'000	Consolidated total HK$'000
SEGMENT REVENUE - EXTERNAL	31,528	132,777	164,305	–	164,305
SEGMENT RESULTS ("Adjusted EBITDA")	(8,913)	5,698	(3,215)	(12,597)	(15,812)
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 loss on plantation forest assets	–	(3,250)	(3,250)	–	(3,250)
Interest income and finance lease income	213	280	493	22	515
(Provision) reversal of impairment of trade receivables	(230)	356	126	–	126
Reversal of impairment of other receivables	351	–	351	24,445	24,796
Reversal of impairment of right-of-use assets**	901	–	901	–	901
Impairment of timber concessions and cutting rights*	(942)	–	(942)	–	(942)
Reversal of write-down of inventories*	814	–	814	–	814

6. OPERATING SEGMENTS *(continued)*

Segment revenues and results (continued)

For the year ended 31 December 2022 (continued)

	Suriname HK$'000	New Zealand HK$'000	Segment total HK$'000	Unallocated corporate items HK$'000	Consolidated total HK$'000
EBITDA	(7,806)	3,084	(4,722)	11,870	7,148
Finance costs	(7,172)	(9,854)	(17,026)	(82)	(17,108)
Forest depletion cost as a result of harvesting*	–	(37,347)	(37,347)	–	(37,347)
Depreciation***	(6,579)	(18,000)	(24,579)	(1,456)	(26,035)
Harvest roading costs*	–	(5,933)	(5,933)	–	(5,933)
Amortisation of timber concessions and cutting rights****	(37,533)	–	(37,533)	–	(37,533)
(LOSS) PROFIT BEFORE TAX	(59,090)	(68,050)	(127,140)	10,332	(116,808)
SEGMENT ASSETS	182,347	768,357	950,704	17,313	968,017
SEGMENT LIABILITIES	251,016	291,284	542,300	4,905	547,205
Other segment information					
Capital expenditures#	(1,134)	(14,636)	(15,770)	–	(15,770)

\# Capital expenditures consist of additions to property, plant and equipment, right-of-use assets, harvest roading and plantation forest assets, and acquisition of plantation forest assets.

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

** Included in "Other gains and losses" in the consolidated statement of profit or loss and other comprehensive income.

*** Depreciation of HK$4,526,000 is included in "Cost of sales and services" in the consolidated statement of profit or loss and other comprehensive income.

**** Amortisation of timber concessions and cutting rights of HK$37,533,000 is included in "Cost of sales and services" in the consolidated statement of profit or loss and other comprehensive income.

6. OPERATING SEGMENTS *(continued)*

Segment revenues and results (continued)

For the year ended 31 December 2021

	Suriname HK$'000	New Zealand HK$'000	Segment total HK$'000	Unallocated corporate items HK$'000	Consolidated total HK$'000
SEGMENT REVENUE - EXTERNAL	36,763	283,758	320,521	–	320,521
SEGMENT RESULTS ("Adjusted EBITDA")	(12,544)	69,381	56,837	(13,070)	43,767
Reconciliation of the segment results:					
Items other than finance costs, income tax expense, forest depletion cost as a result of harvesting, depreciation and amortisation					
Fair value gain on plantation forest assets	–	26,630	26,630	–	26,630
Interest income and finance lease income	609	7	616	73	689
Provision of impairment of trade receivables	(25)	(1,601)	(1,626)	–	(1,626)
Impairment of right-of-use assets**	(91)	–	(91)	–	(91)
Impairment of property, plant and equipment*	(8,128)	–	(8,128)	–	(8,128)
Reversal of impairment of timber concessions and cutting rights*	12,785	–	12,785	–	12,785
Reversal of write-down of inventories*	3,447	–	3,447	–	3,447

6. OPERATING SEGMENTS *(continued)*

Segment revenues and results (continued)

For the year ended 31 December 2021 (continued)

	Suriname HK$'000	New Zealand HK$'000	Segment total HK$'000	Unallocated corporate items HK$'000	Consolidated total HK$'000
EBITDA	(3,947)	94,417	90,470	(12,997)	77,473
Finance costs	(7,065)	(9,009)	(16,074)	(97)	(16,171)
Forest depletion cost as a result of harvesting*	–	(68,091)	(68,091)	–	(68,091)
Depreciation***	(7,986)	(15,340)	(23,326)	(3,067)	(26,393)
Harvest roading costs*	–	(6,297)	(6,297)	–	(6,297)
Amortisation of timber concessions and cutting rights****	(10,022)	–	(10,022)	–	(10,022)
LOSS BEFORE TAX	(29,020)	(4,320)	(33,340)	(16,161)	(49,501)
SEGMENT ASSETS	236,944	842,414	1,079,358	30,754	1,110,112
SEGMENT LIABILITIES	286,570	301,292	587,862	5,570	593,432
Other segment information					
Capital expenditures#	(527)	(23,486)	(24,013)	(4,255)	(28,268)

Capital expenditures consist of additions to property, plant and equipment, right-of-use assets, harvest roading and plantation forest assets, and acquisition of plantation forest assets.

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

** Included in "Other gains and losses" in the consolidated statement of profit or loss and other comprehensive income.

*** Depreciation of HK$5,225,000 is included in "Cost of sales and services" in the consolidated statement of profit or loss and other comprehensive income.

**** Amortisation of timber concessions and cutting rights of HK$10,022,000 is included in "Cost of sales and services" in the consolidated statement of profit or loss and other comprehensive income.

6. OPERATING SEGMENTS *(continued)*

Segment revenues and results (continued)

Information about the Group's non-current assets is presented based on the geographical location of the assets.

	Non-current assets	
	2022	2021
	HK$'000	HK$'000
New Zealand	**666,326**	701,938
Suriname	**156,914**	199,914
Hong Kong	**2,458**	3,904
Mainland China	**1,626**	1,826
	827,324	907,582

Note: Non-current assets exclude finance lease receivables.

Information about major customers

During the year ended 31 December 2022, the Group had transactions with one (2021: two) customer(s) from New Zealand segment who individually contributed over 10% of the Group's total revenue for the year. A summary of revenue earned from each of these major customers is set out below:

	2022	2021
	HK$'000	HK$'000
Customer 1	**106,981**	51,335
Customer 2	**N/A***	195,040

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

7. OTHER INCOME, GAINS AND LOSSES

Other income:

	2022 HK$'000	2021 HK$'000
Bank and other interest income	340	81
Finance lease income	175	608
Government grants (note)	240	–
Others	575	839
	1,330	1,528

Other gains and losses:

	2022 HK$'000	2021 HK$'000
Loss on early termination of a lease	–	(302)
Loss on disposal of property, plant and equipment	–	(1)
Reversal (provision) of impairment of right-of-use assets	901	(91)
	901	(394)

Note: During the year ended 31 December 2022, the Group recognised government grants of HK$240,000 (2021: nil) in respect of COVID-19-related subsidies under the Employment Support Scheme provided by the Hong Kong government.

8. IMPAIRMENT LOSSES REVERSED (RECOGNISED) ON FINANCIAL ASSETS, NET

	2022 HK$'000	2021 HK$'000
Net impairment losses reversed (recognised) on:		
– trade receivables in respect of goods and services	**126**	(1,626)
– other receivables	**24,796**	–
	24,922	(1,626)

Details of ECL assessment for the years ended 31 December 2022 and 2021 are set out in note 40.

9. FINANCE COSTS

	2022 HK$'000	2021 HK$'000
Interest on loans from immediate holding company	**7,172**	7,052
Interest on loan from a fellow subsidiary	**7,467**	556
Interest on bank borrowings	**1,269**	7,096
Interest on lease liabilities	**1,200**	1,467
	17,108	16,171

10. LOSS BEFORE TAX

The Group's loss before tax for the year has been arrived at after charging (crediting):

	2022 HK$'000	2021 HK$'000
Cost of inventories sold (including net reversal of write-down of inventories)	172,831	284,081
Cost of services rendered	3,859	2,466
Amortisation of timber concessions and cutting rights*	37,533	10,022
Forest harvested as agricultural produce	29,965	75,305
Amount capitalised in closing inventories	(1,144)	(8,526)
Amount released from opening inventories	8,526	1,312
Forest depletion cost as a result of harvesting*	37,347	68,091
Depreciation of:		
– property, plant and equipment	20,280	19,829
– right-of-use assets	5,755	6,564
Harvest roading costs*	5,933	6,297
Impairment of property, plant and equipment*	–	8,128
Provision (reversal) of impairment of timber concessions and cutting rights*	942	(12,785)
Net reversal of write-down of inventories*	(814)	(3,447)
Foreign exchange gain, net**	(2,088)	(7,999)
Auditor's remuneration	2,300	2,590
Employee benefits expenses (including Directors' remuneration)*:		
– Salaries and allowances	33,113	32,479
– Pension scheme contributions (defined contribution scheme)	248	226
	33,361	32,705

10. LOSS BEFORE TAX *(continued)*

* These costs and employee benefits expenses of HK$14,679,000 (2021: HK$13,213,000) are allocated to cost of inventories based on normal expected harvest volume, unallocated portions are recognised as expenses in the period in which they are incurred and included in "Cost of sales and services" in the consolidated statement of profit or loss and other comprehensive income.

** Foreign exchange gains and losses are classified based on the nature of the transactions or events which give rise to those foreign exchange gains or losses. Foreign exchange loss of HK$119,000 (2021: gain of HK$3,293,000) and foreign exchange gain of HK$2,207,000 (2021: HK$4,706,000) are included in "Cost of sales and services" and "Administrative expenses" in the consolidated statement of profit or loss and other comprehensive income, respectively.

11. DIRECTORS' AND CHIEF EXECUTIVE OFFICER'S EMOLUMENTS

Directors' and chief executive officer's remuneration for the year, disclosed pursuant to the applicable Listing Rules and Hong Kong Companies Ordinance, is as follows:

	2022 **HK$'000**	2021 HK$'000
Fees	**1,826**	1,776
Other emoluments:		
Salaries, allowances and benefits in kind	**2,760**	2,760
Pension scheme contributions	**18**	18
	2,778	2,778
	4,604	4,554

11. DIRECTORS' AND CHIEF EXECUTIVE OFFICER'S EMOLUMENTS *(continued)*

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

Year ended 31 December 2022

	Fees HK$'000	Salaries, allowances and benefits in kind HK$'000	Pension scheme contributions HK$'000	Total remuneration HK$'000
Executive director:				
Mr. Ding Wai Chuen (Chief Executive Officer)	240	2,760	18	3,018
	240	2,760	18	3,018
Non-executive directors:				
Mr. Cheng Chi-Him, Conrad	240	–	–	240
Mr. Kenneth Lau*	145	–	–	145
Mr. Lie Ken Jie Remy Anthony Ket Heng**	145	–	–	145
Mr. Tsang On-Yip, Patrick***	96	–	–	96
Mr. Simon Murray	240	–	–	240
	866	–	–	866
Independent non-executive directors:				
Mr. Wong Man Chung, Francis	240	–	–	240
Mr. Cheung Pak To, Patrick	240	–	–	240
Mr. To Chun Wai	240	–	–	240
	720	–	–	720
Total	1,826	2,760	18	4,604

* Mr. Kenneth Lau was appointed as an independent non-executive director on 24 May 2022.

** Mr. Lie Ken Jie Remy Anthony Ket Heng was appointed as an independent non-executive director on 24 May 2022.

*** Mr. Tsang On-Yip, Patrick retired as a non-executive director on 24 May 2022.

11. DIRECTORS' AND CHIEF EXECUTIVE OFFICER EMOLUMENTS *(continued)*

Year ended 31 December 2021

	Fees HK$'000	Salaries, allowances and benefits in kind HK$'000	Pension scheme contributions HK$'000	Total remuneration HK$'000
Executive director:				
Mr. Ding Wai Chuen (Chief Executive Officer)	240	2,760	18	3,018
	240	2,760	18	3,018
Non-executive directors:				
Mr. Cheng Chi-Him, Conrad	240	–	–	240
Mr. Tsang On-Yip, Patrick	240	–	–	240
Mr. Simon Murray	240	–	–	240
Mr. Cheng Yang*	96	–	–	96
	816	–	–	816
Independent non-executive directors:				
Mr. Wong Man Chung, Francis	240	–	–	240
Mr. Cheung Pak To, Patrick	240	–	–	240
Mr. To Chun Wai	240	–	–	240
	720	–	–	720
Total	1,776	2,760	18	4,554

* Mr. Cheng Yang retired as a non-executive director on 25 May 2021.

