ANNUAL REPORT 年報 2013

Greenheart Group
綠森集團

always growing

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

Contents

Corporate Information

BOARD OF DIRECTORS

Wang Tong Sai, Eddie#
(Non-executive Chairman)
(appointed on 10 May 2013)
Paul Jeremy Brough*
(Interim Chief Executive Officer)
(appointed on 10 May 2013)
William Judson Martin* *(Chairman, Chief Executive Officer and President)*
(resigned on 30 September 2013)
Hui Tung Wah, Samuel*
Colin Denis Keogh#
(appointed on 10 May 2013)
Simon Murray#
Wong Che Keung, Richard**
Tong Yee Yung, Joseph**
Wong Kin Chi**

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

AUDIT COMMITTEE

Wong Che Keung, Richard *(Chairman)*
Tong Yee Yung, Joseph
Wong Kin Chi
Colin Denis Keogh
(appointed on 31 March 2014)
Paul Jeremy Brough
(appointed on 30 August 2013 until re-designated as an executive Director on 2 October 2013)

REMUNERATION COMMITTEE

Tong Yee Yung, Joseph *(Chairman)*
Wong Che Keung, Richard
Wong Kin Chi
Wang Tong Sai, Eddie
(appointed on 30 August 2013)

NOMINATION COMMITTEE

Tong Yee Yung, Joseph *(Chairman)*
Wong Che Keung, Richard
Wong Kin Chi
Colin Denis Keogh
(appointed on 30 August 2013)

COMPANY SECRETARY

Tse Nga Ying

AUTHORIZED REPRESENTATIVES

William Judson Martin
(resigned on 30 September 2013)
Hui Tung Wah, Samuel
(appointed on 30 September 2013)
Tse Nga Ying

REGISTERED OFFICE

Canon's Court
22 Victoria Street
Hamilton HM 12
Bermuda

STOCK CODE

94

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

16/F., Dah Sing Financial Centre
108 Gloucester Road, Wanchai
Hong Kong
Tel: (852) 2877 2989
Fax: (852) 2511 8998

INDEPENDENT AUDITOR

Moore Stephens

Corporate Information

SOLICITORS

Baker & McKenzie
Troutman Sanders
Sit, Fung, Kwong & Shum
Michael Li & Co.

PRINCIPAL BANKERS

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

PRINCIPAL REGISTRAR & TRANSFER OFFICE

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

BRANCH SHARE REGISTRAR & TRANSFER OFFICE

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

WEBSITE

http://www.greenheartgroup.com/

INVESTOR RELATIONS

info@greenheartgroup.com

Chairman's Statement

Dear Shareholders

2013 was a year of transformation of Greenheart Group Limited ("Greenheart" or "Company"). At the beginning of the year, the two year long restructuring of our former major shareholder was finally completed and Emerald Plantation Holdings Limited ("EPHL" or "Ultimate Holding Company") became the ultimate holding company of Greenheart. As a result of this change, as of 2 October 2013, I took over as non-executive Chairman and Mr. Paul Brough, took over the helm as the interim CEO of Greenheart. I believe Mr. Brough's prior restructuring experience will bring new skills and discipline to the executive team and will help position the Group as it seeks to develop the operating platform it has constructed over the past few years.

In order to strengthen the Company's corporate governance, the board decided to separate the roles of CEO and the Chairman. I was honored to be the chairman of Greenheart's board and feel privileged to be given the opportunity to be able to contribute to the next stage of Greenheart's journey.

FINANCIAL PERFORMANCE

During the year ended 31 December 2013 (the "Year"), the Group's New Zealand division delivered strong results. Revenue and EBITDA increased by 47.4% to HK$663,833,000 and 68.9% to HK$323,901,000, respectively. These increases were a result of both increasing log prices and increased logging volumes, mainly fueled by strong demand from China underpinned by continued demand based on a favorable construction market. The impressive performance of our New Zealand business has helped to partially offset the operating loss incurred in our Suriname division and certain one-off losses and expenditure. The Suriname division reported revenue of HK$59,945,000, 41.1% above 2012. An EBITDA loss for the Suriname division of HK$90,569,000 was a 27.2% improvement on the prior year's loss of HK$124,446,000. This resulted in consolidated loss attributable to the equity shareholders of the Company of HK$5,739,000 for the Year.

Having regard to the disappointing performance of our Suriname division, notwithstanding an improvement in financial performance, the Board and the management have taken action to address areas of under-performance with the objective of improving returns and ensuring that the long term configuration of this business is appropriate and effective. In connection with this, a new country general manager for Suriname was appointed at the beginning of 2014. His given priorities are to reduce operating costs, complete the construction of sawmill facilities as efficiently as possible and to strengthen collaboration between forestry operations, sawmill production, sales and logistics. Other than the above measures, we will continue to expand our sales presence in Europe with the help of FSC certification and to strengthen our hardwood sales and marketing efforts in the USA by relocating our sales offices for Europe, the USA and the Caribbean region to Suriname. At the same time, we will seek to leverage EPHL's sales platform in China to increase our customer base and develop a better understanding of our customers' needs. Our short term objective is to make our west Suriname operation – our biggest facility in Suriname – cash flow neutral by the end of 2014.

Steps have also been taken since the last quarter of 2013 to reduce costs in our Hong Kong Head Office, which resulted in the departure of a number of staff and a reduction in other overheads. Steps to reduce costs and increase efficiency across Hong Kong, New Zealand and Suriname are continuing and are expected to make a significant contribution to improved cash flow in 2014.

OUTLOOK

Looking forward, in view of the gradual but seemingly sustained recovery of the global economy, the continued diminishing supply of wood fibre, increasing public awareness and increasing regulation regarding sustainable wood related products, the Board remains optimistic about the longer-term prospects for the Group's timber business.

China remains our largest market and our market share continues to increase. Consensus estimate's put China's GDP growth at close to 7.5% for 2014, contributing to growth in construction market for New Zealand softwood logs and growth in interior decorating for our Suriname hardwood flooring, panel and furniture products. In the short term, logging volumes and sales volumes in the New Zealand division will be maintained with plans to harvest 700,000 m^3 of logs in 2014. At the same time, the Group will actively look for appropriate acquisition opportunities in order to enhance and strengthen the sustainability of its long-term production profile in New Zealand. For Suriname, management will continue to streamline and improve the way the division does business, focusing on cost reduction, enhancing operating efficiency and optimization of resources. Given the steps taken in the last few months, management anticipate an improvement in our financial performance in 2014 and are confident that these changes will turn the Company into a more attractive investment for our shareholders.

