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GREENHEART GROUP LIMITED
綠心集團有限公司

(Incorporated in Bermuda with limited liability)

(Stock Code: 94)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2019

The board (the "Board") of directors (the "Directors") of Greenheart Group Limited ("Greenheart" or the "Company") announces the audited consolidated results of the Company and its subsidiaries (together the "Group") for the year ended 31 December 2019 (the "Year"), together with the comparative figures, as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2019

	Notes	**2019** **HK$'000**	2018 *HK$'000*
REVENUE	*3*	**374,435**	427,081
Cost of sales and services		**(330,290)**	(414,528)
Gross profit		**44,145**	12,553
Other income	*5*	**4,234**	7,504
Other gains and losses	*5*	**(181,793)**	(48,128)
Impairment losses reversed (recognised) on financial assets, net	*6*	**4,267**	(35,143)
Fair value gain on plantation forest assets		**26,729**	90,943
Selling and distribution costs		**(82,806)**	(43,598)
Administrative expenses		**(61,567)**	(74,559)
Finance costs	*7*	**(24,496)**	(22,123)
LOSS BEFORE TAX	*8*	**(271,287)**	(112,551)
Income tax credit	*9*	**43,166**	7,501
LOSS FOR THE YEAR		**(228,121)**	(105,050)

	Notes	2019 HK$'000	2018 HK$'000
OTHER COMPREHENSIVE INCOME (EXPENSE)			
Item that will not be reclassified to profit or loss			
Revaluation gain on forestry land		**9,708**	6,452
Item that may be reclassified subsequently to profit or loss			
Exchange differences arising on translation of foreign operations		**77**	(7,468)
OTHER COMPREHENSIVE INCOME (EXPENSE) FOR THE YEAR		**9,785**	(1,016)
TOTAL COMPREHENSIVE EXPENSE FOR THE YEAR		**(218,336)**	(106,066)
LOSS FOR THE YEAR ATTRIBUTABLE TO:			
Owners of the Company		**(143,814)**	(56,880)
Non-controlling interests		**(84,307)**	(48,170)
		(228,121)	(105,050)
TOTAL COMPREHENSIVE EXPENSE FOR THE YEAR ATTRIBUTABLE TO:			
Owners of the Company		**(134,029)**	(57,896)
Non-controlling interests		**(84,307)**	(48,170)
		(218,336)	(106,066)
LOSS PER SHARE			
Basic	*11*	**HK$(0.078)**	HK$(0.031)
Diluted	*11*	**HK$(0.078)**	HK$(0.031)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
At 31 December 2019

	Notes	2019 HK$'000	2018 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment		**306,182**	342,533
Right-of-use assets		**47,228**	–
Prepaid lease payments		**–**	20,355
Goodwill		**5,651**	5,651
Timber concessions and cutting rights		**150,380**	328,699
Finance lease receivables		**9,977**	–
Plantation forest assets		**436,802**	477,440
Prepayments, deposits and other receivables	*13*	**2,676**	1,308
Deferred tax assets		**–**	24,356
Interest in an associate		**1,676**	1,710
		960,572	1,202,052
CURRENT ASSETS			
Inventories		**27,862**	26,170
Trade receivables	*12*	**24,197**	119,709
Finance lease receivables		**5,043**	–
Prepayments, deposits and other receivables	*13*	**28,471**	59,204
Amount due from a fellow subsidiary	*16(b)(i)*	**2,475**	834
Tax recoverable		**5,214**	441
Pledged bank deposit		**–**	3,200
Bank balances and cash		**168,300**	156,667
		261,562	366,225
CURRENT LIABILITIES			
Trade payables	*14*	**28,625**	24,439
Other payables and accruals		**49,736**	49,551
Contract liabilities		**909**	2,364
Lease liabilities/Obligations under finance lease – amount due within one year		**5,205**	890
Loan from ultimate holding company		**–**	79,126
Bank borrowings	*15*	**410**	373
Tax payable		**29,393**	31,717
		114,278	188,460

	Notes	2019 HK$'000	2018 HK$'000
NET CURRENT ASSETS		**147,284**	177,765
TOTAL ASSETS LESS CURRENT LIABILITIES		**1,107,856**	1,379,817
NON-CURRENT LIABILITIES			
Lease liabilities		**20,374**	–
Loans from immediate holding company		**178,384**	171,184
Bank borrowings	*15*	**220,203**	226,460
Deferred tax liabilities		**95,725**	170,667
		514,686	568,311
NET ASSETS		**593,170**	811,506
CAPITAL AND RESERVES			
Equity attributable to owners of the Company			
Share capital		**18,550**	18,550
Reserves		**934,236**	1,068,265
		952,786	1,086,815
Non-controlling interests		**(359,616)**	(275,309)
TOTAL EQUITY		**593,170**	811,506

Notes:

1. GENERAL

The Company is a public limited company incorporated in Bermuda and its shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). Its parent is Newforest Limited ("Newforest"), a company incorporated in Cayman Islands and its ultimate parent is Chow Tai Fook Enterprises Limited ("CTFE"), a company incorporated in Hong Kong.

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

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

New and amendments to HKFRSs that are mandatorily effective for the current year

The Group has applied the following new and amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") for the first time in the current year:

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

Except as described below, the application of the amendments to HKFRSs in the current year has had no material impact on the Group's financial position and performance for the current and prior years and/or on the disclosures set out in the Group's consolidated financial statements.

HKFRS 16 *Leases*

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

Definition of a lease

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

For contracts entered into or modified on or after 1 January 2019, the Group applies the definition of a lease in accordance with the requirements set out in HKFRS 16 in assessing whether a contract contains a lease. Specifically, the Group assessed a new contract entered in 2019 with a subcontractor for subcontracting the harvesting activities in Suriname. Under the application of new definition of a lease, the arrangement with the subcontractor is identified as containing a lease as detailed in note 3.

As a lessee

The Group has applied HKFRS 16 retrospectively with the cumulative effect recognised at the date of initial application, 1 January 2019.

For leases which were previously classified as operating leases, the Group recognised additional lease liabilities and right-of-use assets at amounts equal to the related lease liabilities adjusted by any prepaid accrued lease payments by applying HKFRS 16.C8(b)(ii) transition as at 1 January 2019. Any difference at the date of initial application is recognised in the opening accumulated losses and comparative information has not been restated.

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

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

- applied a single discount rate to a portfolio of leases with a similar remaining terms for similar class of underlying assets in similar economic environment. Specifically, discount rate for certain leases of offices in New Zealand was determined on a portfolio basis.

When recognising the lease liabilities for leases previously classified as operating leases, the Group has applied incremental borrowing rates of the relevant group entities at the date of initial application. The weighted average incremental borrowing rate applied by the relevant group entities range from 4.17% to 8.50% per annum.