11. DIRECTORS' AND CHIEF EXECUTIVE OFFICER EMOLUMENTS *(continued)*

The executive directors' remuneration shown above were for their services in connection with the management of the affairs of the Company and the Group. The non-executive directors' remuneration shown above were for their services as the directors of the Company and its subsidiaries, if applicable. The independent non-executive directors' remuneration shown above were for their services as Directors.

There was no arrangement under which a director waived or agreed to waive any remuneration during the years ended 31 December 2022 and 2021.

12. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees of the Group during the year ended 31 December 2022 included one (2021: one) director, details of whose remuneration are set out in note 11 above. Details of the remuneration for the year of the remaining four (2021: four) highest paid employees who are neither a director nor chief executive officer of the Company are as follows:

	2022	2021
	HK$'000	HK$'000
Salaries, allowances and benefits in kind	**6,268**	5,937
Pension scheme contributions	**36**	36
	6,304	5,973

The number of highest paid employees who are not the Directors of the Company whose remuneration fell within the following bands is as follows:

	Number of employees	
	2022	2021
HK$0 to HK$1,000,000	**2**	2
HK$1,500,001 to HK$2,000,000	**–**	1
HK$2,000,001 to HK$2,500,000	**2**	1
	4	4

No bonus (2021: nil) was paid to the remaining four (2021: four) highest paid employees. No payment (2021: nil) was made by the Group to the remaining four (2021: four) highest paid employees as an inducement to join or upon joining the Group or as compensation for loss of office.

13. INCOME TAX (CREDIT) EXPENSE

	2022 HK$'000	2021 HK$'000
The income tax (credit) expense comprises:		
Current tax - Hong Kong		
Charge for the year	–	489
Over-provision in prior years	(9,558)	(47)
	(9,558)	442
Current tax - other jurisdictions		
Charge for the year	714	865
Over-provision in prior years	(984)	–
Withholding tax	–	871
Current tax	(9,828)	2,178
Deferred tax (note 32)	(9,234)	7,552
	(19,062)	9,730

Under the two-tiered profits tax rates regime introduced in Hong Kong in 2018, the first HK$2,000,000 of profits of the qualifying group entity will be taxed at 8.25%, and profits above HK$2,000,000 will be taxed at 16.5%. 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% and 28%, respectively.

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

13. INCOME TAX (CREDIT) EXPENSE *(continued)*

The income tax (credit) expense for the year can be reconciled to the loss before tax per the consolidated statement of profit or loss and other comprehensive income as follows:

	2022	2021
	HK$'000	HK$'000
Loss before tax	**(116,808)**	(49,501)
Tax at the Hong Kong profits tax rate of 16.5% (note)	**(19,273)**	(8,168)
Over-provision in prior years	**(10,542)**	(47)
Difference in tax rates of subsidiaries operating in other jurisdictions	**(5,653)**	3,607
Tax effect of share of loss of an associate	**10**	20
Tax effect of expenses not deductible for tax purpose	**1,159**	896
Tax effect of income not taxable for tax purpose	**(4,266)**	(73)
Tax effect of tax losses not recognised	**19,639**	12,764
Utilisation of tax losses previously not recognised	**(136)**	(140)
Withholding tax	**–**	871
Income tax (credit) expense for the year	**(19,062)**	9,730

Note: Hong Kong profits tax is used as the largest portion of profit earned by the subsidiaries is subject to Hong Kong profits tax with the tax rate 16.5%.

14. DIVIDENDS

No dividend was paid or proposed by the Directors for both years, nor has any dividend been proposed since the end of the reporting period.

15. 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:

	2022	2021
	HK$'000	HK$'000
Loss for the purposes of basic and diluted loss per share attributable to owners of the Company	**(68,152)**	(36,938)

	2022	2021
Number of shares		
Weighted average number of ordinary shares for the purpose of basic and diluted loss per share	**1,854,991,056**	1,854,991,056

The diluted loss per share for the year ended 31 December 2022 was the same as the basic loss per share as there were no potential ordinary shares in issue for the year ended 31 December 2022.

The computation of diluted loss per share for the year ended 31 December 2021 did not assume the effect of the Company's share options since their assumed exercise would result in a decrease in loss per share.

16. PROPERTY, PLANT AND EQUIPMENT

	Forestry land HK$'000 (notes (a) & (b))	Buildings HK$'000	Roadings HK$'000	Leasehold improvements HK$'000	Plant and machinery HK$'000 (notes (c))	Furniture, fixtures and office equipment HK$'000	Motor vehicles HK$'000	Construction in progress HK$'000	Total HK$'000
COST OR VALUATION									
At 1 January 2021	138,401	58,633	179,700	6,653	178,752	14,785	7,741	18,289	602,954
Additions	–	54	13,971	250	59	298	–	281	14,913
Gain on revaluation	8,875	–	–	–	–	–	–	–	8,875
Disposals/written-off	–	–	–	–	(29)	(109)	(82)	–	(220)
Exchange adjustments	(7,061)	(9)	–	–	(59)	(79)	(38)	–	(7,246)
At 31 December 2021	140,215	58,678	193,671	6,903	178,723	14,895	7,621	18,570	619,276
Additions	2,355	–	5,775	–	593	149	–	426	9,298
Gain on revaluation	13,845	–	–	–	–	–	–	–	13,845
Disposals/written-off	–	–	(17,964)	–	–	(32)	–	–	(17,996)
Transfers	–	921	–	–	–	–	–	(921)	–
Exchange adjustments	(9,509)	(12)	–	–	(82)	(108)	(51)	–	(9,762)
At 31 December 2022	**146,906**	**59,587**	**181,482**	**6,903**	**179,234**	**14,904**	**7,570**	**18,075**	**614,661**
At 31 December 2022									
Comprising:									
Cost	**–**	**59,587**	**181,482**	**6,903**	**179,234**	**14,904**	**7,570**	**18,075**	**467,755**
Valuation	**146,906**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**146,906**
	146,906	**59,587**	**181,482**	**6,903**	**179,234**	**14,904**	**7,570**	**18,075**	**614,661**
At 31 December 2021									
Comprising:									
Cost	–	58,678	193,671	6,903	178,723	14,895	7,621	18,570	479,061
Valuation	140,215	–	–	–	–	–	–	–	140,215
	140,215	58,678	193,671	6,903	178,723	14,895	7,621	18,570	619,276

16. PROPERTY, PLANT AND EQUIPMENT *(continued)*

	Forestry land HK$'000 (notes (a) & (b))	Buildings HK$'000	Roadings HK$'000	Leasehold improvements HK$'000	Plant and machinery HK$'000 (notes (c))	Furniture, fixtures and office equipment HK$'000	Motor vehicles HK$'000	Construction in progress HK$'000	Total HK$'000
DEPRECIATION AND IMPAIRMENT									
At 1 January 2021	–	45,755	50,097	5,779	149,988	14,117	6,432	14,602	286,770
Depreciation provided during the year (note 10)	–	1,935	13,180	917	3,066	262	469	–	19,829
Disposals/written off	–	–	–	–	(27)	(104)	(82)	–	(213)
Impairment	–	–	–	–	8,128	–	–	–	8,128
Exchange adjustments	–	(9)	–	–	(50)	(58)	(28)	–	(145)
At 31 December 2021	–	47,681	63,277	6,696	161,105	14,217	6,791	14,602	314,369
Depreciation provided during the year (note 10)	–	1,923	16,000	86	1,621	211	439	–	20,280
Disposals/written off	–	–	(17,964)	–	–	(32)	–	–	(17,996)
Exchange adjustments	–	(12)	–	–	(77)	(85)	(38)	–	(212)
At 31 December 2022	**–**	**49,592**	**61,313**	**6,782**	**162,649**	**14,311**	**7,192**	**14,602**	**316,441**
CARRYING VALUES									
At 31 December 2022	**146,906**	**9,995**	**120,169**	**121**	**16,585**	**593**	**378**	**3,473**	**298,220**
At 31 December 2021	140,215	10,997	130,394	207	17,618	678	830	3,968	304,907

The above items of property, plant and equipment, except for other than forestry land and construction in progress are depreciated on a straight-line basis to the residual value over the estimated useful life at the following rates per annum:

Buildings	2.5% to 10%
Roadings	Over the shorter of the lease terms and 3%
Leasehold improvements	Over the shorter of the lease terms and 10%
Plant and machinery	
Sawmill facilities	4%
Others	10% to 20%
Furniture, fixtures and office equipment	20% to 33.3%
Motor vehicles	10% to 20%

16. PROPERTY, PLANT AND EQUIPMENT *(continued)*

Notes:

(a) Forestry land represents parcels of forestry land in New Zealand and accounted for using revaluation model.

The following table gives information about how the fair value of the Group's forestry land is determined (in particular, the valuation techniques and inputs used), as well as the fair value hierarchy into which the fair value measurements are categorised (Levels 1 to 3) based on the degree to which the inputs to the fair value measurements is observable:

	Fair value HK$'000	**Fair value hierarchy**	**Valuation technique**	**Significant unobservable inputs**	**Sensitivity**
As at 31 December 2022					
Forestry land, in New Zealand	**146,906**	Level 3	Direct comparison method - based on market observable transactions of similar land and adjusted to reflect the conditions of the subjected land	Market unit sales price per plantable area, estimated based on the average of recent transaction prices of similar properties ranging from New Zealand dollars ("NZ$")2,653/ha to NZ$20,000/ha, and adjusted for nature, location and conditions of the subjected land.	A significant increase/ decrease in market unit sales prices would result in significant increase/decrease in fair value.
As at 31 December 2021					
Forestry land, in New Zealand	140,215	Level 3	Direct comparison method - based on market observable transactions of similar land and adjusted to reflect the conditions of the subjected land	Market unit sales price per plantable area, estimated based on the average of recent transaction prices of similar properties ranging from New Zealand dollars 2,611/ha to NZ$15,163/ha, and adjusted for nature, location and conditions of the subjected land.	A significant increase/ decrease in market unit sales prices would result in significant increase/ decrease in fair value.

16. PROPERTY, PLANT AND EQUIPMENT *(continued)*

Notes: (continued)

(a) (continued)

In estimating the fair value of the forestry land, the highest and best use of the properties is their current use.

During the years ended 31 December 2022 and 2021, there were no transfers of fair value measurements into or out of Level 3.

The Group's forestry land was revalued on 31 December 2022 and 2021 by Telfer Young (Northland) Limited, with reference to the market price transactions on arm's length terms for land comparable in size and location to that held by the Group.

Had the forestry land been carried under the cost model, the carrying amount of the forestry land of the Group would have been approximately HK$93,633,000 as at 31 December 2022 (2021: HK$91,278,000).

(b) At 31 December 2022, the Group's forestry land with carrying amount of approximately HK$146,906,000 (2021: HK$140,215,000) was pledged to secure bank loan facilities granted to the Group. Details please refer to note 31.

(c) With the operating loss before finance costs resulted from the operations in west and central Suriname for the years ended 31 December 2022 and 2021, the management of the Group concluded there was indication for impairment on property, plant and equipment and timber concessions and cutting rights located in west and central Suriname. The recoverable amounts of timber concessions and cutting rights within the west and central Suriname are estimated individually, and are determined based on fair value less costs of disposal by the Directors with reference to a valuation carried out by the valuer as detailed in note 19. Then, the Group estimates the recoverable amounts of the related cash generating units, which include property, plant and equipment, timber concessions and cutting rights and allocated corporate assets for each of west and central Suriname based on their value in use. The pre-tax discount rate used in determination of the value in use is 14% to 15% (2021: 13% to 14%). No impairment was recognised for both years. The key assumptions applied are same as those disclosed in note 19. The management believes that any reasonably possible changes in any of these assumptions would not result in any impairment.

In addition, during the year ended 31 December 2021, certain immovable property, plant and equipment in west Suriname were no longer expected to be used in operations. Management performed impairment on such assets and concluded the estimated realisable values of these property, plant and equipment were negligible. Accordingly, an impairment loss of HK$8,128,000 was provided in full for those assets. No such impairment was made during the year ended 31 December 2022.