In closing, on behalf of the Board, I want to take this opportunity to thank our staff for their efforts and continuing loyalty to Greenheart during this challenging and transformative period. We would also like to thank our shareholders for their patience and support over the past two years and we look forward to delivering improved returns on your investment in the years ahead.

Wang Tong Sai, Eddie
Non-executive Chairman
Hong Kong

Management Discussion and Analysis

BUSINESS REVIEW

The Group maintained high growth and reported record-high revenues of HK$724,583,000 during the Year. This significant growth was in large part due to the Group's New Zealand division due to the increasing demand from China. Production volume was increased while at the same time log prices rose through the Year and logistics costs fell. The New Zealand division has performed well since it was acquired at the beginning of 2011, achieving record revenue of HK$663,833,000 and EBITDA of HK$323,901,000 for the Year. However, the Group's financial performance has been impacted and offset by the operating loss recorded in the Suriname division and certain one-off corporate and compliance related expenses.

Although the revenue of Suriname increased significantly by 41.1% to HK$59,945,000, its negative EBITDA only reduced slightly by HK$33,876,000 to HK$90,569,000 for the Year. This was primarily because of a decline in gross profit margin principally as a result of clearance sales of certain lower grade lumber, higher unallocated operating expenses caused by operational inefficiencies and underutilized production capacity. In addition, impairment provisions were taken on one of the timber concessions in Suriname.

Benefiting from the outstanding business results of the New Zealand division and certain cost control measures taken in the last quarter of the Year, the Group's loss attributable to the shareholders reduced significantly by 92.5% to HK$5,739,000 for the Year from HK$76,777,000 in 2012.

Revenue

The Group's total revenue was up 46.3% to HK$724,583,000 for the Year, with HK$663,833,000 (2012: HK$450,280,000) from the New Zealand division and HK$59,945,000 (2012: HK$42,489,000) from the Suriname division.

The significant growth in sales of the New Zealand radiata pine was mainly driven by the increasing demand for New Zealand radiata pine in China. The export sales volume and the average export selling price of the New Zealand radiata pine, increased to 582,000 m^3 (2012: 460,000 m^3) and US$138.4 per m^3 (2012: US$117.8 per m^3), for the Year. Of the increase in sales, approximately 27% was due to increases in volume and 73% was due to increases in price.

The Group's Suriname division also grew steadily during the Year. The revenue contributed from the Suriname division increased from HK$42,489,000 for last year to HK$59,945,000 for the Year. Notwithstanding the increase in revenue, the financial performance of the Suriname division did not meet expectations, due primarily to a number of operating and logistical issues. These are currently being addressed by the new management team in Suriname.

Other than the above, the trading business of logs and lumber products also contributed HK$805,000 to the Group's revenue during the Year (2012: HK$2,457,000).

Gross profit

The Group's gross profit for the Year was approximately HK$335,471,000, representing an 80.0% increase from HK$186,416,000 for 2012. The gross profit contribution from the New Zealand and Suriname divisions were approximately HK$319,768,000 (2012: HK$169,655,000) and HK$15,470,000 (2012: HK$16,376,000), respectively. The significant increase in the Group's gross profit was mainly attributable to the increase in export volumes from New Zealand of approximately 122,000 m^3 and a higher average export selling price during the Year. The gross profit for the Suriname division remained stable during the Year. The gross profit for the Group's trading business was HK$233,000 (2012: HK$385,000) for the Year.

The Group's gross profit margin for the Year was approximately 46.3% as compared to 37.6% for last year. The gross profit margin for the Group's New Zealand and Suriname divisions for the Year were 48.2% and 25.8% (2012: 37.7% and 38.5%), respectively. The increase in the gross profit margin for the New Zealand division was due to increased average selling prices during the Year. The gross profit margin for Suriname division decreased during the Year as the Group focused on stock clearance in the second half of 2013 and sold more low value timber products with lower profit margins than the standard products. It is expected the situation will improve once the Group resume selling higher grade products and the marketing efforts on lesser known species begin to pay off.

Other income and gains

Other income and gains amounted to HK$8,547,000 (2012: HK$10,948,000) for the Year, mainly representing the recognition of the fair value gains of approximately 242,000 units (2012: 151,000 units) of New Zealand carbon credits granted by the New Zealand Ministry of Primary Industries of HK$3,164,000 (2012: HK$5,840,000), bank and other interest income of HK$2,443,000 (2012: HK$2,605,000) and rental income for the lease of plant and machinery of HK$2,120,000 (2012: HK$2,257,000). The decrease of HK$2,401,000 as compared with HK$10,948,000 for last year was primarily because the fair value of each unit at the date of grant for the New Zealand carbon credits was much lower during the Year, despite more units being granted.

Fair value gain on plantation forest assets

The fair value gain on the plantation forest assets of HK$108,847,000 (2012: HK$94,764,000) was primarily attributable to higher average selling prices reflecting continuing strong demand for New Zealand radiata pine. The relevant qualifications, experience and independence of the valuer, the work performed by the valuer and the key inputs and assumptions used in the valuation are set out in note 19 to the financial statements.

Selling and distribution costs

Selling and distribution costs mainly represents trucking, barging and export handling expenses, ocean freight and logistic related costs for Suriname logs and lumber sales and ocean freight and logistic related costs incurred for New Zealand sales. The significant increase during the Year was primarily attributable to the increase in sales volume from New Zealand, which is primarily sold on a cost and freight basis.

As a percentage of revenue, sales and distribution costs fell approximately 3 percent during the Year, primarily due to the increase of the average selling price of New Zealand radiata pine and the increase of the percentage of sawn timber sold from Suriname, which by nature has a lower unit cost of distribution than logs.

Administrative expenses

Administrative expenses increased by HK$9,646,000 to HK$89,135,000 for the Year. The increase was mainly attributable to certain one-off expenses, which included the remuneration and out-of-pocket expenses of a former director of the Company of HK$4,888,000, severance and notice payments for staff redundancies of HK$1,605,000, and legal and professional fees of HK$1,764,000 incurred in relation to the unconditional mandatory general offer made by Emerald Plantation Group Limited ("EPGL" or "Intermediate Holding Company") (a wholly-owned subsidiary of the Ultimate Holding Company) during the Year.