	Notes	**At 1 January 2019** *HK$'000*
Operating lease commitments disclosed as at 31 December 2018		31,720
Lease liabilities discounted at relevant incremental borrowing rates relating to operating leases recognised		16,751
Add: Lease liabilities relating to lease of forestry land	*(a)*	6,889
Less: Recognition exemption – short-term leases		(230)
Recognition exemption – low-value assets		(4)
Add: Obligations under finance lease recognised at 31 December 2018	*(c)*	890
Lease liabilities as at 1 January 2019		24,296
Analysed as		
Current		5,081
Non-current		19,215
		24,296

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

	Notes	Right-of-use assets *HK$'000*
Right-of-use assets relating to operating leases recognised upon application of HKFRS 16		23,406
Reclassified from prepaid lease payments	*(b)*	22,359
Amounts included in property, plant and equipment under HKAS 17		
– Assets previously under finance lease	*(c)*	1,813
Adjustments on rental deposits	*(d)*	134
Add: Prepaid lease payment	*(e)*	371
Less: Accrued lease liabilities relating to rent-free period	*(f)*	(495)
		47,588

(a) At 1 January 2019, the Group has a lease contract for the lease of a piece of forestry 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 27 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 Group has not included the future lease payments of this lease contract in the operating lease commitments disclosed at 31 December 2018 as the amount of non-cancellable lease payment is considered as insignificant.

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

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

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

(e) These relate to prepaid lease payments under prepayments. The carrying amount of the prepaid lease payments as at 1 January 2019 was adjusted to right-of-use assets at transition.

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

As a lessor

In accordance with the transitional provisions in HKFRS 16, the Group is not required to make any adjustment on transition for leases in which the Group is a lessor but account for these leases in accordance with HKFRS 16 from the date of initial application and comparative information has not been restated.

The application of HKFRS 16 has no material financial impact as a lessor, on the Group's consolidated statement of financial position as at 31 December 2019 and its consolidated statement profit or loss and other comprehensive income and cash flows for the year ended 31 December 2019.

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

	Notes	**Carrying amounts previously reported at 31 December 2018**	**Adjustments**	**Carrying amounts under HKFRS 16 at 1 January 2019**
		HK$'000	*HK$'000*	*HK$'000*
Non-current assets				
Property, plant and equipment	*(c)*	342,533	(1,813)	340,720
Right-of-use assets		–	47,588	47,588
Prepaid lease payments	*(b)*	20,355	(20,355)	–
Prepayments, deposits and other receivables	*(d)*	1,308	(134)	1,174
Current assets				
Prepayments, deposits and other receivables	*(b), (e)*	59,204	(2,375)	56,829
Current liabilities				
Other payables and accruals	*(f)*	49,551	(495)	49,056
Lease liabilities		–	5,081	5,081
Obligations under finance leases – amount due within one year	*(c)*	890	(890)	–
Non-current liabilities				
Lease liabilities		–	19,215	19,215

Note: For the purpose of reporting cash flows from operating activities under indirect method for the year ended 31 December 2019, movements in working capital have been computed based on opening consolidated statement of financial position as at 1 January 2019 as disclosed above.

3. REVENUE

	2019	2018
	HK$'000	*HK$'000*
Types of goods or services		
Sales of logs and timber products	**365,593**	424,380
Forest management fee	**2,856**	2,701
Total revenue from contracts with customers	**368,449**	427,081
Subcontracting fee income	**5,986**	–
Total revenue	**374,435**	427,081

(i) Disaggregation of revenue from contracts with customers

	For the year ended 31 December 2019		
Segments	**Suriname**	**New Zealand**	**Total**
	HK$'000	***HK$'000***	***HK$'000***
Types of goods or service			
Sales of logs and timber products	**21,512**	**344,081**	**365,593**
Forest management fee	**–**	**2,856**	**2,856**
Total	**21,512**	**346,937**	**368,449**
Timing of revenue recognition			
A point in time	**21,512**	**344,081**	**365,593**
Over time	**–**	**2,856**	**2,856**
Total	**21,512**	**346,937**	**368,449**

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 2019		
Segments	**Suriname**	**New Zealand**	**Segment and consolidated total**
	HK$'000	***HK$'000***	***HK$'000***
Revenue from contracts with customers	**21,512**	**346,937**	**368,449**
Subcontracting fee income	**5,986**	**–**	**5,986**
Revenue disclosed in segment information	**27,498**	**346,937**	**374,435**

Geographical markets

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

	For the year ended 31 December 2019		
Segments	**Suriname**	**New Zealand**	**Total**
	HK$'000	***HK$'000***	***HK$'000***
New Zealand*	**–**	**185,706**	**185,706**
Mainland China	**1,953**	**156,022**	**157,975**
Hong Kong	**7,150**	**5,209**	**12,359**
Suriname	**11,551**	**–**	**11,551**
Taiwan	**3,134**	**–**	**3,134**
Belgium	**1,254**	**–**	**1,254**
Other countries	**2,456**	**–**	**2,456**
Total	**27,498**	**346,937**	**374,435**

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

The subcontracting fee income of HK$5,986,000 is included in the revenue from customers located in Suriname above for the year ended 31 December 2019.

	For the year ended 31 December 2018		
Segments	Suriname	New Zealand	Segment and consolidated total
	HK$'000	*HK$'000*	*HK$'000*
Types of goods or service			
Sales of logs and timber products	15,400	408,980	424,380
Forest management fee	–	2,701	2,701
Total	15,400	411,681	427,081

Geographical markets

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

	For the year ended 31 December 2018		
Segments	Suriname	New Zealand	Segment and consolidated total
	HK$'000	*HK$'000*	*HK$'000*
New Zealand*	–	363,283	363,283
Mainland China	791	48,398	49,189
Suriname	5,960	–	5,960
The Netherlands	2,851	–	2,851
Belgium	1,566	–	1,566
Taiwan	1,269	–	1,269
Indonesia	1,027	–	1,027
Hong Kong	518	–	518
Other countries	1,418	–	1,418
Total	15,400	411,681	427,081

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

	For the year ended 31 December 2018		
	Suriname	New Zealand	Segment and consolidated total
	HK$'000	*HK$'000*	*HK$'000*
Timing of revenue recognition			
A point in time	15,400	408,980	424,380
Over time	–	2,701	2,701
Total	15,400	411,681	427,081

(ii) Performance obligations for contracts with customers

Sales of logs and timber products

The Group sells logs and timber products to the domestic customers in New Zealand and Suriname and oversea customers. Revenue from domestic customers is recognised at a point in time when control of the goods has been transferred at an agreed location. For oversea 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 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.

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.

(iii) Subcontracting fee income

In 2019, the Group entered into a contract with a subcontractor pursuant to which the subcontractor is granted the right to operate in certain forest concession areas in Suriname division. The income received from the subcontractor varies and it is billed at a predetermined rate per each volume of the output of logs and the subcontractor is committed to have a minimum output of logs and fixed payments in each year. It is accounted for as an operating lease arrangement under HKFRS 16.

	HK$'000
Lease payments that are fixed	**3,510**
Variable lease payments that do not depend on an index or a rate	**2,476**
Total revenue arising from leases	**5,986**

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

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

Segment performance is evaluated by Management based on reportable segment Adjusted EBITDA, which is a measure of profit (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 and amortisation fair value gain on plantation forest assets, reversal of (write-down) of inventories, impairment losses, reversal of impairment and non-cash share-based payment expenses. In addition, the Management also reviews the abovementioned non-cash items, interest income, finance lease income, EBITDA and (loss) profit before tax for each reportable segment.