16. PROPERTY, PLANT AND EQUIPMENT *(continued)*

Notes: (continued)

(d) The operations in New Zealand currently turn to the end of the first rotation of the cycle as most of the planation forest assets have been harvested, a segment loss was expected from the management during the year ended 31 December 2022. The management expected to record segment profit when the second rotation begins in the forecast.

The management of the Group have assessed the cashflow forecast arising from the forecast yields of current rotation, the actual harvest volume during the year ended 31 December 2022 compared to management's budget and current price trend of logs and concluded there was no impairment on the operations in New Zealand.

17. RIGHT-OF-USE ASSETS

	Leasehold lands	Leased properties	Motor vehicles	Office equipment	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
As at 31 December 2022					
Carrying amount	**31,702**	**2,431**	**439**	**94**	**34,666**
As at 31 December 2021					
Carrying amount	34,859	3,981	54	102	38,996
For the year ended 31 December 2022					
Depreciation charge	**4,127**	**1,497**	**90**	**41**	**5,755**
For the year ended 31 December 2021					
Depreciation charge	4,145	2,284	91	44	6,564

17. RIGHT-OF-USE ASSETS *(continued)*

	2022	2021
	HK$'000	HK$'000
Expense relating to short-term lease and other leases with lease terms end within 12 months	**363**	374
Total cash outflow for leases	**(4,967)**	(6,430)
Additions to right-of-use assets (note)	**615**	4,087

Note:

Additions to right-of-use assets during the year ended 31 December 2022 are related to revisions reflecting changes in market rental rate using the published consumers price index in New Zealand and new lease contracts of motor vehicles and certain equipment in New Zealand (2021: new lease contracts of the Hong Kong office and certain equipment).

For both years, the Group leases lands, offices, motor vehicles and office equipment, for its operations. Lease contracts are entered into for fixed term of 1 year to 32 years (2021: 1 year to 32 years), but may have extension options as described below. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. In determining the lease term and assessing the length of the non-cancellable period, the Group applies the definition of a contract and determines the period for which the contract is enforceable. In addition, the Group has a lease contract for the lease of a piece of forest land in New Zealand and the Group has the right to handback the harvested portion of the land to the landlord during the remaining enforceable period of 24 years (2021: 25 years). The Group is reasonably certain they will utilise the forestry land and handback the harvested portion of land in accordance with their harvesting plans. The lease of this piece of land in New Zealand contains variable lease payments that depend on consumers price index which is subject to review annually.

The Group has extension options in a number of leases for land and offices. The majority of extension options held are exercisable only by the Group and not by the respective lessors.

17. RIGHT-OF-USE ASSETS *(continued)*

The Group assesses at the lease commencement date whether it is reasonably certain to exercise the extension options. The potential exposures to these future lease payments for extension options in which the Group is not reasonably certain to exercise is summarized below:

	Lease liabilities recognised as at 31 December 2022 HK$'000	Potential future lease payments not included in lease liabilities (undiscounted) HK$'000
Leasehold land - New Zealand	**7,352**	**28,240**
Leased properties - Hong Kong	**1,973**	**3,024**

	Lease liabilities recognised as at 31 December 2021 HK$'000	Potential future lease payments not included in lease liabilities (undiscounted) HK$'000
Leasehold land - New Zealand	7,867	30,357
Leased properties - Hong Kong	3,278	3,024

As at 31 December 2022 and 2021, there are no leases that are not yet commenced to which the Group is committed. During the year ended 31 December 2021, a lease of office in Hong Kong has been early terminated, resulting in a loss on early termination amounting to HK$302,000.

During the years ended 31 December 2022 and 2021, the management engaged the valuer to perform the valuation on the Group's leasehold lands in Suriname.

The management of the Group determined that the recoverable amounts were higher than their carrying amounts of the leasehold lands in Suriname. The recoverable amounts of the leasehold lands in Suriname were HK$10,944,000 (2021: HK$11,660,000) as at 31 December 2022. Accordingly, a reversal of impairment loss in the amount of HK$901,000 (2021: an impairment loss of HK$91,000) was made for certain leasehold lands located in Suriname.

17. RIGHT-OF-USE ASSETS *(continued)*

The recoverable amounts of leasehold lands in Suriname at the end of the reporting period were determined by fair value less costs of disposal, which were based on the valuation reports prepared by an independent professional valuer with reference to the market price transactions on arm's length terms for land comparable in size and location to that held by the Group. The fair value on which the recoverable amounts were based is categorised as a Level 3 measurement. The most significant unobservable input into this valuation approach is price per land area, estimated based on the average of recent transaction prices ranging from US$27.40 to US$127.91 (2021: from US$23.93 to US$140.73). A significant increase/decrease in price per land area would result in significant increase/decrease in fair value.

The management of the Group determined that there is no indication for impairment of the leasehold lands in New Zealand during the years ended 31 December 2022 and 2021. The details of the assessment for the relevant assets in New Zealand are set out in note 16.

The details of the restrictions on the leased assets are set out in note 43.

18. GOODWILL

	2022	2021
	HK$'000	HK$'000
COST		
At 1 January and 31 December	**42,430**	42,430
IMPAIRMENT		
At 1 January and 31 December	**36,779**	36,779
CARRYING VALUES		
At 31 December	**5,651**	5,651

18. GOODWILL *(continued)*

Impairment testing of goodwill

The carrying amount of goodwill which arose on the acquisitions of subsidiaries, was allocated to the following business cash-generating unit of the Group.

	2022	2021
	HK$'000	HK$'000
Forest management business in New Zealand	**5,651**	5,651

The goodwill in respect of the cash-generating units of logs and timber products business in west Suriname and central Suriname and pallets business amounting to HK$7,624,000, HK$27,854,000 and HK$1,301,000, respectively, had been fully impaired in prior years.

Forest management business

The goodwill represented the excess of the consideration paid over the identifiable assets acquired and liabilities assumed, in relation to the acquisition of the entire issued share capital of Northland Forest Managers (1995) Limited ("NFM").

Management allocated goodwill, right-of-use assets and certain property, plant and equipment to a cash-generating unit of the forest management business. The recoverable amount of cash-generating unit of the forest management business is determined based on a value in use calculation using cash flow projections based on financial budgets covering a five-year period (2021: five-year) approved by the management. The growth rate used to extrapolate the cash flows beyond the five-year period was 2% (2021: 2%). The growth rate does not exceed long-term average growth rate for the business in which the cash-generating unit operates.

18. GOODWILL *(continued)*

Forest management business (continued)

The key assumptions based upon are the discount rates, budgeted profit margins and revenues during the forecast period. The key assumptions on which management based its cash flow projections for the value in use are as follows:

Revenues and budgeted profit margins	The basis used to determine the value assigned is based on past performance and management expectation on NFM's ability to progress and to generate economic income stream through provision of forest management service.
Discount rates	The discount rate used is before tax and reflect specific risks relating to the relevant units without taking into account of inflation factor. The real pre-tax discount rate applied to cash flow projections was 7.00% (2021: 7.25%).

The values assigned to key assumptions are consistent with external information sources.

As at 31 December 2022 and 2021, the Directors of the Company are of the opinion that, based on the value in use prepared in accordance with the above key assumptions, no impairment against the goodwill allocated to forest management business is considered necessary. The recoverable amount is significantly above the carrying amount of NFM. The management believes that any reasonably possible change in any of these assumptions would not result in impairment.

19. TIMBER CONCESSIONS AND CUTTING RIGHTS

	2022 HK$'000	2021 HK$'000
COST		
At 1 January and 31 December	**880,459**	880,459
AMORTISATION AND IMPAIRMENT		
At 1 January	**737,573**	740,336
Amortisation during the year	**37,533**	10,022
Provision (reversal) of impairment during the year	**942**	(12,785)
At 31 December	**776,048**	737,573
CARRYING VALUES		
At 31 December	**104,411**	142,886

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 compliant of certain laws and regulations in Suriname. The above carrying values represent the concession and cutting rights in west and central Suriname whereas the carrying value of concession and cutting rights in east Suriname is negligible. The timber concessions and cutting rights have finite useful lives with contractual terms with the first term ranging from 10 to 20 years and can be extended for further 10 to 20 years for the second term upon the approval of renewal by relevant authorities in Suriname.

As disclosed in note 5, the Group entered into contracts with subcontractors pursuant to which the subcontractors are granted the right to operate in certain forest concession areas in Suriname division under operating lease arrangement.

One of the Group's timber concessions in central Suriname with land area of approximately 25,000 hectares expired in 2020. The business operation related to this concession was minimal before the expiration. The Group has submitted application for this concession according to the time specified by local Suriname forestry bureau. During the year ended 31 December 2022, the Group obtained the final renew concession license for a period of 10 years with effect from 26 August 2022 to 25 August 2032.

19. TIMBER CONCESSIONS AND CUTTING RIGHTS *(continued)*

Five of the Group's timber concessions with a total area of 42,000 hectares in west and central Suriname, had been expired in previous years and were in the process of renewal. The business operation related to these concessions was minimal before the expiration. The Group has submitted application for these concessions according to the time specified by local Suriname forestry bureau. As at the date of these financial statements, all applications are still under review by local Suriname forestry bureau.

As at 31 December 2022, the Group's total timber concessions and cutting rights in Suriname covered a land area of approximately 323,000 hectares (2021: 298,000 hectares), excluding those expired in which the Group has submitted application for renewal at the end of the reporting period.

In view of the operating losses before finance cost resulted from the operations in west and central Suriname for the years ended 31 December 2022 and 2021, the Directors considered that there was an impairment indicator on timber concessions and cutting rights.

For the impairment assessment, the recoverable amounts of the timber concessions and cutting rights are determined at fair value less costs of disposal by the Directors with reference to a valuation carried out by an independent professional valuer, who has applied income approach according to HKFRS 13 on the measurement of fair value less costs of disposal. The key assumptions are based upon the harvest volume, discount rates and revenue during the forecast period with reference to the respective concession terms. The projections (including harvest volume and revenue) are based on anticipation of the most likely actions which will be taken in the operation of the business with reference to sustainable annual allowable cut and expectations of future market development. The fair value on which the recoverable amount is based is categorised as a Level 3 measurement.

19. TIMBER CONCESSIONS AND CUTTING RIGHTS *(continued)*

The key assumptions on which management based its cash flow projections for the fair value less costs of disposal calculations are as follows:

Revenues	The projected figures are based on latest market data for the forestry and timber business through the sale of timber products to customers.
Discount rates	The discount rates used are before tax and reflect specific risks relating to the relevant units without taking into account of inflation factor. The discount rate applied to cash flow projections is 14% to 15% (2021: 13% to 14%).

Based on the above impairment assessment, the recoverable amount of timber concessions and cutting rights in west Suriname was HK$81,167,000 (2021: HK$110,078,000) as at 31 December 2022. An impairment loss of HK$942,000 (2021: reversal of HK$12,785,000) was made for timber concessions and cutting rights in west Suriname and recognised in profit or loss during the year ended 31 December 2022.

The impairment loss recognised in 2022 was mainly attributable to the reduction in expected cash inflow from the projection. The reversal of impairment loss recognised in 2021 was mainly attributable to the increase in hardwood log prices.

The Directors have carried out similar impairment assessment on the timber concessions and cutting rights in central Suriname and no impairment was considered necessary for the years ended 31 December 2022 and 2021.

20. FINANCE LEASE RECEIVABLES

During the year ended 31 December 2019, the Group entered into finance lease arrangements as a lessor for machinery and motor vehicles. The terms of finance leases entered into for 3 years. The title of relevant assets will pass to the lessee at the end of the lease term. All interest rates inherent in the leases are fixed at the contract date over the lease terms. During the year ended 31 December 2022, the Group agreed with the lessee to extend the maturity date of the lease arrangements for two years up to 31 December 2024.

	Minimum lease payments 31/12/2022 HK$'000	**Present value of minimum lease payments 31/12/2022 HK$'000**	Minimum lease payments 31/12/2021 HK$'000	Present value of minimum lease payments 31/12/2021 HK$'000
Finance lease receivables comprise:				
Within one year	**1,586**	**1,403**	4,891	4,716
In the second year	**1,586**	**1,520**	–	–
Investment in the lease	**3,172**	**2,923**	4,891	4,716
Analysed as:				
Current		**1,403**		4,716
Non-current		**1,520**		–
		2,923		4,716

Interest rate implicit in the above finance leases is at 8% per annum.