Other operating expenses

During the Year, other operating expenses mainly represented unallocated operating and manufacturing overhead expenses incurred in Suriname logging and sawmill operations of HK$71,229,000 (2012: HK$51,575,000), a provision for impairment on the Suriname timber concessions and cutting rights of HK$11,695,000 (2012: HK$63,601,000), and amortization of harvest roads in the New Zealand division of HK$15,433,000 (HK$7,662,000).

The provision for impairment of HK$11,695,000 made for the Year is related to one of the timber concessions, located in central Suriname acquired in late 2012, mainly related to a possible significant increase in annual forest concession license fees ("Annual Fee") promulgated by the Suriname government shortly before the end of the Year. No provision is made for other timber concessions and cutting rights held by the Group as their fair market value as at the year end is higher than their carrying amounts even after taking into account the increased Annual Fee.

Apart from the impairment provision mentioned above, the Group's other operating expenses also included the unallocated operating and manufacturing overhead expenses incurred in the Suriname logging and sawmill operations which increased by HK$19,654,000 during the Year. Such increase was mainly attributable to a slow down in forestry activities and certain sawmill activities in order to synchronize them with planned processing facilities in west Suriname. In addition, a change in log species mix input into the sawmill (with the primary objective of producing a wider variety of products for customers) also affected the sawmill's overall performance as it increased machinery set-up time and impacted efficiency.

In addition, the temporary slowdown in sawmill activities in central Suriname caused by the breakdown of a major generator and other mechanical problems, which have been subsequently replaced and repaired, and extra costs incurred in order to prepare for the Forest Stewardship Council ("FSC") audit in June 2013 also resulted in higher other operating expenses recorded in central Suriname during the Year. The Group successfully renewed its FSC full certificate in July 2013 and resumed normal operations in central Suriname thereafter.

Following the frustration of a subcontracting agreement in relation to certain harvesting rights in east Suriname as announced by the Company on 5 April 2013, the operations in east Suriname were restricted to selling and disposal of logs on hand and moving the harvested logs from the forest landings to the central log yard. A total of HK$13,984,000 was incurred for east Suriname operation during the Year. As most of the logs have been moved out to the central log yard by the end of the Year, it is therefore not expected that further significant operating costs will be incurred in east Suriname in 2014.

In New Zealand, increased amortization of harvest roads of HK$7,771,000 was experienced during the Year as the Group constructed more harvest roading in New Zealand to support increased harvesting.

Non-cash share option expenses

Share option expenses incurred in the Year of HK$3,060,000 were non-cash in nature and represented mainly the fair value of those previously granted share options which became vested immediately as a result of the unconditional mandatory general offer made by EPGL during the Year.

Finance costs

Finance costs increased by HK$7,378,000 to HK$47,344,000 for the Year. The increase was mainly attributable to the net effect of the following: (i) a full year's interest of HK$3,120,000 (2012: approximately nine months interest of HK$1,830,000) incurred on a loan with a principal amount of HK$62,400,000 granted by Sino-Capital Global Inc. ("Sino-Capital" or "Immediate Holding Company") on 26 March 2012 to proportionately finance the Group's operations in west Suriname which is owned as to 60.39% by the Group and as to 39.61% by Sino-Capital; (ii) interest of HK$7,141,000 (2012: Nil) incurred on a US$30,000,000 loan and overdraft facility granted by Bank of New Zealand ("Bank Loan Facilities"); (iii) a loss of HK$5,095,000 arising from the early redemption of US$8,000,000 principal amount of the convertible note by the Noteholder in February 2013 ("Early Redemption") and (iv) a decrease in interest incurred on the convertible note of HK$5,569,000 as a result of the Early Redemption.

Tax

Tax charges incurred for the Year mainly represented a deferred tax charge of HK$30,686,000 (2012: HK$2,824,000), and a general tax provision of HK$14,693,000 (2012: HK$9,524,000) attributable to the New Zealand division, plus withholding tax of HK$1,050,000 (2012: Nil) resulting from the remittance of intercompany interest and net exchange differences arising from the translation of foreign currency denominated income tax recoverable and deferred tax liabilities.

The deferred tax charge for the Year mainly represented the net movement of taxable temporary differences arising from the New Zealand division of HK$29,434,000 (2012: HK$11,925,000), which included the utilization of tax losses, fair value gains on New Zealand plantation forest assets, different amortization/depreciation rates for tax and accounting purposes related to the New Zealand plantation forest and forest roads assets and the Year end foreign currency translation adjustment for United States dollar denominated term loans etc. In addition to this, the deferred tax charge for the Year also included temporary differences arising from the New Zealand plantation forest assets which have a tax base denominated in New Zealand dollars. As the New Zealand dollar against the United States dollar (the Group's functional currency) did not move significantly (31 December 2013: 0.8214; 31 December 2012: 0.8288), a deferred tax charge of HK$1,252,000 (2012: deferred tax credit of HK$9,101,000) was recorded for this temporary difference between the tax base and the carrying amount of the New Zealand plantation forest assets solely related to fluctuation of the New Zealand dollar exchange rate.

EBITDA

The EBITDA of the Group increased from HK$26,291,000 for 2012 to HK$182,801,000 for the Year; an increase of HK$156,510,000.

The significant growth in EBITDA of the Group was largely contributed by the New Zealand division, which benefited from the higher average selling prices and increased harvest volumes. As a result, the EBITDA of New Zealand division increased by HK$132,160,000 from HK$191,741,000 for last year to HK$323,901,000 for the Year.

In addition, due to the commencement of the operation of phase one of the processing facility in west Suriname and the continuing implementation of cost management measures, the negative EBITDA of the Suriname division reduced by HK$33,876,000 for the Year, a decrease of approximately 27.2% as compared with that of last year.

Loss for the Year attributable to equity holders of the Company

As a result of the above, the loss attributable to the equity holders of the Company reduced from HK$76,777,000 for 2012 to HK$5,739,000 for the Year, representing a 92.5% reduction.

Events after the reporting period

Details of the significant events after the reporting period of the Group are set out in note 39 to the financial statements.