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

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

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

The details of geographical segment information are disclosed in note 3.

Segment revenues and results

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

For the year ended 31 December 2019

	Suriname	New Zealand	Segment total	Unallocated corporate items	Consolidated total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
SEGMENT REVENUE – EXTERNAL	**27,498**	**346,937**	**374,435**	**–**	**374,435**
SEGMENT RESULTS ("Adjusted EBITDA")	**(30,871)**	**90,444**	**59,573**	**(20,192)**	**39,381**
Reconciliation of the segment results:					
Items other than finance costs, income tax credit, forest depletion cost as a result of harvesting, depreciation and amortisation					
Fair value gain on plantation forest assets	**–**	**26,729**	**26,729**	**–**	**26,729**
Interest income and finance lease income	**211**	**115**	**326**	**476**	**802**
Impairment of timber concessions and cutting rights**	**(158,740)**	**–**	**(158,740)**	**–**	**(158,740)**
Impairment of property, plant and equipment**	**(28,583)**	**–**	**(28,583)**	**–**	**(28,583)**
(Impairment) reversal of impairment of trade receivables	**(44)**	**3,492**	**3,448**	**–**	**3,448**
Reversal of impairment of other receivables	**–**	**–**	**–**	**819**	**819**
Reversal of impairment of right-of-use assets**	**1,419**	**–**	**1,419**	**–**	**1,419**
Reversal of write-down of inventories*	**1,762**	**–**	**1,762**	**–**	**1,762**
EBITDA	**(214,846)**	**120,780**	**(94,066)**	**(18,897)**	**(112,963)**
Finance costs	**(8,917)**	**(15,199)**	**(24,116)**	**(380)**	**(24,496)**
Forest depletion cost as a result of harvesting*	**–**	**(77,348)**	**(77,348)**	**–**	**(77,348)**
Depreciation***	**(14,059)**	**(7,844)**	**(21,903)**	**(4,292)**	**(26,195)**
Amortisation of harvest roading included in prepayments*	**–**	**(10,706)**	**(10,706)**	**–**	**(10,706)**
Amortisation of timber concessions and cutting rights****	**(19,579)**	**–**	**(19,579)**	**–**	**(19,579)**
(LOSS) PROFIT BEFORE TAX	**(257,401)**	**9,683**	**(247,718)**	**(23,569)**	**(271,287)**
SEGMENT ASSETS	**272,804**	**865,626**	**1,138,430**	**83,704**	**1,222,134**
SEGMENT LIABILITIES	**277,759**	**342,213**	**619,972**	**8,992**	**628,964**
Other segment information					
Capital expenditures#	**(114)**	**(48,847)**	**(48,961)**	**(14)**	**(48,975)**

\# 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" 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$8,920,000 is included in "Cost of sales" in the consolidated statement of profit or loss and other comprehensive income.

**** Amortisation of timber concessions and cutting rights of HK$13,745,000 is included in "Cost of sales" in the consolidated statement of profit or loss and other comprehensive income.

For the year ended 31 December 2018

	Suriname *HK$'000*	New Zealand *HK$'000*	Segment total *HK$'000*	Unallocated corporate items *HK$'000*	Consolidated total *HK$'000*
SEGMENT REVENUE – EXTERNAL	15,400	411,681	427,081	–	427,081
SEGMENT RESULTS ("Adjusted EBITDA")	(20,695)	154,755	134,060	(34,061)	99,999
Reconciliation of the segment results:					
Items other than finance costs, income tax credit, forest depletion cost as a result of harvesting, depreciation and amortisation					
Fair value gain on plantation forest assets	–	90,943	90,943	–	90,943
Interest income	4	3,375	3,379	–	3,379
Impairment of timber concessions and cutting rights***	(43,372)	–	(43,372)	–	(43,372)
Impairment of trade receivables	(35)	(125)	(160)	–	(160)
Impairment of other receivables	(390)	–	(390)	(34,593)	(34,983)
Reversal of impairment of prepaid lease payments***	374	–	374	–	374
Write-down of inventories*	(14,895)	–	(14,895)	–	(14,895)
Share-based payment expenses**	–	–	–	(3)	(3)
EBITDA	(79,009)	248,948	169,939	(68,657)	101,282
Finance costs	(12,425)	(9,698)	(22,123)	–	(22,123)
Forest depletion cost as a result of harvesting*	–	(123,185)	(123,185)	–	(123,185)
Depreciation****	(14,987)	(4,410)	(19,397)	(674)	(20,071)
Amortisation of harvest roading included in prepayments*	–	(23,929)	(23,929)	–	(23,929)
Amortisation of timber concessions and cutting rights*****	(22,919)	–	(22,919)	–	(22,919)
Amortisation of prepaid lease payments**	(1,583)	–	(1,583)	–	(1,583)
Amortisation of other intangible assets*	(23)	–	(23)	–	(23)
(LOSS) PROFIT BEFORE TAX	(130,946)	87,726	(43,220)	(69,331)	(112,551)
SEGMENT ASSETS	516,109	984,217	1,500,326	67,951	1,568,277
SEGMENT LIABILITIES	419,717	332,634	752,351	4,420	756,771
Other segment information					
Capital expenditures#	(2,977)	(137,559)	(140,536)	(3,298)	(143,834)

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

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

** *Included in "Administrative expenses" 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$10,043,000 is included in "Cost of sales" in the consolidated statement of profit or loss and other comprehensive income.*

***** *Amortisation of timber concessions and cutting rights of HK$8,729,000 is included in "Cost of sales" in the consolidated statement of profit or loss and other comprehensive income.*

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

	Non-current assets	
	2019	2018
	HK$'000	*HK$'000*
New Zealand	**710,254**	712,424
Suriname	**230,442**	459,260
Hong Kong	**8,223**	4,302
Mainland China	**1,676**	1,710
	950,595	1,177,696

Note: Non-current assets excluded deferred tax assets and finance lease receivables.

Information about major customers

During the year ended 31 December 2019, the Group had transactions with two (2018: two) customers from New Zealand segment who each 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:

	2019	2018
	HK$'000	*HK$'000*
Customer 1	**156,021**	N/A*
Customer 2	**130,170**	329,268
Customer 3	**N/A***	43,198

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

5. OTHER INCOME, GAINS AND LOSSES

Other income:

	2019	2018
	HK$'000	*HK$'000*
Bank and other interest income	**596**	149
Finance lease income	**206**	–
Interest income from overdue trade receivables	**–**	3,230
Rental income from lease of plant and machinery	**–**	316
Reversal of long outstanding trade and other payables	**–**	1,927
Shipping services fee income	**3,006**	–
Others	**426**	1,882
	4,234	7,504

Other gains and losses:

	2019	2018
	HK$'000	*HK$'000*
Impairment of timber concessions and cutting rights	**(158,740)**	(43,372)
Impairment of property, plant and equipment	**(28,583)**	–
Reversal of impairment of right-of-use assets	**1,419**	–
Reversal of impairment of prepaid lease payments	**–**	374
Gain (loss) on disposal of property, plant and equipment *(Note)*	**4,212**	(14)
Exchange loss on refundable earnest money	**(101)**	(5,116)
	(181,793)	(48,128)

Note: Included in the gain (loss) on disposal of property, plant and equipment is a gain of HK$9,051,000 arising from the disposal of certain machinery and motor vehicles through finance lease by the Group as a lessor during the year ended 31 December 2019.