The Group is not exposed to foreign currency risk as a result of the lease arrangements, as all leases are denominated in the respective functional currencies of group entities.

Finance lease receivables are secured over the machinery and motor vehicles leased. The Group is not permitted to sell or re-pledge the collateral in the absence of default by the lessee.

Details of impairment assessment are set out in note 40.

21. PLANTATION FOREST ASSETS

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 (2021: 12,700 hectares), of which approximately 10,600 hectares (2021: 10,600 hectares) was productive area as at 31 December 2022. All the productive area was owned by the Group as freehold, except for approximately 66 hectares (2021: 66 hectares) which are subject to the restrictions as set out in relevant New Zealand regulations. The relevant freehold land is classified and accounted for as property, plant and equipment under note 16.

As at 31 December 2022, the Group owned radiata pine plantation forest assets in New Zealand with aggregate land area of approximately 15,306 hectares (2021: 15,819 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 31 December 2022 and 2021. The key valuers involved in this valuation are registered members 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. Indufor and the management review these assumptions and estimates periodically to identify any significant changes in fair value. A sensitivity analysis is applied to possible changes in certain assumptions and estimates underlying the calculation, to the Group's loss before tax as set out in note 4.

During the year ended 31 December 2022, the Group harvested a total of 138,000 m^3 (2021: 324,000 m^3) from the Group's plantation forest assets.

At 31 December 2022, the Group has mature biological assets (radiata pines aged 20 years or above) of 798 hectares (2021: 1,048 hectares) and immature biological assets (radiata pines aged below 20 years) of 11,927 hectares (2021: 11,425 hectares).

21. PLANTATION FOREST ASSETS *(continued)*

The harvested area of the Group's plantation forest assets up to 31 December 2022 is around 10,163 hectares (2021: 9,816 hectares).

As at 31 December 2022 and 2021, the Group's plantation forest assets with carrying amounts of HK$382,123,000 (2021: HK$411,173,000) were pledged to secure banking facilities granted to the Group (note 31).

As at 31 December 2022 and 2021, the Group has no commitment for the development and acquisition of biological assets.

Fair value hierarchy

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

	Fair value measurement using			
	Quoted prices in active markets (Level 1)	**Significant observable inputs (Level 2)**	**Significant unobservable inputs (Level 3)**	**Total**
	HK$'000	HK$'000	HK$'000	HK$'000
As at 31 December 2022				
Recurring fair value measurement for:				
Plantation forest assets	**–**	**–**	**382,123**	**382,123**
As at 31 December 2021				
Recurring fair value measurement for:				
Plantation forest assets	–	–	411,173	411,173

During the years ended 31 December 2022 and 2021, there were no transfers of fair value measurements into or out of Level 3.

21. PLANTATION FOREST ASSETS *(continued)*

Fair value hierarchy (continued)

Reconciliation of changes in the carrying amount of the Group's plantation forest assets with fair value measurements categorised within Level 3 of the fair value hierarchy:

	2022	2021
	HK$'000	HK$'000
At 1 January	**411,173**	455,131
Additions	**4,165**	4,717
Harvested as agricultural produce (logs)	**(29,965)**	(75,305)
Changes in fair value less costs to sell (recognised in profit or loss)	**(3,250)**	26,630
At 31 December	**382,123**	411,173

The fair value is estimated using a discounted cash flow method. This method involves the projection of a series of cash flows on an asset of interest. A market-derived discount rate is applied to the projected cash flow in order to establish the present value of the income stream associated with the asset.

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

21. PLANTATION FOREST ASSETS *(continued)*

Fair value hierarchy (continued)

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

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

The key inputs in the valuation of the plantation forest assets in New Zealand as at 31 December 2022 and 2021 comprised of log price projections, discount rate and other unobservable inputs including plantation yield, production costs and transport costs. Below is a quantitative summary of the key and other inputs to the valuation of plantation forest assets under discounted cash flow technique:

	Range	Average/Applied
As at 31 December 2022		
Unobservable input		
Forecast unit log price at wharf gate (AWG)	**US$72-96/m^3**	**US$84/m^3**
Yield (m^3/ha) (stands planted prior to 1997)	**588-760**	**686**
Yield (m^3/ha) (including young stands)	**338-961**	**539**
Production costs	**US$27-45/m^3**	**US$33/m^3**
Transport costs	**US$8-24/m^3**	**US$18/m^3**
Discount rate	**7.0%**	**7.0%**

21. PLANTATION FOREST ASSETS *(continued)*

Fair value hierarchy (continued)

	Range	Average/Applied
As at 31 December 2021		
Unobservable input		
Forecast unit log price at wharf gate (AWG)	US$76-101/$m^3$	US$90/$m^3$
Yield (m^3/ha) (stands planted prior to 1997)	29-760	398
Yield (m^3/ha) (including young stands)	29-760	528
Production costs	US$28-47/$m^3$	US$36/$m^3$
Transport costs	US$8-34/$m^3$	US$18/$m^3$
Discount rate	7.25%	7.25%

A real pre-tax discount rate was used in the valuation of the plantation forest assets in New Zealand as at 31 December 2022 and 2021, 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.

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

22. INTEREST IN AN ASSOCIATE

Details of the Group's investment in an associate are as follows:

	2022 HK$'000	2021 HK$'000
Cost of investment in an associate	**1,885**	1,885
Share of post-acquisition losses and other comprehensive expense	**(77)**	(16)
Exchange adjustments	**(182)**	(43)
	1,626	1,826

Details of the Group's associate at the end of the reporting period are as follow:

Name of entity	Place of establishment	Place of operation	Equity interest attributable to the Group		Proportion of voting power held by the Group		Principal activities
			2022	2021	**2022**	2021	
內蒙古諾根希里生態治理有限責任公司 (note)	PRC	PRC	**15%**	15%	**14%**	14%	Provision of environmental restoration and greening services in the PRC

Note: Under Articles of Association of the associate, the Group has power to appoint one out of the seven directors of that company and can exercise significant influence over the operating and financing activities of the associate.

22. INTEREST IN AN ASSOCIATE *(continued)*

Summarised financial information of an associate

Summarised financial information in respect of Group's associate is set out below. The summarised financial information below represents amounts shown in the associate's financial statements prepared in accordance with HKFRSs.

The associate is accounted for using the equity method in these consolidated financial statements.

	31/12/2022	31/12/2021
	HK$'000	HK$'000
Current assets	**10,918**	12,259
Non-current assets	**1**	1
Current liabilities	**(79)**	(85)
Non-current liabilities	**–**	–

	Year ended 31/12/2022	Year ended 31/12/2021
	HK$'000	HK$'000
Revenue	**170**	–
Loss for the year	**(404)**	(829)
Total comprehensive expense for the year	**(404)**	(829)

22. INTEREST IN AN ASSOCIATE *(continued)*

Summarised financial information of an associate (continued)

Reconciliation of the above summarised financial information to the carrying amount of the interest in associate recognised in the consolidated financial statements:

	31/12/2022 HK$'000	31/12/2021 HK$'000
Net assets	**10,840**	12,175
Proportion of the Group's ownership interest	**15%**	15%
The Group's share of net assets	**1,626**	1,826
Carrying amount of the Group's interest	**1,626**	1,826

23. INVENTORIES

	2022 HK$'000	2021 HK$'000
Logs	**5,550**	29,264
Timber products	**7,743**	11,054
	13,293	40,318

24. TRADE RECEIVABLES

	2022	2021
	HK$'000	HK$'000
Trade receivables		
– contracts with customers	42,465	50,040
– operating lease receivables	469	500
	42,934	50,540
Less: Allowance for credit losses		
– contracts with customers	(8,242)	(8,368)
– operating lease receivables	(3)	(3)
Net trade receivables	34,689	42,169

As at 1 January 2021, trade receivables from contracts of customers amounted to HK$15,975,000.

For contracts with customers, trade receivables are recognised when the Group's products are delivered to customers 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. The period from satisfaction of the performance obligation to receipt of full consideration is usually within 90 days.

The Group's trading terms with its customers are mainly letters of credit at sight to 30 days or on open account with credit terms of 5 days to 30 days, where a 20% to 100% 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.

The Group does not hold any collateral or other credit enhancements over its trade receivable balances.

24. 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:

	2022 HK$'000	2021 HK$'000
Within 1 month	13,847	20,210
From 1 to 3 months	19,566	21,955
Over 3 months	1,276	4
	34,689	42,169

As at 31 December 2022, included in the Group's trade receivable balances are debtors with aggregate carrying amount of HK$28,825,000 (2021: HK$33,900,000) which were past due as at the reporting date. Out of the past due balances, HK$19,644,000 (2021: HK$21,493,000) were past due 30 days or more but are not considered as credit-impaired having regard to the historical repayment from the trade debtors, as well as forward-looking information that is available without undue cost or effort. Over 99% trade receivable balances at 31 December 2022 have been subsequently settled.

Details of ECL assessment of trade receivables were set out in note 40.

25. PREPAYMENTS, DEPOSITS AND OTHER ASSETS

	2022	2021
	HK$'000	HK$'000
Non-current portion		
Rental and other deposits	412	1,944
Prepayments	215	199
	627	2,143
Current portion		
Prepayments and others	7,174	11,392
Rental and other deposits	2,321	923
Other receivables	1,580	2,942
Refundable earnest money (note)	2,643	27,376
	13,718	42,633
Less: Allowance for credit losses	(2,643)	(27,766)
	11,075	14,867

Note:

The amount represented the earnest money paid by the Group in 2018 for a potential investment in China amounted to RMB50,000,000 and another potential investment in Gabon amounted to RMB10,000,000. The Group entered into termination agreements with the counterparties in prior years and certain amount of earnest money was refunded by the counterparties and the remaining unsettled amount of HK$2,643,000 (2021: HK$27,376,000) had been fully impaired. The Group continues to take recovery actions against the relevant parties for the remaining outstanding balance.

During the year ended 31 December 2022, RMB20,000,000 (equivalent to HK$24,445,000) (2021: nil) of earnest money in relation to the potential investment in China was refunded and the related impairment loss was reversed and credited to profit or loss.

Details of ECL assessment of other receivables and refundable earnest money are set out in note 40.

26. BANK BALANCES AND CASH

	2022 HK$'000	2021 HK$'000
Cash and bank balances other than time deposits	71,681	77,002
Time deposits with original maturity of less than three months when acquired	–	15,914
	71,681	92,916

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

Details of ECL assessment of bank balances were set out in note 40.

27. TRADE PAYABLES

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

	2022 HK$'000	2021 HK$'000
Within 1 month	11,172	21,605
From 1 to 3 months	555	642
Over 3 months	2,560	5,232
	14,287	27,479

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

28. OTHER PAYABLES AND ACCRUALS

	2022 HK$'000	2021 HK$'000
Other payables	**14,273**	34,830
Accruals	**7,220**	10,970
	21,493	45,800

Other payables are non-interest-bearing and have an average credit term of three months.

29. CONTRACT LIABILITIES

	2022 HK$'000	2021 HK$'000
Trade deposits received for sales of logs and timber products	**1,431**	1,430

The following table shows how much of the revenue recognised in the current period relates to carried-forward contract liabilities.

	Sales of logs and timber products HK$'000
For the year ended 31 December 2022	
Revenue recognised that was included in the contract liability balance at the beginning of the year	**1,377**
For the year ended 31 December 2021	
Revenue recognised that was included in the contract liability balance at the beginning of the year	838

As at 1 January 2021, contract liabilities amounted to HK$1,329,000.

Typical payment terms which impact on the amount of contract liabilities recognised are as follows:

The Group receives 20% - 100% of the contract value from customers for overseas sales in Suriname and New Zealand segments, when they sign the sale and purchase agreement. Such advance payment schemes result in contract liabilities being recognised until the customers contain control of the relevant goods.

30. LEASE LIABILITIES

	2022 HK$'000	2021 HK$'000
Lease liabilities payable:		
Within one year	**3,801**	3,581
Within a period of more than one year but not more than two years	**1,993**	3,777
Within a period of more than two years but not more than five years	**2,220**	3,451
Within a period of more than five years	**9,917**	11,292
	17,931	22,101
Less: Amount due for settlement with 12 months shown under current liabilities	**(3,801)**	(3,581)
Amount due for settlement after 12 months shown under non-current liabilities	**14,130**	18,520

The weighted average incremental borrowing rates applied to lease liabilities range from 1.80% to 7.48% per annum (2021: from 1.80% to 7.48% per annum).