LIQUIDITY AND FINANCIAL REVIEW

As at 31 December 2013, the Group's current assets and current liabilities were HK$436,168,000 and HK$593,377,000 (2012: HK$322,061,000 and HK$633,396,000), respectively, of which the Group maintained cash and bank balances of approximately HK$204,014,000 (2012: HK$144,285,000). The Group's outstanding borrowings as at 31 December 2013 represented the loan from Intermediate Holding Company amounting to HK$312,000,000 (2012: HK$312,000,000), loans from Sino-Capital (a 100% subsidiary of EPGL) amounting to HK$89,700,000 (2012: HK$62,400,000), interest bearing bank borrowings amounting to HK$195,000,000 (2012: Nil) and finance lease payables of HK$30,317,000 (2012: HK$31,141,000). Accordingly, the Group's gearing ratio, which was calculated on the basis of outstanding borrowings as a percentage of equity attributable to equity holders of the Company, was 62.1% (2012: 40.2%).

Management Discussion and Analysis

Notwithstanding the Group's net current liabilities of HK$157,209,000 as at 31 December 2013 (2012: HK$311,335,000) the Directors, after taking into account the unutilized banking facility of HK$39,000,000, the possible sell-off of certain non-current assets and other measures as mentioned in note 2 to the financial statements, are of the view that the Group will have sufficient working capital to finance its operations and to meet its financial obligations as and when they fall due in the foreseeable future.

As at 31 December 2013, there were 789,889,104 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 Hong Kong dollar is pegged and is the same currency in which all the Group's outstanding borrowings, and the majority of costs and expenses incurred in Hong Kong and Suriname are denominated. The domestic sales generated from the New Zealand plantation assets are denominated in New Zealand dollars which helps to partly offset the Group's operating expenses payable in New Zealand dollars. During the Year, the Group did not use any financial instruments for hedging purposes and the Group did not have any hedging instruments outstanding as at 31 December 2013. However, management 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 necessary hedging arrangement(s) to mitigate any significant foreign exchange exposure.

PROSPECTS

During the Year, the New Zealand division delivered strong results, taking advantage of the growing demand for radiata pine as a key construction and building material in China. Looking forward, the first quarter of 2014 has seen log prices remain at or slightly above levels witnessed at the end of 2013 and the market in general remains of the view that GDP growth of mainland China will remain at around 7.5% or slightly lower in 2014. The recent introduction of two-child policy and rural land reforms are likely to boost housing demand further. From the supply side, local demand for softwood logs from the Pacific North-West is growing due to the recovery of the United States and Canadian economies and the supply of Canadian SPF lumber is decreasing. Russian logs had 38% of the China imported logs market shares two years ago but its market share reduced to 24% in 2013. The reduction in Russian log volume is primarily due to infrastructure limitation, high operating costs and over cutting of accessible resource. All of these factors could potentially reduce available supply of logs for China and maintain high price levels. However, management will continue to monitor economic indicators carefully and adjust logging volumes should it be deemed necessary.

As noted above, New Zealand radiata log prices in the first two months of 2014 have been maintained at the levels of the last quarter of 2013. A-grade logs are now at around USD157/JAS in China, which is a 13% year-on-year increase. The target harvest volume is 700,000 m^3 in 2014, an approximately 6% increase from 662,000 m^3 in 2013. In addition, management has successfully negotiated better contract rates with certain external operators during contract renewal. Management are therefore expecting that the performance of the New Zealand division will continue to remain strong for at least the first half of 2014.

Regarding the Group's Suriname division, the outlook for both tropical log and lumber prices on the international market will still be largely driven by China demand, which is expected to be positive. Other than China, the European and USA markets are also important as they are significant users of higher value lumber grades. The FSC certification status in central Suriname has facilitated penetration into these two markets. Greenheart's current configuration, with a head office in Hong Kong and production base in Suriname, is intended to serve demand from both China and Europe/ USA. So far, both demand and market prices for the same or similar products has grown steadily over the past two years. The impetus for the success of the Suriname division is to deliver the right products to customers using the shortest time and at the lowest costs. To meet this objective, further adjustments will be made to the product range, in terms of species, size and quality, in 2014

After incurring significant capital expenditure on sawmills over the past three years, management intend to complete all significant sawmill-related expenditure in 2014 and to make the Suriname division cash flow neutral by the end of 2014. A new general manager for Suriname joined the Group in January 2014. He has started to address these challenges with initiatives in cost rationalization, organization rightsizing, improved productivity, inventory control, operational efficiency, product range consolidation and an improved sales and production planning process. Significant progress has already been made and will continue for the rest of the year.

Externally, the recent sharp increase of the Annual Fee has caught the entire Suriname forestry industry by surprise. No public or industry consultation took place before the increase in Annual Fee was introduced. Greenheart, together with other industry participants, who have reacted adversely to the proposed increases, is doing its utmost to convince the Suriname government to reconsider the magnitude of the increase, or to consider delaying implementation of the increase, or provide relief to legitimate operators such as Greenheart. Meanwhile, a detailed review of the Group's existing forest assets portfolio in Suriname is underway in order to ascertain if adjustment to the investment strategy or existing concessions portfolio as a result of this change is needed. At present, management remain cautiously optimistic about the longer-term prospects for the Suriname forestry industry.

In parallel with the operational rationalization measures taken in Suriname, a comprehensive review of the Company's corporate overhead structure and costs in Hong Kong has also commenced, and is ongoing, and actions, including sharing office space and certain administrative staff with EPHL, have been taken to enhance operational efficiency and cost effectiveness.

Overall, in 2014, management will continue to focus on costs, returns and cash conservation to drive sustainable financial performance improvements and deliver greater value to shareholders.

CHARGE ON ASSETS

As at 31 December 2013 and 2012, 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 with the net carrying amount of approximately HK$109,324,000 (2012: HK$109,608,000) ("Forestry Land");

b. the Group's plantation forest assets with the net carrying amount of approximately HK$521,764,000 (2012: HK$500,738,000) and all other estates and interests in the Forestry Land and all buildings, structures and fixtures on the Forestry Land; and

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

DIVIDEND

The Board has resolved not to recommend any dividend for the Year.

CAPITAL EXPENDITURE

During the Year, the Group incurred capital expenditure of approximately HK$79,797,000 (2012: approximately HK$128,598,000) on investment in property, plant and equipment.