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

	2019	2018
	HK$'000	*HK$'000*
Impairment losses reversed (recognised) on:		
– trade receivables in respect of goods and services	**3,448**	(160)
– other receivables	**819**	(34,983)
	4,267	(35,143)

7. FINANCE COSTS

	2019	2018
	HK$'000	*HK$'000*
Interest on loans from immediate holding company	**7,200**	7,073
Interest on loan from ultimate holding company	**931**	3,925
Interest on finance leases	**–**	1,384
Interest on bank borrowings	**14,683**	9,741
Interest on lease liabilities	**1,682**	–
	24,496	22,123

8. LOSS BEFORE TAX

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

	2019	2018
	HK$'000	*HK$'000*
Cost of inventories sold		
(including (reversal of) write-down of inventories)*	**309,081**	379,400
Cost of services rendered*	**1,584**	1,054
Amortisation of timber concessions and cutting rights	**19,579**	22,919
Forest harvested as agricultural produce	**80,312**	122,360
Amount capitalised in closing inventories	**(4,598)**	(1,634)
Amount released from opening inventories	**1,634**	2,459
Forest depletion cost as a result of harvesting*	**77,348**	123,185
Depreciation of:		
– property, plant and equipment	**19,007**	20,071
– right-of-use asset	**7,188**	–
Amortisation of:		
– harvest roading included in prepayments*	**10,706**	23,929
– prepaid lease payments**	**–**	1,583
– other intangible assets*	**–**	23
(Reversal of) write-down of inventories#*	**(1,762)**	14,895
Foreign exchange loss, net***	**748**	4,447
Auditor's remuneration	**2,350**	2,000
Employee benefits expenses (including Directors' remuneration)****:		
– Salaries and allowances	**45,411**	54,042
– Share-based payment expenses	**–**	3
– Pension scheme contributions (defined contribution scheme)	**545**	583
	45,956	54,628

*	*Included in "Cost of sales" in the consolidated statement of profit or loss and other comprehensive income.*
**	*Included in "Administrative expenses" in the consolidated statement of profit or loss and other comprehensive income.*
***	*Foreign exchange loss of HK$538,000 (2018: gain of HK$403,000), foreign exchange loss of HK$101,000 (2018: HK$5,116,000), and foreign exchange loss of HK$109,000 (2018: gain of HK$266,000) are included in "Cost of sales", "Other gains and losses" and "Administrative expenses" in the consolidated statement of profit or loss and other comprehensive income, respectively.*
****	*Employee benefits expenses of HK$22,147,000 (2018: HK$26,629,000) are included in "Cost of Sales" in the consolidated statement of profit or loss and other comprehensive income.*
#	*Sales of certain long-aged stock during the year lead to the reversal of write down of inventories.*

9. INCOME TAX CREDIT

	2019	2018
	HK$'000	*HK$'000*
The income tax credit comprises:		
Current tax – Hong Kong		
Charge for the Year	**5,343**	7,461
Under (over) provision in prior years	**26**	(2,532)
	5,369	4,929
Current tax – other jurisdictions		
Charge for the Year	**146**	9,559
Withholding tax	**1,892**	1,713
Deferred tax	**(50,573)**	(23,702)
	43,166	(7,501)

On 21 March 2018, the Hong Kong Legislative Council passed The Inland Revenue (Amendment) (No. 7) Bill 2017 (the "Bill") which introduces the two-tiered profits tax rates regime. The Bill was signed into law on 28 March 2018 and was gazetted on the following day. Under the two-tiered profits tax rates regime, the first HK$2,000,000 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% (2018: 36%) and 28% (2018: 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.

10. 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.

11. LOSS PER SHARE

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

	2019	2018
	HK$'000	*HK$'000*
Loss for the purposes of basic and diluted loss per share attributable to owners of the Company	**(143,814)**	(56,880)

	2019	2018
Number of shares		
Weighted average number of ordinary shares for the purpose of basic loss per share	**1,854,991,056**	1,854,984,438

The computation of diluted loss per share for the year ended 31 December 2019 and 2018 did not assume the effect of the Group's share options since their assumed exercise would result in a decrease in loss per share.

12. TRADE RECEIVABLES

	2019	2018
	HK$'000	*HK$'000*
Trade receivables		
– contracts with customers	**28,814**	130,222
– operating lease receivables	**2,448**	–
	31,262	130,222
Less: Allowance for credit losses		
– contracts with customers	**(7,032)**	(10,513)
– operating lease receivables	**(33)**	–
Net trade receivables	**24,197**	119,709

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. Because the period from satisfaction of the performance obligation to receipt of consideration is usually within 90 days, there is no significant financing component for such receivables.

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

On 2 December 2017, the controlling shareholder of the Group's major customer (the "Party A") provided a personal guarantee to the Group in relation to the repayment of the trade receivables owed to the Group by Party A. On 24 August 2018, the Group entered into an agreement with Party A, pursuant to which Party A pledged the shares of its subsidiary, which is principally engaged in log harvesting and sales, as security for the repayment of the trade receivables owed by Party A. The trade receivables net of impairment owed from Party A was HK$97,813,000 as at 31 December 2018. The outstanding trade receivable balance as at 31 December 2018 has been fully settled by the Party A during the year ended 31 December 2019.

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

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:

	2019	2018
	HK$'000	*HK$'000*
Within 1 month	**21,976**	21,814
From 1 to 3 months	**2,061**	3
Over 3 months	**160**	97,892
	24,197	119,709

As at 31 December 2019, included in the Group's trade receivables balance are debtors with aggregate carrying amount of HK$10,973,000 (2018: HK$99,788,000) which were past due. Over 90% trade receivables balance as at 31 December 2019 have been subsequently settled.

13. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2019	2018
	HK$'000	*HK$'000*
Non-current portion		
Rental and other deposits	**2,484**	1,041
Prepayments	**192**	267
	2,676	1,308
Current portion		
Current portion of prepaid lease payments	**–**	2,004
Prepayments	**26,944**	22,481
Rental and other deposits	**950**	376
Other receivables	**967**	978
Refundable earnest money	**33,121**	68,348
	61,982	94,187
Less: Allowance for credit losses	**(33,511)**	(34,983)
	28,471	59,204

Rental deposits paid were adjusted upon the initial application of HKFRS 16. Details of the adjustments are set out in note 2.

The refundable earnest money represents earnest money of RMB50,000,000 (equivalent to HK$56,957,000) ("RMB50M Earnest Money") and RMB10,000,000 (equivalent to HK$11,391,000) paid for the potential investments in Jiangxi Province, China and Gabon respectively. Both potential investment plans had been abandoned during the year ended 31 December 2018.