Lease obligations that are denominated in currencies other than the functional currencies of the relevant group entities are set out below:

	**NZ$** HK$'000
As at 31 December 2022	**14,850**
As at 31 December 2021	17,876

31. BANK BORROWINGS

	2022	2021
	HK$'000	HK$'000
Bank loans, secured	**24,960**	24,960

	2022	2021
	HK$'000	HK$'000
The carrying amounts of above borrowings are repayable*:		
Within a period of more than two years but not exceeding five years	**–**	24,960
The carrying amounts of above borrowings that are repayable on demand due to breach of loan covenants (shown under current liabilities)	**24,960**	–
Less: Amounts due within one year shown under current liabilities	**(24,960)**	–
Amounts shown under non-current liabilities	**–**	24,960

* The amounts due are based on scheduled repayment dates set out in the loan agreements.

During the year ended 31 December 2021, the Group's bank loan facilities from the Bank of New Zealand ("BNZ Loan Facilities") were renegotiated with final maturity date extended from 1 May 2022 to 1 May 2024 and the interest rate decreased to base rate ("Base Rate") plus 1.15% per annum. During the year ended 31 December 2021, US$25,000,000 (approximately HK$195,000,000) of BNZ Loan Facilities was repaid. After the repayment, the total amount of loan facilities was reduced from US$30,000,000 (approximately HK$234,000,000) to US$5,000,000 (approximately HK$39,000,000), of which US$3,200,000 (approximately HK$24,960,000) was utilised as at 31 December 2021 and 31 December 2022.

31. BANK BORROWINGS *(continued)*

The above changes in terms of the Group's bank loan facilities for the year ended 31 December 2021 were assessed to be non-substantial modifications of financial liabilities, and the gain or loss resulting from these non-substantial modifications was insignificant to the Group.

The Group's bank loans from BNZ Loan Facilities were denominated in US$, bearing interest at the Base Rate plus 1.15% (2021: 1.15%) per annum and repayable on 1 May 2024 (2021: 1 May 2024).

The Group's bank borrowings are subjected to the reform of major interest rates including the replacement of some interbank offered rates with alternative nearly risk-free rates. Details are set out in note 40(b)(i).

As at 31 December 2022 and 2021, the BNZ Loan Facilities were secured by:

(i) all the present and after-acquired property (the "Personal Property") of certain indirectly 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 carrying amount of approximately HK$146,906,000 (2021: HK$140,215,000) (note 16);

  (b) the Group's plantation forest assets (located in New Zealand) with carrying amount of approximately HK$382,123,000 (2021: HK$411,173,000) (note 21) 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.

31. BANK BORROWINGS *(continued)*

During the year ended 31 December 2021, US$150,000 (approximately HK$1,170,000) loan facility from Hakrinbank in Suriname was fully repaid.

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

	2022 HK$'000	2021 HK$'000
Floating rate	**24,960**	24,960

During the year ended 31 December 2022, the Group breached certain of the terms of the bank loan, which are primarily related to the debt service cover ratio of the Group. Upon the breach of the covenant, the Directors of the Company informed the bank and commenced a renegotiation of the terms of the loan with the bank. As at 31 December 2022, those negotiations had not been concluded. Since the bank had not agreed to waive its right to demand immediate payment as at the end of the reporting period, the loan was classified as a current liability as at 31 December 2022. Subsequent to the reporting period, the Group has obtained waiver from the bank and the bank has confirmed the continuity of the bank loan facilities offered to the Group until the final maturity date.

32. DEFERRED TAX

For the purpose of presentation in the consolidated statement of financial position, certain deferred tax assets and liabilities have been offset. The following is the analysis of the deferred tax balances for financial reporting purposes:

	2022 HK$'000	2021 HK$'000
Deferred tax liabilities	**96,112**	105,228

32. DEFERRED TAX *(continued)*

The following are the major deferred tax liabilities (assets) of the Group recognised and movements thereon during the current and prior years:

	Fair value adjustments arising from acquisition of subsidiaries	Temporary difference on plantation forest assets	Tax losses	Depreciation allowance in excess of related depreciation	Temporary difference on interest-bearing loan	Right-of-use assets/ related lease liabilities	Others	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
At 1 January 2021	47,973	51,543	(18,132)	6,371	10,547	(668)	(45)	97,589
Charge (credit) to the profit or loss (note 13)	1,145	4,566	7,664	(1,061)	(5,014)	200	52	7,552
Exchange difference charge to other comprehensive income	–	–	87	–	–	–	–	87
At 31 December 2021	49,118	56,109	(10,381)	5,310	5,533	(468)	7	105,228
(Credit) charge to the profit or loss (note 13)	(13,362)	4,246	885	2,759	(3,990)	228	–	(9,234)
Exchange difference charge to other comprehensive income	–	–	118	–	–	–	–	118
At 31 December 2022	**35,756**	**60,355**	**(9,378)**	**8,069**	**1,543**	**(240)**	**7**	**96,112**

As at 31 December 2022, the Group had tax losses arising in Hong Kong of approximately HK$119,735,000 (2021: HK$113,802,000) available indefinitely for offsetting against future profits of the companies in which the losses arose.

As at 31 December 2022, the Group had tax losses arising in Suriname of HK$196,311,000 (2021: HK$293,270,000) and such tax losses can be carried forward for a period of seven years (2021: seven years) which are available for offsetting future profits. During the year ended 31 December 2022, the tax losses arising in Suriname of HK$20,464,000 (2021: HK$30,668,000) were expired.

32. DEFERRED TAX *(continued)*

As at 31 December 2022, the Group had unused tax losses arising in New Zealand of approximately HK$144,333,000 (2021: HK$78,919,000) which can be carried forward indefinitely if there has been shareholder continuity.

Deferred tax assets have been recognised in respect of tax losses arising from the aforementioned jurisdictions of HK$33,493,000 (2021: HK$37,075,000). No deferred tax assets have been recognised in respect of the remaining tax losses of HK$426,886,000 (2021: HK$448,916,000) due to unpredictability of future profit streams. These tax losses are subject to agreement with the tax authorities of aforementioned jurisdictions.

There were no other significant temporary differences arising during the year or at the end of the reporting period.

33. SHARE CAPITAL

Shares

	2022 **HK$'000**	2021 HK$'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 (2021: 1,854,991,056) ordinary shares of HK$0.01 each	**18,550**	18,550

33. SHARE CAPITAL *(continued)*

Details of the Company's issued share capital as at 31 December 2022 and 2021 were as follows:

	Number of shares in issue	Share capital
		HK$'000
At 1 January 2021, 31 December 2021 and 2022	1,854,991,056	18,550

Share options

Details of the Company's share option scheme and the share options issued under the scheme are included in note 34 to the consolidated financial statements.

34. SHARE-BASED PAYMENT TRANSACTIONS

The Company has a share option scheme (the "Old Share Option Scheme") which was adopted by the Company at the special general meeting held on 28 June 2012 whereby the Directors are authorised, at their discretion, to invite employees, executives or officers of the Group, including executive and non-executive directors of any company in the Group, and any suppliers, consultants, advisers, agents, shareholders, customers, partners or business associates of the Group, to take up option to subscribe the ordinary shares of the Company (the "Shares") as incentives and rewards for their contribution to the Group. Upon acceptance of the option, the grantee shall pay HK$1 to the Company by way of consideration for the grant. The Old Share Option Scheme shall be valid and effective for a period of ten years ending on 28 June 2022, after which no further options will be granted. At the annual general meeting of the Company held on 24 May 2022, the Old Share Option Scheme was terminated upon the adoption of a new share option scheme (the "New Share Option Scheme").

34. SHARE-BASED PAYMENT TRANSACTIONS *(continued)*

The New Share Option Scheme of the Company was adopted and approved by the shareholders of the Company at the annual general meeting of the Company held on 24 May 2022 whereby the whereby the Directors are authorised, at their discretion, to invite employees, executives or officers of the Group, including executive and non-executive directors of any company in the Group, and of any holding company, fellow subsidiary or associated company of the Company, to take up option to subscribe the Shares of the Company as incentives and rewards for their contribution to the Group. Upon acceptance of the option, the grantee shall pay HK$1 to the Company by way of consideration for the grant. The New Share Option Scheme shall be valid and effective for a period of ten years ending on 24 May 2032, after which no further options will be granted.

The total number of the shares of the Company available for issue under the New Share Option Scheme as at 31 December 2022 was 185,499,105 (2021: 168,635,550 under the Old Share Option Scheme), which represented 10.00% (2021: 9.09%) of the issued share capital of the Company as at 31 December 2022. The maximum number of shares issuable under share options to each eligible participant in the share option scheme within any 12-month period was limited to 1% of the shares of the Company in issue at any time. Any further grant of share options in excess of this limit is subject to shareholders' approval in a general meeting.

Under the Old Share Option Scheme and the New Share Option Scheme, share options granted to a Director, chief executive or substantial shareholder of the Company, or to any of their associates, are subject to approval in advance by the independent non-executive directors (the "INED"). In addition, any share options granted to a substantial shareholder or an INED of the Company, or to any of their associates, in excess of 0.1% of the shares of the Company in issue at any time or with an aggregate value (based on the price of the Company's shares at the date of grant) in excess of HK$5 million, within any 12-month period, are subject to shareholders' approval in advance in a general meeting.

Under the Old Share Option Scheme and New Share Option Scheme, the grant of option will open for acceptance within 30 business days from the date of the letter of grant, upon payment of a sum of HK$1 as consideration for the grant of option. The exercise price of options is determined by the Board of Directors at its sole discretion, save that such price will not be less than the highest of (a) the closing price of the shares as stated in the Stock Exchange's daily quotation sheet on the date of grant, which must be a business day; (b) the average of the closing prices of the shares as stated in the Stock Exchange's daily quotation sheets for the five business days immediately preceding the date of grant; and (c) the nominal value of a share.

34. SHARE-BASED PAYMENT TRANSACTIONS *(continued)*

During the year ended 31 December 2022, no share options under the New Share Option Scheme had been issued, granted, exercised or lapsed.

The following table discloses movements of the Company's share options held by the directors, employees and consultant under the Old Share Option Scheme during the years end 31 December 2022 and 31 December 2021:

Date of grants	Vesting period	Exercisable period	Adjusted exercise price (Note (b))	Balance at 1.1.2021	Lapsed during the year	Balance at 31.12 2021 and 31.12.2022
Directors						
13 September 2016	N/A	13 September 2016 to 12 September 2021	0.71	9,900,000	(9,900,000)	–
Employees						
13 September 2016	Note (a)	13 September 2016 to 12 September 2021	0.71	1,623,600	(1,623,600)	–
Consultant						
13 September 2016	N/A	13 September 2016 to 12 September 2021	0.71	4,400,000	(4,400,000)	–
				15,923,600	(15,923,600)	–
Exercisable at 31 December 2021						–
Weighted average exercisable price per share				0.71	0.71	–

34. SHARE-BASED PAYMENT TRANSACTIONS *(continued)*

Notes:

(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. In respect of employees who have joined the Company for more than 1 year but less than 2 years as at the date of grant, 50% of the share options will be vested on the date of grant and the other 50% will be vested on the first anniversary of the date of grant. In respect employees who have joined the Company for less than 1 year as at the date of grant, 50% of the share options granted will be vested on the first anniversary of the date of grant and the other 50% of the share options will be vested on the second anniversary of the date of grant.

(b) The number of the outstanding share options of the Company and exercise price were adjusted after the completion of the bonus issue on the basis of one (1) bonus share for every ten (10) existing shares of the Company on 15 June 2018.

(c) The exercisable period of share options granted in 2016 was from 13 September 2016 to 12 September 2021 and the fair values of the options were calculated using the Binomial Option Pricing Model.

No share options were granted during the years ended 31 December 2022 and 31 December 2021. No share-based payment expenses were recognised during the years ended 31 December 2022 and 31 December 2021.

(d) During the year ended 31 December 2021, no share options were exercised and all share options were lapsed.

(e) As at 31 December 2022 and 31 December 2021, the Company had no share options outstanding under the Old Share Option Scheme.