BUSINESS ACQUISITION AND DISPOSAL

On 19 December 2013, Greenheart Forest Suriname Suma Limited as the purchaser, an indirect wholly-owned subsidiary of the Company entered into a sale and purchase agreement with Sumaroeba Holdings A.V.V., an independent third party as the vendor and its two shareholders and an individual (all are independent third parties) as the guarantors, whereby it has conditionally agreed to purchase the entire equity interest in Suma Lumber Company N.V. ("Suma Lumber"), a company incorporated in Suriname which holds several forest concessions, a parcel of land, sawmill plant and equipment in Suriname, at a total cash consideration of US$7,800,000 (equivalent to HK$60,840,000). The transaction was completed on 12 February 2014. Suma Lumber is the entity through which the Group's central Suriname operations are managed.

Save as disclosed above, the Group had no material business acquisitions or disposals for the Year.

CONTINGENT LIABILITIES

On 5 March 2014, a legal letter was served to Greenheart (Suriname) N.V., an indirect non-wholly owned subsidiary of the Company, by a contractor for outstanding contracting fee and certain out of pocket expenses totaling HK$990,000 (equivalent to US$127,000). In the opinion of the Directors, the amount is not payable as the contractor did not perform the construction work as stipulated by the Group. After consulting with the Group's legal counsel, it is not considered probable that the contractor will succeed in the claim and accordingly, no additional provision has been made in the consolidated financial statements.

As at 31 December 2013, the Group did not have any other significant contingent liabilities (2012: Nil).

EMPLOYMENT AND REMUNERATION POLICY

As at 31 December 2013, the number of employees of the Group was 566 (2012: 532). Employment costs (including Directors' emoluments) amounted to approximately HK$107,485,000 for the Year (2012: HK$78,206,000). The significant increase was because more workers were hired in Suriname in preparation for the completion of the sawmill line in west Suriname and the increase production capacity in central Suriname. Remuneration includes salary and discretionary bonus which is based on the Group's results and individual performance. Medical benefits are provided to all levels of personnel and retirement benefits schemes are made available to personnel in accordance with relevant regulations in their respective jurisdictions.

Biographical Details of Directors and Senior Management

DIRECTORS

Mr. Wang Tong Sai, Eddie, aged 64, was appointed as a non-executive Director from on 10 May 2013 and was appointed as non-executive Chairman on 2 October 2013. Mr. Wang is a successful international banker with over 36 years of extensive experience in the international financial sector. He joined The Hongkong & Shanghai Banking Corporation Limited ("HSBC") in 1973, and had served as the Chief Executive Officer in charge of Mainland China and succeeded in making HSBC the largest foreign bank in Mainland China. He had also held the position as Regional President West Coast USA of HSBC. From 2006 to 2009, Mr. Wang was appointed as President of China Minsheng Bank, being the first Hong Kong banker to take up such a position in a major national domestic bank in Mainland China. He was instrumental to the Bank's successful expansion into retail banking, as well as SME business in recent years.

Mr. Wang is a director of the controlling shareholder of the Company, namely Sino-Capital, its holding company and ultimate holding company, namely EPGL and EPHL, respectively. He is also an independent director of The Royal Bank of Scotland (China) Co., Ltd. since September 2013. From 1 September 2011 to 21 March 2013, Mr. Wang was an independent non-executive director of Pearl Oriental Oil Limited whose shares are listed on The Stock Exchange of Hong Kong Limited. Mr. Wang has obtained a Degree in Business Administration from the Chinese University of Hong Kong and is currently a Senior Adviser of McKinsey & Company. Mr. Wang is a member of the remuneration committee of the Company.

Mr. Paul Jeremy Brough, aged 57, was appointed as a non-executive Director on 10 May 2013 and was re-designated as an executive Director and appointed as interim Chief Executive Officer on 2 October 2013. He was a member of the audit committee of the Company from 30 August 2013 until his re-designation as an executive Director on 2 October 2013. He was born and educated in the United Kingdom. He moved to Hong Kong in 1983 to join the international accounting firm, KPMG. He became a partner of KPMG in 1991 specializing in the audit of banks.

In 1997, he became the head of KPMG's Transactions & Restructuring ("T&R") practice for Hong Kong and China and subsequently, in 2001, he became the Head of KPMG's Asia-Pacific T&R practice, which provides transactions advice, merger and acquisitions ("M&A") advice, valuations, investigations, insolvency and restructuring services. As Asia-Pacific leader, he was also a member of KPMG's international T&R board. He became regional senior partner of KPMG Hong Kong in 2009.

His major projects include over 30 restructuring and insolvency assignments in Hong Kong and China, including acting as liquidator of a number of Lehman Brothers entities across Asia-Pacific, acting as Manager of a financial institution on behalf of the Hong Kong Monetary Authority and numerous M&A transactions.

Biographical Details of Directors and Senior Management

Mr. Brough is a director of the controlling shareholder of the Company, namely Sino-Capital, its holding company and ultimate holding company, namely EPGL and EPHL, respectively. Since June 2012, he is an independent non-executive director and a member of the Audit and Risk committee of GuocoLeisure Limited whose issued shares are listed on the Singapore Stock Exchange and the New Zealand Stock Exchange. He is also a non-executive director of HBZ Finance Limited, a Hong Kong deposit-taking company, as well as Chairman of its Audit Committee. Mr. Brough is an associate of the Institute of Chartered Accountants in England and Wales, an associate of the Hong Kong Institute of Certified Public Accountants and an associate of the Hong Kong Securities and Investment Institute. Mr. Brough is a member of the Executive Management Committee of the Company.

Mr. Hui Tung Wah, Samuel, aged 59, is an executive Director. He joined the Board in June 2005. He was an executive director of the Company from 9 July 2001 to 28 May 2003. After serving 2 years as senior vice president for Sino-Forest Corporation ("Sino-Forest" or "Former Ultimate Holding Company"), Mr. Hui rejoined the Company from 1 May 2005. Mr. Hui comes from a strong financial and general management background with over 30 years working experience in senior management of major international and local banks, and companies in Hong Kong, Australia and Canada. He is a seasoned executive and has extensive management experience. He is currently a non-executive director of Café de Coral Holdings Limited whose issued shares are listed on the Main Board of the Stock Exchange. Mr. Hui was a non-executive director of WLS Holdings Limited, a Hong Kong listed company, between August 2004 and March 2012. Mr. Hui holds a bachelor degree in Social Sciences from the University of Hong Kong and a master's degree in Business Administration from Brunel University in the United Kingdom.