For the RMB50M Earnest money, it was due in October 2018 and the Group had received a corporate guarantee dated 10 December 2018 from China National Forest Products Company Limited ("CNF"), pursuant to which CNF unconditionally and irrevocably undertakes to pay the sum of RMB50,000,000 to the Group on 26 March 2019 if the Group failed to receive the RMB50M Earnest Money from the relevant parties. CNF is a wholly-owned subsidiary of China Forestry Group Corporation which is a stated-owned enterprise in the PRC.

Based on the credit risk assessment on the counterparty and the corporate guarantee provided by CNF in 2018, impairment loss of RMB30,000,000 (equivalent to HK$34,174,000) on the RMB50M Earnest Money was recognised for the year ended 31 December 2018 and RMB22,700,000 was subsequently settled by the counterparty in 2019. The Group has commenced recovery actions against the relevant parties including CNF for the outstanding balance. The balance of RMB2,700,000 (equivalent to HK$3,291,000) which had been impaired in 2018 was subsequently settled by the counterparty in 2019, therefore reversal of impairment loss of HK$3,291,000 was recognised in the consolidated statement of profit or loss and other comprehensive income in 2019.

For the earnest money in relation to Gabon, the counterparty has refunded the earnest money of RMB7,665,000 (equivalent to HK$8,893,000) to the Group during the year ended 31 December 2019. The Group believed the recoverability of the remaining balance of RMB2,335,000 was remote and therefore impairment loss is provided in full for this remaining balance in 2019.

14. TRADE PAYABLES

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

	2019	2018
	HK$'000	*HK$'000*
Within 1 month	**23,327**	19,993
From 1 to 3 months	**861**	1,640
Over 3 months	**4,437**	2,806
	28,625	24,439

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

15. BANK BORROWINGS

	2019	2018
	HK$'000	*HK$'000*
Bank overdrafts, secured	**–**	5,848
Bank loans, secured	**220,613**	220,985
	220,613	226,833

The carrying amounts of above borrowings are repayable:

	2019	2018
	HK$'000	*HK$'000*
Within one year	**410**	373
Within a period of more than one year but not exceeding two years	**220,203**	226,218
Within a period of more than two years but not exceeding five years	**–**	242
	220,613	226,833
Less: Amounts due within one year shown under current liabilities	**(410)**	(373)
Amounts shown under non-current liabilities	**220,203**	226,460

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

During the year ended 31 December 2019, the Group's BNZ loan facilities were renegotiated with the final maturity date extended to 1 July 2021 and the total amount of loan facilities was reduced from US$50,000,000 (approximately HK$390,000,000) to US$35,000,000 (approximately HK$273,000,000), in which US$28,200,000 (approximately HK$219,960,000) was utilised as at 31 December 2019.

As at 31 December 2019, the Group's bank loans from BNZ loan facilities were denominated in United States dollars, bearing interest at the base rate determined by the Bank of New Zealand, plus 1.65% (2018: 1.65%) per annum and repayable on 1 July 2021 (2018: 1 July 2020).

As at 31 December 2019 and 2018, 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$119,365,000 (2018: HK$109,109,000);

(b) the Group's plantation forest assets (located in New Zealand) with carrying amount of approximately HK$436,802,000 (2018: HK$477,440,000) and all other estates and interests in the forestry land and all buildings, structures and fixtures on the forestry land; and

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

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

As at 31 December 2019, US$150,000 (approximately HK$1,170,000) loan facility was fully utilised and US$850,000 (approximately HK$6,629,000) overdraft facility was not utilised.

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

As at 31 December 2019, the Hakrinbank Loan Facilities are secured by a fixed charge over:

(i) the Group's certain leasehold land (located in Suriname) with a carrying value of approximately HK$7,445,000 (2018: HK$7,670,000); and

(ii) the Group's certain motor vehicles with a carry value of approximately HK$1,424,000 (2018: HK$1,813,000).

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

	2019	2018
	HK$'000	*HK$'000*
Floating rate		
– due after one year	**219,960**	219,960
Fixed-rate		
– due within one year	**410**	373
– due after one year	**243**	6,500
	653	6,873

16. EVENTS AFTER THE REPORTING PERIOD

The financial statements of the Group reflect the conditions that existed during the year ended 31 December 2019. The outbreak of the 2019 Novel Coronavirus ("COVID-19") and the corresponding restrictive measures imposed by many countries in 2020 have caused significant disruption to the global supply chains and negative impact on the operations of the Group in New Zealand and Suriname. The demands and selling price for New Zealand softwood and Suriname hardwood may continue to be affected if the restrictive measures in different regions of China and different parts of the world persisted during 2020. This may have negative impact on the revenue of the Group in 2020, and may affect the carrying amounts of the Group's assets in different aspects.

Due to the dynamic nature and unpredictability of future development and market sentiment, the directors of the Company consider the financial effects on the Group's consolidated financial statements cannot be reasonably estimated as at the date of these financial statements are authorised for issue.

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

CHAIRMAN'S STATEMENT

Dear Shareholders,

2019 was an exceptionally challenging year for Greenheart, as the operating environment had substantially worsened due to the capricious global economy. The ongoing trade tensions between the United States ("US") and China had severely weakened the Chinese economy, our main market, and caused a sharp decline of market demand. The depreciation of Renminbi ("RMB") has limited the buying power of the Chinese customers. These unfavourable factors have put significant downward pressures on prices and gross profit margins across a wide spectrum of sectors. Greenheart is also not immune to these pressures which had seriously impacted our financial performance. The overall revenue of the Group for the financial year ended 31 December 2019 decreased by 12.3% to HK$374,435,000. In addition, due mainly to the impairment of timber concession and related assets in Suriname and the decrease of the fair value gain of the plantation forest assets in New Zealand by 70.6%, the Group recorded a widened loss before tax of HK$271,287,000 for the Year (2018: a loss of HK$112,551,000).

New Zealand

The export prices of New Zealand radiata pine were very volatile and unpredictable during the Year. The price of A-grade logs plummeted from US$145.1 per m^3 at the beginning of the Year to US$115.5 per m^3, the lowest in more than 3 years, in August. A variety of factors, including weakening demand amid escalating trade war between US and China, flooding of logs coming from Europe due to bark beetle infestations in spruce forests, over supply of New Zealand logs etc, contributed to such sharp market drop. Export prices improved swiftly later during the Year and more than half of the value lost in July had been recovered in November until the outbreak of the COVID-19 in China, which caught everyone in surprise.

In addition, due to the lower forecasted log prices in the immediate future, the fair value gain arising from our New Zealand plantation forest assets decreased by 70.6% to HK$26,729,000 during the Year.

Overall, the adjusted EBITDA contributed by New Zealand division recorded HK$90,444,000 for the Year, a decrease of HK$64,311,000, as compared to that of 2018.