35. NON-WHOLLY-OWNED SUBSIDIARIES WITH MATERIAL NON-CONTROLLING INTERESTS

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

	2022	2021
Percentage of equity interest held by non-controlling interests:		
Greenheart Resources Holdings Limited	**39.61%**	39.61%
Greenheart Forest Technologies N.V.	**40.00%**	40.00%

	2022 **HK$'000**	2021 HK$'000
Loss for the year allocated to non-controlling interests:		
Greenheart Resources Holdings Limited and its subsidiaries ("GRH Group")	**25,230**	18,431
Greenheart Forest Technologies N.V.	**4,675**	3,715

35. NON-WHOLLY-OWNED SUBSIDIARIES WITH MATERIAL NON-CONTROLLING INTERESTS *(continued)*

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

	GRH Group	
	2022	2021
	HK$'000	HK$'000
Revenue	**14,267**	19,597
Total expenses	**(77,965)**	(66,128)
Loss for the year	**(63,698)**	(46,531)
Total comprehensive expense for the year	**(63,698)**	(46,531)
Current assets	**42,543**	48,201
Non-current assets	**103,573**	133,609
Current liabilities	**(528,999)**	(141,119)
Non-current liabilities	**(529,751)**	(889,627)
Net liabilities	**(912,634)**	(848,936)
Accumulated balances of non-controlling interests	**(361,494)**	(336,264)
Net cash from (used in) operating activities	**2,510**	(1,743)
Net cash used in investing activities	**(91)**	(104)
Net cash used in financing activities	**(1,997)**	(801)
Net increase (decrease) in cash and cash equivalents	**422**	(2,648)

35. NON-WHOLLY-OWNED SUBSIDIARIES WITH MATERIAL NON-CONTROLLING INTERESTS *(continued)*

	Greenheart Forest Technologies N.V.	
	2022	2021
	HK$'000	HK$'000
Total expenses	**(11,687)**	(9,288)
Loss for the year	**(11,687)**	(9,288)
Total comprehensive expense for the year	**(11,687)**	(9,288)
Current assets	**33,321**	34,783
Non-current assets	**13,714**	15,197
Current liabilities	**(211,693)**	(202,951)
Net liabilities	**(164,658)**	(152,971)
Accumulated balances of non-controlling interests	**(65,863)**	(61,188)
Net cash (used in) from operating activities	**(1,543)**	867
Net cash from (used in) financing activities	**1,542**	(868)
Net decrease in cash and cash equivalents	**(1)**	(1)

36. RETIREMENT BENEFIT PLANS

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

The employees of the Group's subsidiaries which operate in Suriname are required to participate in a mandatory general pension scheme operated by the government. These subsidiaries are required to contribute a percentage of its payroll costs to the mandatory general pension scheme. The contributions are charged to profit or loss as they become payable in accordance with the rules of the mandatory general pension scheme.

Certain employees of the Group's subsidiaries which operate in New Zealand participate in pension schemes regulated by the Financial Markets Authority, a New Zealand government agency. These subsidiaries are required to contribute a percentage of the employees' remuneration to the scheme. The contributions are recognised as employee benefits expense when they are due.

37. OPERATING LEASE ARRANGEMENTS

The Group as lessor

As disclosed in note 5, certain concession areas of the Group are under operating lease arrangements with subcontractors.

Undiscounted fixed lease payments over non-cancellable period are as follows:

	2022 HK$'000	2021 HK$'000
Within one year	**3,900**	–
In the second year	**8,775**	–
In the third year	**6,435**	–
In the fourth year	**7,605**	–
	26,715	–

In addition, the Group receives variable subcontracting fee income at a predetermined rate based on output volume of logs.

38. RELATED PARTY DISCLOSURES

(a) Other than as disclosed elsewhere in these consolidated financial statements, the Group has following transactions and balances with related parties:

Relationships	Nature of transactions	Notes	2022 HK$'000	2021 HK$'000
Immediate holding company	Interest expenses paid and payable on loans	(i)	**7,172**	7,052
Fellow subsidiary	Interest expenses paid and payable on a loan	(ii)	**7,467**	556
Fellow subsidiary	Recharge of license fee and administrative expenses received and receivable	(iii)	**849**	1,460

38. RELATED PARTY DISCLOSURES *(continued)*

(a) (continued)

(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).

38. RELATED PARTY DISCLOSURES *(continued)*

(a) (continued)

(i) (continued)

On 26 August 2021, supplemental letters in relation to above loans were signed with immediate holding company to extend the maturity date of these loans from 31 March 2022 to 31 March 2023 with effect from 30 June 2021. On 28 June 2022, supplemental letters in relation to above loans were signed with immediate holding company to further extend the maturity date of these loans from 31 March 2023 to 31 March 2024.

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 ownership, directly or indirectly, of more than 50% of the voting equity shares of the borrower, a non-wholly owned subsidiary of the Company, without the lender's prior written consent 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.

Taking into consideration the agreement from the immediate holding company to do all such acts to maintain the directorship of the existing directors of the Company throughout the relevant loan periods, the loans were classified as non-current as at 31 December 2022 and 2021.

38. RELATED PARTY DISCLOSURES *(continued)*

(a) (continued)

(ii) On 4 November 2021, a loan agreement was signed with a fellow subsidiary, a wholly-owned subsidiary of the ultimate holding company in respect of an unsecured loan with principal amount of HK$156,000,000 (i.e. US$20,000,000) with interest rate based on the 3-month US$ LIBOR plus 2.86% per annum, and repayable in November 2024.

Based on the loan agreement, 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 ownership, directly or indirectly, of more than 50% of the voting equity shares of the borrower, a wholly owned subsidiary of the Company, without the lender's prior written consent 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.

Taking into consideration the agreement from the immediate holding company to do all such acts to maintain the directorship of the existing directors of the Company throughout the relevant loan periods, the loans were classified as non-current as at 31 December 2022 and 2021.

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

(b) Outstanding balances with related parties

(i) The amount due from a fellow subsidiary as at 31 December 2021 was unsecured, interest-free and repayable within one year.

38. RELATED PARTY DISCLOSURES *(continued)*

(c) Compensation of key management personnel of the Group

	2022	2021
	HK$'000	HK$'000
Short-term employee benefits	**10,008**	10,473
Pension scheme contributions	**36**	54
	10,044	10,527

39. CAPITAL RISK MANAGEMENT

The primary objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise shareholders' value.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2022 and 2021.

The Group monitors third party debt ratio and debt service cover ratio as required by the bank loan facilities. For the third party debt ratio, the total third party debts in New Zealand division shall not at any time exceed 30% (2021: 30%) of the aggregate value of plantation forest assets and forestry land pledged. For the debt service cover ratio, it is the ratio of free cash flow from the New Zealand division to the debt service requirement which shall not exceed 1.1 times (2021: 1.1 times). As disclosed in note 31, as at 31 December 2022, the debt service cover ratio was not met while the third party ratio was met. As at 31 December 2021, such ratios were met as the aforementioned third party debt ratio and debt service cover ratio were below 30% and exceeded 1.1 times, respectively.

40. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

	2022	2021
	HK$'000	HK$'000
Financial assets		
Amortised cost	**110,217**	140,435
Financial liabilities		
Amortised cost	**411,142**	430,983

(b) Financial risk management objectives and policies

The Group's major financial instruments include trade receivables, other receivables, amount due from a fellow subsidiary, finance lease receivables, bank balances and cash, trade payables, other payables, lease liabilities, loans from immediate holding company and a fellow subsidiary and bank borrowings.

The risks associated with these financial instruments include interest rate risk, foreign currency risk, credit risk and liquidity risk. The Group does not have any written risk management policies and guidelines. The Board of Directors reviews and agrees policies for managing each of these risks and they are summarised below.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group is exposed to fair value interest rate risk in relation to lease liabilities. The Group's exposure to the cash flow interest rate risk in relation to changes in market interest rates relates primarily to the Group's debt obligations bearing a floating interest rate, (i.e. variable-rate bank borrowings (note 31), loans from immediate holding company (note 38(a)(i)) and loan from a fellow subsidiary (note 38(a)(ii))). In the opinion of the Directors, the exposure of interest rate risk arising from variable-rate bank balances is insignificant.

40. FINANCIAL INSTRUMENTS *(continued)*

(b) Financial risk management objectives and policies (continued)

Interest rate risk (continued)

A fundamental reform of major interest rate benchmarks is being undertaken globally, including the replacement of some interbank offered rates ("IBORs") with alternative nearly risk-free rates. Details of the impacts on the Group's risk management strategy arising from the interest rate benchmark reform and the progress towards implementation of alternative benchmark interest rates are set out under "interest rate benchmark reform" in this note.

Total interest income from financial assets that are measured at amortised cost is as follows:

	2022	2021
	HK$'000	HK$'000
Other income		
Financial assets at amortised cost	**340**	81

Interest expense on financial liabilities not measured at FVTPL:

	2022	2021
	HK$'000	HK$'000
Financial liabilities at amortised cost	**15,908**	14,704

40. FINANCIAL INSTRUMENTS *(continued)*

(b) Financial risk management objectives and policies (continued)

Interest rate risk (continued)

The following table demonstrates the sensitivity to a reasonably possible change in interest rates of the Group's loss post tax (through the impact on floating rate borrowings, loans from a fellow subsidiary and immediate holding company) based on the exposure to interest rates at the end of reporting period. The analysis is prepared assuming the financial instruments outstanding at the end of the reporting period were outstanding for whole year.

	Increase (decrease) in basis points	**Increase (decrease) in loss post tax HK$'000**
Year ended 31 December 2022	**100**	**3,299**
	(100)	**(3,299)**

	Increase (decrease) in basis points	Increase (decrease) in loss post tax HK$'000
Year ended 31 December 2021	100	3,179
	(100)	(3,179)

The Group currently does not have an interest rate hedging policy but will consider enter into interest rate hedging contracts should the need arise.

40. FINANCIAL INSTRUMENTS *(continued)*

(b) Financial risk management objectives and policies (continued)

Foreign currency risk

Most of the Group's sales, outstanding borrowings and majority costs and expenses incurred in Hong Kong and Suriname are denominated in the US$, which is the functional currency of the Company and its major subsidiaries. The forest management fee income from New Zealand division and certain operating expenses are denominated in NZ$ which is considered as insignificant to the Group. As at 31 December 2022, lease liabilities amounting to HK$14,850,000 (2021: HK$17,876,000) of the group entities are denominated in NZ$, which is not the functional currency of the relevant entity which expose the Group to foreign currency risk. During the year ended 31 December 2022, the Group did not use any financial instruments for hedging purposes and the Group did not have any hedging instruments outstanding as at 31 December 2021 and 2022. However, the Directors will continue to closely monitor all possible exchange rate risk arising from the Group's existing operations and new investments in the future and will implement the necessary hedging arrangement(s) to mitigate any significant foreign exchange exposure. The Directors consider that the foreign currency risk exposure is not significant to the Group and no sensitivity analysis is presented.

Credit risk and impairment assessment

Credit risk arises from the possibility that customers may not be able to settle obligations within the normal terms of transactions.

As at 31 December 2022 and 2021, the Group does not hold any collateral or other credit enhancements to cover its credit risks associated with its financial assets.

40. FINANCIAL INSTRUMENTS *(continued)*

(b) Financial risk management objectives and policies (continued)

Credit risk and impairment assessment (continued)

Trade receivables arising from contracts with customers

Before accepting any new customer, the Group has delegated a team responsible for determination of credit limits and credit approvals. Other monitoring procedures are in place to ensure that follow-up action is taken to recover overdue debts. In this regard, the Directors consider that the Group's credit risk is significantly reduced.

Concentrations of credit risk are managed by customer/counterparty and by geographical region. At the end of the reporting period, the Group has concentration of credit risk as 74.4% (2021: 48.9%) of the Group's trade receivables was due from the Group's largest debtor within New Zealand division, and 93.0% (2021: 93.1%) of the Group's trade receivables were due from the five largest debtors within the New Zealand division and Suriname division.

In addition, the Group performs impairment assessment under ECL model on trade receivables individually or based on provision matrix. Except for significant balances and credit-impaired trade receivables, which are assessed for impairment individually, the remaining trade receivables are grouped under a provision matrix based on past due status. Net reversal of impairment of HK$126,000 (2021: net impairment of HK$1,625,000) is recognised for the year ended 31 December 2022.