Mr. Colin Denis Keogh, aged 60, joined the Board as a non-executive Director on 10 May 2013. Mr. Keogh had previously worked at Close Brothers Group plc ("Close Brothers"), a FTSE 250 listed diversified financial services group capitalised at £1bn for 24 years (1985 – 2009). In his career at Close Brothers, he served as CEO of Close Brothers Corporate Finance Limited, CEO of Close Asset Management Limited and for seven years from 2002 until he left the group, CEO of Close Brothers Group.

Mr. Keogh is a director of EPGL and EPHL. Since January 2010, he has been an independent non-executive director of Virgin Money Holdings UK Limited, the retail banking and investment group and since 1 January 2012, an independent non-executive director of Virgin Money plc. Mr. Keogh is also a non-executive director of Brait SE since July 2010, a specialist investment company whose issued shares are listed on the Luxembourg Stock Exchange and the Johannesburg Stock Exchange. Mr. Keogh is a member of the nomination committee of the Company and a member of the audit committee of the Company.

Biographical Details of Directors and Senior Management

Mr. Simon Murray, aged 74, is a non-executive Director. He joined the Board in August 2010. Mr. Murray is the chairman of General Enterprise Management Services (International) Limited ("GEMS Ltd."). Before establishing GEMS Ltd. in 1998, Mr. Murray was the group managing director of Hutchison Whampoa Ltd. from 1984 to 1993 and the executive chairman in Asia Pacific for the Deutsche Bank group from 1994 to 1997. Mr. Murray was the non-executive chairman of Glencore International Plc from April 2011 to May 2013. He is currently a member of the board of directors of Cheung Kong (Holdings) Limited, Orient Overseas (International) Limited, Wing Tai Properties Limited and IRC Limited, all of which are listed in Hong Kong. Mr. Murray was recently appointed the independent non-executive director of Spring Asset Management Limited (the manager of Spring REIT which was listed on the SEHK on 5 December 2013) on 20 November, 2013. On 4 July 2013, he was also appointed the Independent Non-Executive Chairman of Gulf Keystone Petroleum Ltd., a company quoted on the AIM of the London Stock Exchange plc. He remains a director of Compagnie Financière Richemont SA, a company listed in Switzerland, and the vice chairman of Essar Energy plc, a company listed in the United Kingdom. Mr. Murray has been a member of the board of directors of Vodafone Group plc, a company listed in the United Kingdom, between July 2007 and July 2010; Hutchison Whampoa Ltd, a Hong Kong listed company, between August 1984 and May 2007; Arnhold Holdings Ltd., a Hong Kong listed company, between October 1993 and March 2011; and Sino-Forest, between June 1999 and January 2013. He is a member of the Former Directors Committee of The Community Chest and is involved in a number of other charitable organizations, including The China Coast Community Association.

Mr. Wong Kin Chi, aged 62, is an independent non-executive Director. He joined the Board in September 2004 with a master of business administration degree from the University of Durham of the United Kingdom. He is a fellow member of the Hong Kong Institute of Certified Public Accountants, and an associate member of the Chartered Institute of Management Accountants of the United Kingdom. Mr. Wong is currently running a company rendering financial and educational management services for clients. He had over 20 years of experience serving as financial controller and senior executive in a number of multi-national corporations and as an auditor in an international accounting firm. Mr. Wong is a member of the audit committee, remuneration committee and nomination committee of the Company.

Biographical Details of Directors and Senior Management

Mr. Wong Che Keung, Richard, aged 68, is an independent non-executive Director. Mr. Wong joined the Board in June 2000. Mr. Wong is the Honorary Consul of The Republic of Tunisia in Hong Kong and a fellow member of the Canadian Institute of Bankers. He is also the Chief Executive of Regency Investments & Management Co., Ltd. ("RIM") which engages in direct business investments both locally and overseas. Prior to joining RIM, Mr. Wong was the Vice-chairman and chief operation officer of Cathay International Holdings Ltd., a company specialized in property development and infrastructure projects in China. Mr. Wong worked for Bank of America in the capacity of Vice-president and Country Manager, responsible for the Bank's business in China. Mr. Wong is the chairman of the audit committee of the Company and a member of the remuneration committee and nomination committee of the Company.

Mr. Tong Yee Yung, Joseph, aged 59, is an independent non-executive Director. Mr. Tong joined the Board in May 2001. He graduated from Southern Illinois University in the USA with a Bachelor of Science degree and obtained a master of business administration from the University of East Asia. Mr. Tong has over 30 years of experience in corporate finance and management for different listed companies in Hong Kong. Currently, Mr. Tong is an executive director and partner of Kelston Holdings (Hong Kong) Limited. Mr. Tong is the chairman of the remuneration committee and nomination committee of the Company and a member of the audit committee of the Company.

SENIOR MANAGEMENT

Mr. Andrew James Fyfe, aged 55, is the Chief Operating Officer and a member of the Executive Management Committee of the Company. Mr. Fyfe brings over 30 years of relevant forestry experience to the Company. Mr. Fyfe served as Chief Operating Officer for a private forestry company based in Hong Kong with assets in China and South America. Prior to this, he served as Asia-Pacific President for Pöyry Forestry Industry Ltd, part of Pöyry PLC, a global consulting and engineering firm focusing on the forestry, energy, infrastructure & environment sectors. Mr. Fyfe worked with the Pöyry group for 20 years, overseeing the successful growth of the Asia-Pacific forestry industry consulting business. Mr. Fyfe has worked closely with various governments and agencies on sustainable forestry initiatives and other projects in over 20 countries around the world.

Mr. Fyfe is a New Zealand national and graduated from the University of Canterbury in New Zealand with a bachelor degree of Forestry Science.

Biographical Details of Directors and Senior Management

Ms. Tse Nga Ying, Daphne, aged 41, is the Chief Financial Officer, a member of the Executive Management Committee and the Company Secretary of the Company. She has worked for the Company and its affiliated companies for more than 10 years. Ms. Tse has over 17 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 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.