Suriname

At the time of our interim results announcement for the six months ended 30 June 2019, we said that the Group finally received the revised concession license of its largest concession in Suriname and expected that the resumption of the harvesting can contribute positively in the remaining part of 2019. However, the persistent US-China trade tensions, coupled with the depreciation of RMB, has severely impacted the overall market sentiment and resulted in a significant shrinkage of the demand of tropic hardwood logs in China. For lumber, as the Group was still in the process of re-activating its forest accreditation process, the lumber products were sold at lower prices in Europe market.

As the global economic outlook remains cloudy with protectionist sentiments, trade wars and financial market instability, we expected that the market prices of tropical hardwood will continue to be under tremendous pressure for an extended period of time. Given that, together with other factors, we have recognised an impairment of timber concession and related assets in west Suriname of HK$187,323,000.

In the context of the above, the Suriname division recorded a total revenue of HK$27,498,000 and a negative adjusted EBITDA of HK$30,871,000, an increase of HK$10,176,000 over the same period of last year.

Prospect

Going into 2020, we do expect that the trade policy uncertainty, geopolitical tensions, and protectionist sentiments continued to weigh on global economic activity. Although the agreement of "phase one" trade deal between China and US released a positive sign, we remain cautious about the prospects. The recent outbreak of the COVID-19 in China and the rest of the world has added great uncertainty to the recovery of global economy. There have been massive disruptions to all the supply chains in China and globally. As disclosed in our announcement dated 7 February 2020, the Group has given notice to all contractors and subcontractors of the impending suspension of our New Zealand harvesting operation. While there are still some productions during the notice period, the harvesting volume is substantially reduced. The suspension, and subsequent shut-down of business operations ordered by the New Zealand Government, is likely to have a negative impact on the Group's short term financial performance. We will continue to monitor the market situation and resume the harvesting operation of our New Zealand forestry division as soon as possible.

Regarding our Suriname division, we expect to adopt an aggressive pricing strategies for a much longer period of time to maintain competitiveness until the economy returns to normal. In view of the changed macroeconomic environment and the track record of the Suriname division, we have adjusted our business plan to adopt an asset-light approach in Suriname and preserve our resources to areas that can deliver stronger result. The Group has taken active steps to materially reshape the Suriname division, aiming at simplifying its operation structure and reducing its cost base in order to achieve a more sustainable operations for the future. Actions taken included engaging seasoned operators to harvest and sale of logs at fixed rates, downsizing the workforce, simplifying the product mix etc.

As at the date of this announcement, the COVID-19 situation is still evolving. The outbreak will be the greatest uncertainty for the global economy. The consumer confidence has dropped to a very low point. The Group will carefully review the business and implement austerity measures to cope with the toughest time. In the meantime, the Group will continue to explore opportunities within our core competent area to improve the return for our shareholders.

Appreciation

On behalf of the Board, I would like to express my sincere appreciation to my fellow directors, management and all of my colleagues for their work, spirit, concerted effort and dedication in delivering our strategy in the challenging market environment. I would also like to express our heartfelt gratitude to our shareholders, customers, suppliers, bankers and business associates for their trust and support throughout the year.

Cheng Chi-Him, Conrad
Non-executive Chairman

Hong Kong
31 March 2020

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

2019 was another turbulent year for Greenheart in the face of heighted uncertainty in global economic environment. The geo-political and economic issues such as trade tensions between China and US and a slowing world economy have adversely affected the Group and a net widened loss of HK$228,121,000 was recorded, an increase of HK$123,071,000 as compared to last year. Such substantial increase was mainly attributable to the one-off non-cash provision for impairment on the timber concessions and cutting rights in relation to Suriname division, decrease in non-cash fair value gain on plantation forest assets from New Zealand division and the deteriorating performance of both of our New Zealand and Suriname divisions caused by the sharp decline of the market demand in both softwood and hardwood market.

Revenue

The Group recorded total revenue of HK$374,435,000, a decrease of HK$52,646,000 as compared with that of last year. Such reduction was primarily caused by the decline of sales volume in New Zealand division for the Year.

During the Year, the revenue contributed by New Zealand division of the Group decreased by HK$64,744,000. The key factor of such decrease was the decline in sales volume by 20.8%, as a result of the softening market demand from China caused by the ongoing trade tensions between China and US as disclosed in the Group's interim report 2019.

In spite of the decrease in sales of logs, revenue contributed from forest management services slightly increased by HK$155,000 during the Year.

Revenue from Suriname division increased to HK$27,498,000 for the Year due to the clearance sale of low grade old stock and the increased subcontracting fee income arising from Suriname ("Subcontracting Fee Income").

Gross profit

Gross Profit was HK$44,145,000 for the Year, representing an increase of HK$31,592,000 as compared with that of last year. The gross profit contributed from the New Zealand division was HK$85,653,000 (2018: HK$56,374,000) while the Suriname division recorded a gross loss of HK$41,508,000 for the Year (2018: HK$43,821,000).

During the Year, gross profit margin was 11.8% as compared to 2.9% for last year. The gross profit margin for the New Zealand division for year 2019 was 24.7% (2018: 13.7%) while the Suriname division recorded a gross loss margin of 150.9% for year 2019 (2018: 284.6%).

Excluding the effects caused by the change of the trade terms of New Zealand division export sales from Free on Board ("FOB") to Cost and Freight ("CFR"), the gross profit margin would be 14.9% for the Year (2018: 12.6% (on FOB basis)). The slight increase in profit margin of the New Zealand division was due to the decrease in non-cash unit forest depletion cost in the second half of the Year as a result of the decrease in the fair value of the plantation forest assets, as disclosed in the Group's 2019 interim report.

The gross loss margin for the Suriname division reduced during the Year, reflecting the increase in Subcontracting Fee Income and decrease in write-down of slow-moving inventories. The improvements were however negatively impacted by the effect of less costs was capitalised in inventories due to the lower production of both logs and lumber, notwithstanding the production had been resumed after the temporary suspension of the harvesting activities in one of the Group's largest concessions in west Suriname in second half of 2019.

Other income

Other income for the Year mainly represented shipping service fee income by sharing vessels with other log exporters in New Zealand, rental income received from subcontractors in Suriname for the lease of plant and machinery, finance lease interest income and bank interest income.

The reduction of other income was mainly because there was one-off interest income from a customer for the overdue trade receivable and one-off reversal of long outstanding trade and other payables made in 2018. No such event happened during the Year.

Other gains and losses

Other gains and losses comprised of (i) impairment on timber concessions and cutting rights and property, plant and equipment; (ii) reversal of impairment on right-of-use assets; (iii) gain on disposal of property, plant and equipment; and (iv) exchange loss on refundable earnest money.

The impairment on timber concessions and cutting rights of HK$158,740,000 provided during the Year (2018: HK$43,372,000) was mainly attributable to the west Suriname cash-generating unit, with reference to its fair value as at 31 December 2019 appraised by an independent valuer. The drop of the fair value was primarily due to the sharp decline of the near to medium term forecasted selling prices, significant reduction of lumber output due to reduced production and the change of the operating strategy to stumpage sales of logs at fixed rate, instead of further processing to higher value products, to reduce the complexity of the operations and uncertainties caused by increases in the export costs of logs. Accordingly, impairment was allocated to timber concessions and cutting rights of the cash-generating unit.