Bank balances

Credit risk on bank balances is limited because the counterparties are banks with good reputation. The Group assessed 12m ECL for bank balances by reference to probability of default and loss given default of the respective crediting rating grades published by external credit rating agencies. Based on the average loss rates, the 12m ECL on bank balances is considered to be insignificant.

40. FINANCIAL INSTRUMENTS *(continued)*

(b) Financial risk management objectives and policies (continued)

Credit risk and impairment assessment (continued)

Amount due from a fellow subsidiary

The Group regularly monitors the financial performance of the fellow subsidiary. The Directors believe that there is no significant increase in credit risk of the amount since initial recognition and the Group provided impairment based on 12m ECL. For the year ended 31 December 2021, the Group assessed the ECL for amount due from a fellow subsidiary was insignificant and thus no loss allowance was recognised.

Other receivables, deposits, refundable earnest money and lease receivables

For other receivables, deposits, refundable earnest money and lease receivables, the Directors make individual assessment on the recoverability of other receivables, deposits, refundable earnest money and lease receivables based on historical settlement records, past experience and also quantitative and qualitative information that is reasonable and supportive forward-looking information. There was no significant concentration risk of other receivables at 31 December 2022 and 2021. At 31 December 2022 and 2021, there was no significant increase in credit risk and the Group provided impairment based on 12m ECL.

40. FINANCIAL INSTRUMENTS *(continued)*

(b) Financial risk management objectives and policies (continued)

Credit risk and impairment assessment (continued)

The Group's internal credit risk grading assessment comprises the following categories:

	Notes	External credit rating	Internal credit rating	12-month or life-time ECL	2022 Gross carrying amount		2021 Gross carrying amount	
					HK$'000	HK$'000	HK$'000	HK$'000
Financial assets at amortised cost								
Other receivables and deposits	25	N/A	(a)	12-month ECL	**4,313**		5,419	
				Credit-impaired	**–**	**4,313**	390	5,809
Refundable earnest money	25	N/A	(a)	Credit-impaired	**2,643**	**2,643**	27,376	27,376
Amount due from a fellow subsidiary	38(b)(i)	N/A	(a)	12-month ECL	**–**	**–**	428	428
Bank balances	26	A1	N/A	12-month ECL	**71,681**	**71,681**	92,916	92,916
Trade receivables – contracts with customers	24	N/A	(b)	Life-time ECL (not credit-impaired) on provision matrix	**8,667**		9,282	
				Life-time ECL (not credit- impaired) on individual basis	**26,954**		34,062	
				Credit-impaired on individual basis	**6,844**	**42,465**	6,696	50,040
Finance and operating lease receivables	20/24	N/A	(a)	12-month ECL	**3,392**	**3,392**	5,216	5,216

40. FINANCIAL INSTRUMENTS *(continued)*

(b) Financial risk management objectives and policies (continued)

Credit risk and impairment assessment (continued)

Notes:

(a) For the purposes of internal credit risk management, the Group uses past due information to assess whether credit risk has increased significantly since initial recognition.

2022 **Gross carrying amount**	**Past due** **HK$'000**	**Not past due/ Not fixed repayment terms** **HK$'000**	**Total** **HK$'000**
Other receivables and deposits	**–**	**4,313**	**4,313**
Refundable earnest money	**2,643**	**–**	**2,643**
Trade receivables - operating lease receivables	**–**	**469**	**469**
Finance lease receivables	**–**	**2,923**	**2,923**

2021 Gross carrying amount	Past due HK$'000	Not past due/ Not fixed repayment terms HK$'000	Total HK$'000
Other receivables and deposits	390	5,419	5,809
Refundable earnest money	27,376	–	27,376
Amount due from a fellow subsidiary	–	428	428
Trade receivables - operating lease receivables	500	–	500
Finance lease receivables	–	4,716	4,716

(b) For trade receivables relating to contracts with customers, the Group has applied the simplified approach in HKFRS 9 to measure the loss allowance at lifetime ECL. Except for debtors with significant outstanding balances or credit-impaired, the Group determines the expected credit losses on these items by using a provision matrix, grouped by past due status.

40. FINANCIAL INSTRUMENTS *(continued)*

(b) Financial risk management objectives and policies (continued)

Credit risk and impairment assessment (continued)

Provision matrix - debtors' aging

As part of the Group's credit risk management, except for debtors with significant outstanding balances, the Group uses debtors' aging and past due listing to assess the impairment for its customers in relation to its New Zealand and Suriname operations because these customers consist of a large number of small customers. The following table provides information about the exposure to credit risk for trade receivables from contracts with customers which are assessed based on provision matrix as at 31 December 2022 within lifetime ECL (not credit impaired). Debtor with significant outstanding balances or credit-impaired with total gross carrying amounts of HK$33,798,000 at 31 December 2022 (2021: HK$40,758,000) were assessed individually.

The estimated loss rates are estimated based on historical observed default rates over the expected life of the debtors and are adjusted for forward-looking information that is available without undue cost or effort. The grouping is regularly reviewed by management to ensure relevant information about specific debtors is updated.

40. FINANCIAL INSTRUMENTS *(continued)*

(b) Financial risk management objectives and policies (continued)

Credit risk and impairment assessment (continued)

Provision matrix - debtors' aging (continued)

Gross carrying amount - Trade receivables 2022

	Average loss rate %	Suriname HK$'000	Average loss rate %	New Zealand HK$'000
Current (not past due)	0.47	858	0.42	4,563
Less than 3 months past due	2.91	240	7.28	3,006
		1,098		7,569

Gross carrying amount - Trade receivables 2021

	Average loss rate %	Suriname HK$'000	Average loss rate %	New Zealand HK$'000
Current (not past due)	0.55	1,089	0.30	6,707
Less than 3 months past due	2.29	1,486	–	–
		2,575		6,707

During the year ended 31 December 2022, the Group provided HK$199,000 (2021: HK$7,000) credit loss allowance net of reversal for trade receivables for contracts with customers, based on the provision matrix. Credit loss allowance net of provision of HK$470,000 was reversed (2021: HK$1,615,000 was made) on debtors with significant balances and credit loss allowance of HK$145,000 (2021: HK$3,000) was made on credit-impaired debtors.

40. FINANCIAL INSTRUMENTS *(continued)*

(b) Financial risk management objectives and policies (continued)

Credit risk and impairment assessment (continued)

The following table shows the movement in lifetime ECL that has been recognised for trade receivables under the simplified approach.

	Lifetime ECL (not credit-impaired) HK$'000	Lifetime ECL (credit-impaired) HK$'000	Total HK$'000
As at 1 January 2021	61	6,682	6,743
Impairment losses recognised	1,683	3	1,686
Impairment losses reversal	(61)	–	(61)
As at 31 December 2021	1,683	6,685	8,368
Transfer to credit-impaired	(9)	9	–
Impairment losses recognised	1,403	145	1,548
Impairment losses reversal	(1,674)	–	(1,674)
As at 31 December 2022	**1,403**	**6,839**	**8,242**

40. FINANCIAL INSTRUMENTS *(continued)*

(b) Financial risk management objectives and policies (continued)

Credit risk and impairment assessment (continued)

The following tables show reconciliation of loss allowances that has been recognised for other receivables and refundable earnest money.

	Lifetime ECL (not credit-impaired) HK$'000	Lifetime ECL (credit-impaired) HK$'000	Total HK$'000
As at 1 January 2021	–	26,896	26,896
Exchange adjustments	–	870	870
As at 31 December 2021	–	27,766	27,766
Impairment losses recognised	–	39	39
Impairment losses reversal (note 25)	–	(24,835)	(24,835)
Written off	–	(39)	(39)
Exchange adjustments	–	(288)	(288)
As at 31 December 2022	**–**	**2,643**	**2,643**

During the year ended 31 December 2022, the Group recognised a reversal of ECL of HK$24,835,000 (2021: nil) mainly due to the recovery of earnest money that was fully impaired in prior years (details are set out in note 25).

40. FINANCIAL INSTRUMENTS *(continued)*

(b) Financial risk management objectives and policies (continued)

Liquidity risk

In the management of liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows.

The following table details the Group's remaining contractual maturity for its financial liabilities. The table has drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The maturity dates for financial liabilities are based on the agreed repayment dates.

The table includes both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from interest rate curve at the end of the reporting period.

	Weighted average interest rate %	On demand or within one year HK$'000	In the second to fifth years, inclusive HK$'000	Over five years HK$'000	Total undiscounted cash flows HK$'000	Carrying amount HK$'000
2022						
Trade payables	–	14,287	–	–	14,287	14,287
Other payables	–	14,273	–	–	14,273	14,273
Loans from immediate holding company	5.63	7,935	196,363	–	204,298	194,386
Loan from a fellow subsidiary	7.52	18,975	166,356	–	185,331	163,236
Bank borrowings	5.61	1,400	25,427	–	26,827	24,960
Lease liabilities	6.39	4,852	7,524	18,822	31,198	17,931
		61,722	395,670	18,822	476,214	429,073

40. FINANCIAL INSTRUMENTS *(continued)*

(b) Financial risk management objectives and policies (continued)

Liquidity risk (continued)

	Weighted average interest rate %	On demand or within one year HK$'000	In the second to fifth years, inclusive HK$'000	Over five years HK$'000	Total undiscounted cash flows HK$'000	Carrying amount HK$'000
2021						
Trade payables	–	27,479	–	–	27,479	27,479
Other payables	–	34,830	–	–	34,830	34,830
Loans from immediate holding company	5.00	7,052	188,954	–	196,006	187,214
Loan from a fellow subsidiary	3.02	4,717	164,943	–	169,660	156,500
Bank borrowings	1.27	317	25,383	–	25,700	24,960
Lease liabilities	6.17	4,820	11,052	21,723	37,595	22,101
		79,215	390,332	21,723	491,270	453,084

The amounts included above for variable interest rate instruments for non-derivative financial liabilities are subject to change if changes in variable interest rates differ to those estimates of interest rates determined at the end of the reporting period.

40. FINANCIAL INSTRUMENTS *(continued)*

(b) Financial risk management objectives and policies (continued)

Interest rate benchmark reform

As listed in notes 31 and 38(a)(ii), the Group's LIBOR bank borrowings and the LIBOR loan from a fellow subsidiary may be subject to the interest rate benchmark reform. The Group is closely monitoring the market and managing the transition to new benchmark interest rates, including announcements made by the relevant IBOR regulators.

LIBOR

As at 31 December 2022, all LIBOR settings have been either ceased to be provided by any administrator or no longer be representative, except for US$ settings (other than the 1-week and 2-month settings) which will be ceased immediately after 30 June 2023.

(i) Risks arising from the interest rate benchmark reform
The following are the key risks for the Group arising from the transition:

Interest rate related risks
At 31 December 2022, LIBOR bank borrowings of HK$24,960,000 (2021: HK$24,960,000) are with detailed fallback clause and a LIBOR loan from a fellow subsidiary of HK$163,236,000 (2021: HK$156,500,000) is under further negotiation.

There are fundamental differences between IBORs and the various alternative benchmark rates. IBORs are forward looking term rates published for a period (e.g. 3 months) at the beginning of that period and include an inter-bank credit spread, whereas alternative benchmark rates are typically risk-free overnight rates published at the end of the overnight period with no embedded credit spread. These differences will result in additional uncertainty regarding floating rate interest payments.

40. FINANCIAL INSTRUMENTS *(continued)*

(b) Financial risk management objectives and policies (continued)

Interest rate benchmark reform (continued)

LIBOR (continued)

(i) Risks arising from the interest rate benchmark reform (continued)

Liquidity risk

The additional uncertainty on various alternative rates which are typically published on overnight basis will require additional liquidity management. The Group's liquidity risk management policy will be updated to ensure sufficient liquid resources to accommodate unexpected increases in overnight rates upon transition.

(ii) Progress towards implementation of alternative benchmark interest rates

The Group is planning to transit its LIBOR-linked contract through introduction of, or amendments to, fallback clauses into the contract which will change the basis for determining the interest cash flows from LIBOR to alternative reference rate such as secured overnight financing rate at an agreed point in time.

The following table shows the total amounts of outstanding contracts and the progress in completing the transition to alternative benchmark rates as at 31 December 2022.