Mr. Michael Lindsay Janssen, aged 60, is the General Manager of the Company in Suriname and a member of the Executive Management Committee in Hong Kong. He has over 20 years' forestry management experience in plantations and tropical forestry and 10 years' forest products manufacturing experience. Before joining Greenheart, he held the position of Managing Director of Cloudy Bay Sustainable Forestry Limited in Papua New Guinea. Prior to that, he was involved in supply chain management and consulting in Indonesia and South Africa. Mr. Janssen carried out his undergraduate studies in Mechanical Engineering at the Durban University of Technology in South Africa and holds a Masters degree in Leading Innovation and Change from the York St John University in the United Kingdom.

The Board and the management of the Group are committed to maintaining a high standard of corporate governance which is reviewed and strengthened from time to time. The Company has complied with all the code provisions set out in the Corporate Governance Code ("CG Code") contained in Appendix 14 to the Listing Rules throughout the Year except for certain minor deviations as explained in this report.

THE BOARD

The Board comprises eight Directors, including two executive Directors, namely Mr. Paul Brough (interim Chief Executive Officer) and Mr. Hui Tung Wah, Samuel; three non-executive Directors, namely Mr. Wang Tong Sai, Eddie (non-executive Chairman of the Board), Mr. Colin Denis Keogh and Mr. Simon Murray and three independent non-executive directors ("INEDs"), namely Mr. Wong Kin Chi, Mr. Wong Che Keung, Richard, and Mr. Tong Yee Yung, Joseph. There is no relationship (including financial, business, family or other material/relevant relationships) among the Board members and members of the senior management of the Company. All INEDs have complied with the requirements of the Listing Rules and have presented annual confirmations of independence issued pursuant to Rule 3.13 of the Listing Rules to the Company. The Directors consider that all three INEDs are independent under these independence criteria and are capable of effectively exercising independent judgment. The Company considers that the Board has the necessary skills and experience appropriate for discharging their duties as Directors in the best interests of the Company and that the current board size is adequate for its present operations.

Detailed biographies outlining each Director's range of specialist experience and suitability for the successful long-term management of the Group may be found in the section headed "Biographical Details of Directors and Senior Management". 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 Company performance and shareholder value; ensuring appropriate delegation of authority to, coupled with commensurate accountability of, the 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. During the Year, the Board has reviewed, inter alia, the business strategy of the Group; reviewed and approved the annual and interim results of the Group for the year ended 31 December 2012 and 30 June 2013, respectively, and has reviewed the Group's internal control environment; as well as participated in other significant operational, financial and compliance matters.

Corporate Governance Report

The Board holds meetings on a regular basis as well as on an ad hoc basis, as required by the Group's needs. The Board held nine meetings during the Year (2012: four meetings). The Board has delegated responsibility for day-to-day management of the Group to the executive Directors and the Executive Management Committee, which presently comprises the CEO, the COO, the CFO and the Suriname General Manager. Board meetings for exercising share options or daily operations of the Company are delegated to meetings of executive Directors, therefore those Board meetings have not been counted to the Directors' attendance statistics. Sufficient notice was given for regular Board meetings and reasonable notice for non-regular Board meetings was given to all Directors so as 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. The Directors are able, at the Company's expense, to seek independent professional advice in appropriate circumstances. During the intervals between Board meetings, Directors are kept appraised of all major changes that may affect the Group's business. 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 available for inspection by all Directors upon request. The number of Board meetings attended by each Director during the Year is set out in the following table.

Name of Director	Number of Board meetings attended	Number of general meetings attended
Mr. Wang Tong Sai, Eddie (appointed on 10 May 2013)	6/6	2/2
Mr. Paul Jeremy Brough (appointed on 10 May 2013)	6/6	2/2
Mr. William Judson Martin (resigned on 30 September 2013)	5/5	1/1
Mr. Hui Tung Wah, Samuel	9/9	2/2
Mr. Colin Denis Keogh (appointed on 10 May 2013)	5/6	1/2
Mr. Simon Murray	8/9	0/2
Mr. Wong Kin Chi	9/9	2/2
Mr. Wong Che Keung, Richard	9/9	1/2
Mr. Tong Yee Yung, Joseph	9/9	2/2

Where necessary, the Company arranges for independent professional advice to be provided to the Directors to assist them in discharging their duties.

Appropriate insurance cover has been arranged by the Company in respect of any possible legal action against its Directors.

DIRECTORS' CONTINUOUS TRAINING AND DEVELOPMENT

The Directors are encouraged to participate in continuous professional development to develop and refresh their knowledge and skills. This is to ensure that their contribution to the Board remains informed and relevant.

The 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. The Directors are also encouraged to attend professional seminars relating to director's duties and responsibilities.

The Directors are committed to complying with the code provision A.6.5 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:

Directors	**Corporate Governance/ Updates on Laws, Rules & Regulations Read Materials and Attended Seminars**
Executive Directors	
Paul Jeremy Brough (appointed on 10 May 2013)	✓
William Judson Martin (resigned on 30 September 2013)	✓
Hui Tung Wah, Samuel	✓
Non-executive Directors	
Wang Tong Sai, Eddie (appointed on 10 May 2013)	✓
Colin Denis Keogh (appointed on 10 May 2013)	✓
Simon Murray	✓
Independent Non-executive Directors	
Wong Che Keung, Richard	✓
Tong Yee Yung, Joseph	✓
Wong Kin Chi	✓

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

1. Under code provision A.2.1 of the CG Code, the roles of chairman and chief executive officer of the Company should be separate and should not be performed by the same individual. Following the resignation of Mr. Chan Tak Yuen, Allen on 29 August 2011, Mr. William Judson Martin ("Mr. Martin"), the chairman, chief executive officer and executive director of the Company, assumed the role of Chairman of the Board with effect from 29 August 2011. Prior to Mr. Martin's resignation as chairman, chief executive officer, president and executive director of the Company on 30 September 2013, the Company's day-to-day operation was managed by the Executive Management Committee which comprised Mr. Martin, Mr. Andrew Fyfe, the Chief Operating Officer and Ms. Tse Nga Ying, Daphne, the Chief Financial Officer. The Executive Management Committee enjoys delegated authority from the Board for the conduct of the day-to-day business of the Group. As such, the Board was of the opinion that, although Mr. Martin was both the Chairman of the Board and the chief executive officer of the Company during the period from 1 January 2013 to 30 September 2013, this arrangement would provide the Group with strong and consistent leadership and allow for more effective and efficient business decision making and execution. Mr. Martin tendered his resignation on 30 September 2013, following which Mr. Brough and Mr. Wang Tong Sai, Eddie were appointed as interim Chief Executive Officer and non-executive Chairman, respectively on 2 October 2013. Mr. Brough was also re-designated as an executive Director on that date and replaced Mr. Martin as a member of the Executive Management Committee. Accordingly, the Company now complies fully with the code provision A.2.1 of the CG Code.