During the year ended 31 December 2019, certain immovable property, plant and equipment under the Suriname Division were physically damaged or no longer used in operations. Management performed impairment assessment on such assets and concluded the carrying amount of such property, plant and equipment was in excess of its recoverable amount of nil. Accordingly, a full provision of HK$28,583,000 (2018: nil) was recognized.

Reversal of impairment on right-of-use assets of HK$1,419,000 (2018: reversal of impairment loss on prepaid lease payments of HK$374,000) for the Year was primarily due to the increase in fair value less costs of disposal of certain leasehold land in Suriname based on the valuation reports at the end of the Year prepared by an independent valuer.

Gain on disposal of property, plant and equipment for the Year was mainly due to the disposal of certain plant and machinery to the subcontractors in Suriname under finance lease arrangement.

Impairment losses reversed on financial assets, net

Impairment losses reversed on financial assets during the Year mainly represented reversal of the expected credit losses ("ECL") on trade receivables and other receivables as a result of settlements received during the Year.

Fair value gain on plantation forest assets

The fair value gain on our plantation forest assets in New Zealand amounted to HK$26,729,000 (2018: HK$90,943,000) for the Year. The gain was calculated based on the valuation report at the end of the Year prepared by an independent valuer and the decrease in gain was mainly caused by unfavourable market conditions and higher forecasted cartage rates in 2019 as compared to that in 2018. The decrease was partially offset by the change of discount rate from 8.0% to 7.5% for certain plantation forest assets consistent with lower discount rates implicit in recent transactions and other available evidence in 2019.

Selling and distribution costs

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

During the Year, selling and distribution costs increased by HK$39,208,000 to HK$82,806,000 for the Year. Such increase was mainly attributable to the increase in freight cost as a result of the increase in volume of New Zealand radiata pine sold under CFR term.

Administrative expenses

Administrative expenses for the Year decreased by 17.4% or HK$12,992,000. The reduction was mainly attributable to (i) the decrease in the staff costs; and (ii) the decrease in amortisation of timber concessions and cutting rights due to impairment provided as at 31 December 2018 and more of that was capitalised to inventories following the resumption of harvesting in west Suriname in the second half of 2019.

Finance costs

Finance costs increased by HK$2,373,000 during the Year and such increase was mainly due to the increase in interest on bank borrowings following the general rise in London Interbank Offered Rates ("LIBOR") in the Year as well as the additional interest on bank borrowings with principal amounts of HK$31,978,000 drawn down in the second half of 2018. Such increase was partly offset by the repayment of loan from ultimate holding company during the first half of the Year.

Income tax expense

The deferred tax credit for the Year comprised of the deferred tax credit of HK$10,887,000 and HK$39,686,000 in the New Zealand and the Suriname divisions, respectively.

The deferred tax credit in the New Zealand division was mainly due to the taxable temporary differences arising from the recognition of tax losses, fair value gain on New Zealand plantation forest assets, different amortization/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 net exchange differences arising from the translation of foreign currency denominated deferred tax liabilities.

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

EBITDA

The Group recorded negative EBITDA HK$112,963,000 for the Year as comparing to the positive EBITDA of HK$101,282,000 in 2018.

The EBITDA of New Zealand division decreased to HK$120,780,000 for the Year (2018: HK$248,948,000) because of the significant reduction in fair value gain on plantation forest assets and deterioration in the underlying operating results during the Year.

The negative EBITDA of Suriname division increased to HK$214,846,000 for Year. Such poor performance was mainly due to increase in impairment on timber concessions and cutting rights and property, plant and equipment as mentioned above.

Loss for the Year attributable to owners of the Company

As a result of the aforementioned, the loss attributable to owners of the Company was increased from HK$56,880,000 in 2018 to HK$143,814,000 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 2019 and 2018. 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 2019 and 2018. In addition, a high level area validation exercise using satellite imagery was performed for the Group's plantation forest assets with a total area of 15,778 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, no forest health issues were identified that would have a material bearing on the forest valuation result.

(b) Assessment of the yield and grade mix of the plantation forest assets based on (i) the actual harvesting records obtained from the forest manager since the acquisition of the plantation forest assets. The actual yield data for the full extent of the harvesting was considered; and (ii) the yield tables prepared by the previous owners of the plantation forest assets which the Group obtained during due diligence in respective years.

(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 2019, the Group's current assets and current liabilities were HK$261,562,000 and HK$114,278,000 (2018: HK$366,225,000 and HK$188,460,000), respectively, of which the Group maintained cash and bank balances of approximately HK$168,300,000 (2018: HK$156,667,000). The Group's outstanding borrowings as at 31 December 2019 represented the loans from immediate holding company amounting to HK$178,384,000 (2018: HK$171,184,000), the loan from ultimate holding company amounting to HK$ nil (2018: HK$79,126,000), bank borrowings amounting to HK$220,613,000 (2018: HK$226,833,000) and lease liabilities of HK$25,579,000 (2018: obligations under finance lease of HK$890,000). Accordingly, the Group's gearing ratio, which was calculated on the basis of outstanding borrowings as a percentage of equity attributable to owners of the Company, was 44.6% (2018: 44.0%).

As at 31 December 2019, 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.

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 2019. However, we will continue to closely monitor all possible exchange risk arising from the Group's existing operations and new investments in the future and will implement the necessary hedging arrangement(s) to mitigate any significant foreign exchange exposure.

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

PROSPECTS

As the beginning of 2020, there were high hopes that we had reached a key turning point to the weakened global wood market after China and US signing the "phase one" trade agreement, a breakthrough in more than 18-month trade war, and other major wood markets resolving its financial crisis. Softwood prices for A-grade on CFR basis were moving past US$134 per m^3 in December and the dominant China market log inventory levels were stable even with the surge in European beetle effected spruce wood reaching 1 million tonnes per month by containers. However, when we are about to put pen to paper, various countries are now coming to terms with the global outbreak of COVID-19 and governments are now working out emergency budgets and stimulus programs to assist businesses and its people to cope with another evitable economic slowdown.

After opening the year with A-grade logs prices on CFR basis at a respectable US$129 – US$136 per m^3, we are now experiencing short to middle term effects of the restrictive measures implemented by the China government to curb the spread of the COVID-19. The delay of sawmills restarting their operations after the extended Lunar New Year holiday, lack of productivity at port and important workforce from China provinces being quarantined caused A-grade logs prices on CFR basis to drop to US$111 per m^3 level and impact issuances of financial security. The offsetting effect of a lower freight cost due to lower dry bulk prices and a weaker New Zealand Dollar ("NZD") are not sufficient to compensate for the decrease in A-grade logs prices. With due consideration to the high levels of log inventories in China, the loaded volumes on vessels which has arrived or en route and a slow reaction to the economic situation, we have decided to suspend our New Zealand harvesting operations for a period of 2-3 months to allow for China to clear the backlog of volumes and believe an overall reduction in volumes going into China will bring the A-grade logs prices in CFR basis back to higher range of US$122-US$125 per m^3 in a short period of time. As of end February 2020, the overall New Zealand Production level has dropped beyond 30% and likely will reach 40%.