Financial instruments prior to transition	Notes	Maturing in	Carrying amounts HK$'000	Transition progress for financial instruments
Non-derivative financial liabilities				
Bank borrowings linked to US$1-month LIBOR	31	2024	24,960	Expected to transit in latest by second quarter of 2023
Loan from a fellow subsidiary linked to US$3-month LIBOR	38(a)(ii)	2024	163,236	Detailed fallback clause subject to further negotiation

(c) Fair value measurements of financial instruments

The Directors consider the carrying amounts of financial assets and financial liabilities recognised in the consolidated financial statements at amortised cost approximate to their fair values.

41. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or the future cash flows will be, classified in the Group's consolidated statement of cash flows as cash flows from financing activities.

	1.1.2022 HK$'000	Financing cash flows HK$'000	Non-cash changes HK$'000	Exchange adjustment HK$'000	Finance costs HK$'000	31.12.2022 HK$'000
Bank borrowings	24,960	–	–	–	–	24,960
Interest payable	860	(1,558)	–	–	1,269	571
Lease liabilities	22,101	(4,604)	615	(1,381)	1,200	17,931
Loans from immediate holding company	187,214	–	–	–	7,172	194,386
Loan from a fellow subsidiary	156,500	–	(731)	–	7,467	163,236
	391,635	(6,162)	(116)	(1,381)	17,108	401,084

	1.1.2021 HK$'000	Financing cash flows HK$'000	Non-cash changes HK$'000	Exchange adjustment HK$'000	Finance costs HK$'000	31.12.2021 HK$'000
Bank borrowings	220,203	(195,243)	–	–	–	24,960
Interest payable	680	(6,916)	–	–	7,096	860
Lease liabilities	24,149	(6,056)	3,597	(1,056)	1,467	22,101
Loans from immediate holding company	181,900	(1,738)	–	–	7,052	187,214
Loan from a fellow subsidiary	–	156,000	(56)	–	556	156,500
	426,932	(53,953)	3,541	(1,056)	16,171	391,635

42. CONTINGENT LIABILITIES

As at 31 December 2022 and 2021, the Group did not have any significant contingent liabilities.

43. PLEDGE OF OR RESTRICTIONS ON ASSETS

The following assets were pledged to secure certain banking facilities granted to the Group:

	2022	2021
	HK$'000	HK$'000
Property, plant and equipment	**146,906**	140,215
Plantation forest assets	**382,123**	411,173
	529,029	551,388

In addition, lease liabilities of HK$17,931,000 (2021: HK$22,101,000) are recognised with related right-of-use assets of HK$16,962,000 (2021: HK$20,346,000) as at 31 December 2022. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor and the relevant leased assets may not be used as security for borrowing purposes.

44. MAJOR NON-CASH TRANSACTIONS

During the year ended 31 December 2021, the Group entered into new lease agreements for the use of buildings and office equipment for 3 years. On the lease commencement, the Group recognised HK$4,087,000 of right-of-use assets and HK$4,049,000 of lease liabilities.

During the year ended 31 December 2022, the Group recognised additional HK$68,000 (2021: nil) of right-of-use assets and HK$68,000 (2021: nil) of lease liabilities in relation to a lease contract containing variable lease payments that depend on consumers price index subject to review annually.

During the year ended 31 December 2022, the finance lease receivables arising from the leases of machinery to the suppliers amounting to HK$1,793,000 (2021: HK$5,869,000) were net off with the trade payables according to the pre-agreed set-off arrangements with the suppliers.

44. MAJOR NON-CASH TRANSACTIONS *(continued)*

During the year ended 31 December 2022, the Group entered into new lease agreements for the use of office equipment and motor vehicles for 3 to 5 years. On the lease commencement, the Group recognised HK$547,000 of right-of-use assets and HK$547,000 of lease liabilities.

During the year ended 31 December 2022, the New Zealand non-resident withholding tax of HK$731,000 (2021: HK56,000) was deducted from interest expenses paid and payable on the loan from a fellow subsidiarity.

45. EVENTS AFTER THE REPORTING PERIOD

On 13 and 14 February 2023, the North Island of New Zealand, where the Group's New Zealand forestry assets and operation are located, was hit by a severe tropical cyclone Gabrielle. The Group has conducted an assessment of the impact of the cyclone on Group's office facilities, plantation forest assets and operations in New Zealand and found to be minimal as the carrying amounts of the affected assets are insignificant as at 31 December 2022. The operation of our New Zealand division remains on track as planned. The Group is working with its insurers to assess potential recovery in respect of the affected areas.

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

46. PARTICULARS OF PRINCIPAL SUBSIDIARIES

Particulars of the principal subsidiaries of the Company as at 31 December 2022 and 2021 are as follows:

Name of companies	Place of incorporation/ establishment and operation	Nominal value of issued ordinary/ registered share capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
			%	%	
Silver Mount Group Limited	BVI/Hong Kong	US$1	100.00	–	Investment holding
Greenheart Resources Holdings Limited	BVI/Hong Kong	–	–	60.39	Investment holding
Superb Able Industrial Limited	BVI/Hong Kong	US$1,155	–	60.39	Provision of corporate service

46. PARTICULARS OF PRINCIPAL SUBSIDIARIES *(continued)*

Particulars of the principal subsidiaries of the Company as at 31 December 2022 and 2021 are as follows: (continued)

Name of companies	Place of incorporation/ establishment and operation	Nominal value of issued ordinary/ registered share capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
			%	%	
Greenheart Resources (Hong Kong) Company Limited	Hong Kong	HK$1	–	60.39	Provision of administrative and management services
Topwood Group Holding Limited	BVI/Hong Kong	US$1	–	60.39	Provision of administrative and management services
Greenheart (Suriname) N.V.	Suriname	Surinamese dollar ("SRD") 1,000	–	60.39	Timber concession holding, harvesting and sale of logs and timber products
Epro N.V.	Suriname	SRD500	–	60.39	Timber concession holding
Dynasty Forestry Industry N.V.	Suriname	SRD3,000	–	60.39	Timber concession holding
Beach Paradise N.V.	Suriname	SRD1,000	–	60.39	Manufacturing and sale of timber products
Greenheart Grand Forest Limited	Hong Kong	HK$1	–	60.39	Sale of logs and timber products
Greenheart Wood Trading Company Limited	Hong Kong	HK$1	–	100.00	Sale of logs
Mega Harvest International Limited	BVI/Hong Kong	–	–	100.00	Investment holding
Greenheart NZ Forestry Holding Company Limited	New Zealand	US$10,000	–	100.00	Investment holding

46. PARTICULARS OF PRINCIPAL SUBSIDIARIES *(continued)*

Particulars of the principal subsidiaries of the Company as at 31 December 2022 and 2021 are as follows: (continued)

Name of companies	Place of incorporation/ establishment and operation	Nominal value of issued ordinary/ registered share capital	Percentage of equity attributable to the Company Direct %	Indirect %	Principal activities
Greenheart MFV Limited	New Zealand	–	–	100.00	Investment in commercial forestry and investment holding
Greenheart Mangakahia Forest Land Limited	New Zealand	–	–	100.00	Forestry land holding and investment holding
Greenheart Mangakahia Forest Maori Land Limited	New Zealand	–	–	100.00	Forestry land holding
Greenheart Waipoua Forest Company Limited	New Zealand	–	–	100.00	Investment in commercial forestry
Greenheart Forest Technologies N.V.	Suriname	SRD1,000	–	60.00	Administration of forestry operations
Forest Technologies N.V.	Suriname	SRD10,000	–	60.00	Administration of forestry operations
Caribbean Pallet Company N.V.	Suriname	SRD1,000	–	60.00	Manufacturing and sale of pallet
Greenheart Forest Suriname Suma Limited	BVI/Hong Kong	US$1	–	100.00	Investment holding
Greenheart Forest Central N.V.	Suriname	SRD2,000	–	100.00	Administration of forestry operations

46. PARTICULARS OF PRINCIPAL SUBSIDIARIES *(continued)*

Particulars of the principal subsidiaries of the Company as at 31 December 2022 and 2021 are as follows: (continued)

Name of companies	Place of incorporation/ establishment and operation	Nominal value of issued ordinary/ registered share capital	Percentage of equity attributable to the Company		Principal activities
			Direct %	Indirect %	
Greenheart Forest Suriname Limited	BVI/Hong Kong	US$1	–	100.00	Sale of logs and investment holding
Greenheart Forest Suma Limited	Hong Kong	HK$1	–	100.00	Sale of logs and timber products
Greenheart Forest Central Limited	BVI/Suriname	US$201	–	100.00	Investment and timber concession holding
Caps Houtmaatschappij N.V.	Suriname	SRD2,000	–	100.00	Timber concession holding
Suma Lumber Company N.V.	Suriname	SRD1,000	–	100.00	Timber concession holding
Greenheart Management Services Limited	Hong Kong	HK$10,000	–	100.00	Provision of administrative and management services
Supreme Express Limited	Hong Kong	HK$1	–	100.00	Provision of administrative and management services
Northland Forest Managers (1995) Limited	New Zealand	–	–	100.00	Provision of forest management
Apex Forest Management Limited	New Zealand	–	–	100.00	Provision of forest management
Forest Management Services (NZ) Limited	New Zealand	–	–	100.00	Provision of forest management

46. PARTICULARS OF PRINCIPAL SUBSIDIARIES *(continued)*

Particulars of the principal subsidiaries of the Company as at 31 December 2022 and 2021 are as follows: (continued)

Name of companies	Place of incorporation/ establishment and operation	Nominal value of issued ordinary/ registered share capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
			%	%	
Pouto Forest Managers Limited	New Zealand	–	–	100.00	Provision of forest management
Greenheart Papakorakora Forest NZ Limited	New Zealand	–	–	100.00	Investment in commercial forestry
Greenheart TRCR Limited	New Zealand	–	–	100.00	Investment in commercial forestry

The legal form of the above subsidiaries is limited liability company.

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

None of the subsidiaries had issued any debt securities at the end of the reporting period or at any time during the year.

47. STATEMENT OF FINANCIAL POSITION AND RESERVE MOVEMENTS OF THE COMPANY

Statement of financial position of the Company

	2022 HK$'000	2021 HK$'000
NON-CURRENT ASSET		
Investments in subsidiaries	**796,526**	816,077
CURRENT ASSETS		
Prepayments, deposits and other assets	**609**	351
Cash and cash equivalents	**8,303**	21,628
	8,912	21,979
CURRENT LIABILITY		
Accruals and other payables	**2,372**	2,470
	2,372	2,470
NET CURRENT ASSETS	**6,540**	19,509
TOTAL ASSETS LESS CURRENT LIABILITY	**803,066**	835,586
CAPITAL AND RESERVES		
Share capital	**18,550**	18,550
Reserves	**784,516**	817,036
TOTAL EQUITY	**803,066**	835,586

47. STATEMENT OF FINANCIAL POSITION AND RESERVE MOVEMENTS OF THE COMPANY *(continued)*

Movement in the Company's reserves

	Share premium account HK$'000	Contributed surplus HK$'000	Share option reserve HK$'000	Accumulated losses HK$'000	Total HK$'000
At 1 January 2021	2,091,657	125,376	4,687	(1,401,135)	820,585
Loss and total comprehensive expense for the year	–	–	–	(3,549)	(3,549)
Transfer upon the lapse of share options	–	–	(4,687)	4,687	–
At 31 December 2021	2,091,657	125,376	–	(1,399,997)	817,036
Loss and total comprehensive expense for the year	–	–	–	(32,520)	(32,520)
At 31 December 2022	**2,091,657**	**125,376**	**–**	**(1,432,517)**	**784,516**

The Company's contributed surplus, which arose from the group reorganisation on 2 July 1991, represents the difference between the nominal value of the Company's shares issued under the reorganisation scheme, in exchange for the shares in the subsidiaries and the consolidated net asset value of the acquired subsidiaries, reduced by distributions to shareholders.

Under the Companies Act of Bermuda and the Bye-Laws of the Company, the contributed surplus is distributable to shareholders. The Companies Act of Bermuda also stipulates that a company shall not declare or pay a dividend, or make a distribution out of contributed surplus, if there are reasonable grounds for believing that (a) the company is, or would after the payment be, unable to pay its liabilities as they become due; or (b) the realisable value of the company's assets would thereby be less than the aggregate of its liabilities and its issued capital and share premium account.