Despite the negative condition identified above, it is expected that the condition will improve in second and third quarter of 2020, as log demand in China remains strong and experts have indicated that long term demand is stable in terms of volumes in China. Although economic data has just begun to be released, analysts expect China annualized Gross Domestic Product ("GDP") growth will bounce back from potentially negative to between 4.5%-5.6%. The China government has introduced a number of stimulus including short term borrowing rates cuts and easier access to financial loans as it cautiously pushes businesses to restart. One certain thing of the COVID-19 event is the growing importance for China not only to global manufacturing but also to global consumption. On this note, we will continue to focus on our strategy to further explore planation forest acquisitions in Northland and East Coast of New Zealand which represent good long term value to our investors.

Although the impact of COVID-19 outbreak seemed having a lesser effect on demand on the hardwood as compared to the softwood, we have noticed the purchases being restricted to highly selective list of hardwood species which are well-known to the market. Appetite for less common species are scare. Other than logs to China, we are wary of further infection numbers in the Europe and US continent as this will impact our lumber orders although we will continue to look for alternative sales channels. In consideration of the safety of our workforce, we are now faced with the inevitable decision of closure or shortening the working hours of our operations especially the processing division.

Our Suriname operations have undergone some extensive changes over the past 12-15 months which includes, new management, continuous implement measures to enhance our production facilities to reach production level, rationalisation of its workforce to a scalable level and recertification of our forest to access Europe and US markets. Also, forest operations at our largest concession in west Suriname which had previously been suspended, restarted operation in the end of third quarter of 2019 with first logs arriving at our Apoera sawmill in November 2019, whereby first lumber sales orders have been fulfilled in February 2020. In addition to our three sawmill production facilities, we have started the fourth mill site in Paramaribo using external partners to produce domestic grade products for the local market. This has allowed our main processing mill to focus on high valued export orders and generate first profit on domestic product sales.

In spite of our lengthy exchange of correspondence with Forest Stewardship Council ("FSC") at a national and international level, FSC still placed a more restrictive total harvesting area on our Suriname concessions, we have therefore decided to postpone FSC certification until further notice, FSC remains in dialog with Greenheart. We have chosen to apply for LegalSource certification governed by NEPCon, EU Timber Regulation which is accepted for Europe, US and some of our existing chain of custody clients in Asia. The field audit in Greenheart has been completed by LegalSource and the results for potential certification will likely be confirmed in mid of second quarter of 2020.

Amidst the economic uncertainties caused by a number of factors such as outbreak of COVID-19 and US-China trade war, the Group will follow the right direction for development in a persistent and judicious manner, adopting solid measures to overcome difficulties and aiming to improve the return for the shareholders of the Company.

CHARGE ON ASSETS

As at 31 December 2019 and 2018, the Group's bank loan facilities are secured by:

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

(ii) a Fixed Charge over:

a. the Group's forestry land (located in New Zealand) with carrying amount of approximately HK$119,365,000 (2018: HK$109,109,000) ("Forestry Land");

b. the Group's plantation forest assets (located in New Zealand) with carrying amount of approximately HK$436,802,000 (2018: HK$477,440,000) and all other estates and interests in the Forestry Land and all buildings, structures and fixtures on the Forestry Land;

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

d. the Group's certain leasehold land (located in Suriname) with carrying amount of approximately HK$7,445,000 (2018: HK$7,670,000); and

e. the Group's certain motor vehicles with carrying amount of approximately HK$1,424,000 (2018: HK$1,813,000).

The pledged bank deposit of HK$3,200,000 as at 31 December 2018 represented deposit made for a period of three months to secure the general banking facilities on letter of credit granted to the Group as at 31 December 2018. The general banking facilities were released during the Year.

DIVIDEND

The directors do not recommend the payment of any final dividend for the Year (2018: HK$ nil).

CAPITAL EXPENDITURE

During the Year, the Group incurred capital expenditure of approximately HK$12,686,000 (2018: HK$25,108,000) 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 2019, the Group did not have any significant contingent liabilities (2018: 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 16 to the consolidated financial statements contained in this announcement.

SHARE OPTION SCHEME

As at 31 December 2019, there were share options for 29,223,700 ordinary shares of HK$0.01 each in the share capital of the Company granted by the Company pursuant to the share option scheme adopted by the shareholders of the Company on 28 June 2012 (the "Share Option Scheme"), which were valid and outstanding. Movements of the outstanding share options of the Company during the Year are set out below:

	Number of shares
As at 1 January 2019	31,462,200
Grant during the Year	–
Lapsed during the Year	(2,238,500)
Cancelled during the Year	–
Exercised during the Year	–
As at 31 December 2019	29,223,700

EMPLOYMENT AND REMUNERATION POLICY

As at 31 December 2019, the total number of employees of the Group was 218 (2018: 255). Employment costs (including Directors' emoluments) amounted to approximately HK$45,956,000 for the Year (2018: HK$54,628,000). 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.

AUDIT COMMITTEE

The audit committee of the Company ("Audit Committee") currently has three members comprising two independent non-executive Directors, namely Mr. Wong Man Chung, Francis (Chairman) and Mr. Nguyen Van Tu, Peter, and one non-executive Director, namely Mr. Tsang On-Yip, Patrick. None of them are members of the former or existing auditors of the Company. The Board considers that the Audit Committee has extensive commercial experience in business, financial and legal matters. The primary duties of the Audit Committee include, among other matters, reviewing and monitoring financial reporting and the judgment contained therein; reviewing financial and internal controls, accounting policies and practices with management and external auditors; and reviewing the Company's compliance with the Corporate Governance Code ("CG Code") contained in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules").

The Audit Committee has reviewed and discussed with the management the accounting principles and practices adopted by the Group, auditing, internal controls and financial reporting matters, and the Company's policies and practices on corporate governance. The Audit Committee has reviewed and discussed with the management and external auditors the consolidated financial statements for the Year. During the Year, two meetings were held by the Audit Committee, one of which was attended by the external auditors.

SCOPE OF WORK OF MESSRS. DELOITTE TOUCHE TOHMATSU

The figures in respect of the Group's consolidated statement of financial position as at 31 December 2019, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 December 2019 as set out in the preliminary announcement have been agreed by the Group's auditor, Messrs. Deloitte Touche Tohmatsu, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by Messrs. Deloitte Touche Tohmatsu in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants, and consequently no assurance has been expressed by Messrs. Deloitte Touche Tohmatsu on the preliminary announcement.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

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

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

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted a code of conduct regarding securities transactions by Directors ("Code of Conduct") on terms no less exacting than the required standard 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"). All Directors have confirmed, following specific enquiry by the Company, that they have complied with the required standard set out in the Model Code and the Code of Conduct for the Year.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

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

FORWARD LOOKING STATEMENTS

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

APPRECIATION

The 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 2019 was a challenging year.

By Order of the Board
Greenheart Group Limited
Ding Wai Chuen
Executive Director and
Chief Executive Officer

Hong Kong, 31 March 2020

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

Website: http://www.greenheartgroup.com