2. Under code provision A.2.7 of the CG Code, the chairman should at least hold meetings with the non-executive Directors (including INEDs) annually without the executive Directors present. However, as the Chairman was appointed in late 2013 and as he required some time to familiarize himself with the Group, such a meeting did not take place until 23 January 2014, being the earliest practicable date for holding such a meeting.

NON-EXECUTIVE DIRECTORS

A letter of appointment was entered into between Mr. Simon Murray and the Company on 17 August 2013 (amended by a supplemental letter of appointment dated 21 March 2014) to record the key terms and conditions in relation to his appointment, specifying his term of the appointment which will expire on 16 August 2016 unless terminated in accordance with the terms and conditions provided therein and subject to rotation and re-election in accordance with the Company's bye-laws. The term of appointment of each of Mr. Wang Tong Sai, Eddie and Mr. Colin Denis Keogh was three years commencing from their appointment on 10 May 2013, unless terminated in accordance with the terms and conditions provided in their respective letters of appointment and subject to rotation and re-election in accordance with the Company's bye-laws.

Each of the INEDs has been appointed for a term of 3 years subject to retirement by rotation and re-election in accordance with the Company's bye-laws and Listing Rules at each annual general meeting. 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.

Under Code Provision A.6.7 of the CG Code, the independent non-executive directors and other non-executive directors should attend the general meetings and develop a balanced understanding of the views of shareholders. It was noted that one INED, Mr. Wong Che Keung, Richard and two non-executive Directors, Mr. Simon Murray and Mr. Colin Denis Keogh were unable to attend the annual general meeting of the Company held on 28 June 2013 while one non-executive Director, Mr. Simon Murray was unable to attend the special general meeting of the Company held on 21 November 2013, all due to unavoidable business commitments.

COMPANY SECRETARY

The company secretary of the Company is Ms. Tse Nga Ying, Daphne. She has fulfilled the requirements of Rules 3.28 and 3.29 of the Listing Rules. As an employee of the Company, the company secretary supports the Board, ensures good information flow to and within the Board, and that Board policies and procedures are followed. The company secretary also advises the Board on governance matters, facilitates induction and monitors the training and continuous professional development of Directors. She has attained not less than 15 hours of relevant professional training during the Year.

NOMINATION COMMITTEE

The nomination committee of the Company (the "Nomination Committee") has four members comprising three INEDs, namely Mr. Tong Yee Yung, Joseph (Chairman), Mr. Wong Che Keung, Richard and Mr. Wong Kin Chi and one non-executive Director ("NED"), namely Mr. Colin Denis Keogh. Its primary responsibilities 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 appointment or re-appointment of Directors to the Board.

During the Year, three meetings were held by the Nomination Committee to assess the independence of the INEDs, to make recommendation to the Board in relation to the re-election of retiring Directors at the forthcoming annual general meeting, and to make recommendation to the Board on the appointment of non-executives Directors, non-executive Chairman and interim Chief Executive Officer of the Company. Attendance of the members is set out below:

Members of Nomination Committee	Number of Meeting(s) Attended
Mr. Tong Yee Yung, Joseph *(Chairman)*	3/3
Mr. Colin Denis Keogh (appointed on 30 August 2013)	1/1
Mr. Wong Kin Chi	3/3
Mr. Wong Che Keung, Richard	3/3

In order to comply with the CG Code, the Board adopted terms of reference for the Nomination Committee on 30 March 2012. The terms of reference of the Nomination Committee are available on the websites of the Company and the Stock Exchange.

Under code provision A.5.6 of the CG Code, 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.

REMUNERATION COMMITTEE

The remuneration committee of the Company (the "Remuneration Committee") has four members comprising three INEDs, namely Mr. Tong Yee Yung, Joseph (Chairman), Mr. Wong Che Keung, Richard and Mr. Wong Kin Chi and one NED, namely Mr. Wang Tong Sai, Eddie. Its primary objectives are, among other matters, to formulate the remuneration policy based on the responsibilities, qualifications and performance of senior management and Directors; and to review and make recommendations to the Board on the remuneration packages of individual Directors and senior management. 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, two meetings were held by the Remuneration Committee to review and approve the remuneration policy of the Group, to assess the performance of executive Directors and senior management, to review and approve the remuneration packages of all Directors and senior management of the Group and to make recommendation to the Board on the proposal for non-executive Directors' fees for 2014. Attendance of the members is set out below:

Members of Remuneration Committee	Number of Meeting(s) Attended
Mr. Tong Yee Yung, Joseph *(Chairman)*	2/2
Mr. Wang Tong Sai, Eddie (appointed on 30 August 2013)	1/1
Mr. Wong Che Keung, Richard	2/2
Mr. Wong Kin Chi	2/2

In order to comply with the CG Code, the Board adopted revised terms of reference for the Remuneration Committee on 30 March 2012. The revised terms of reference of the Remuneration Committee are available on the websites of the Company and the Stock Exchange.

AUDIT COMMITTEE

During the Year, Mr. Paul Brough was appointed as an additional member of the audit committee of the Company (the "Audit Committee") on 30 August 2013. He ceased to be a member of the Audit Committee upon his re-designation as executive Director and interim Chief Executive Officer on 2 October 2013. The Audit Committee currently has four members comprising the three INEDS, namely Mr. Wong Che Keung, Richard (Chairman), Mr. Wong Kin Chi and Mr. Tong Yee Yung, Joseph and one non-executive Director, namely, Mr. Colin Denis Keogh who was appointed on 31 March 2014. None of them are partners or employees of the former and existing auditors of the Company. The Board considers the Audit Committee to have extensive commercial experience in business, financial and legal matters. The primary duties of the Audit Committee include, among other matters, to review and monitor financial reporting and the judgment contained therein; to review financial and internal controls, accounting policies and practices with management and external auditors; to review the periodic reports prepared by the Internal Audit Department and; to review the Company's compliance with the CG Code contained in Appendix 14 to the Listing Rules.

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

Members of Audit Committee	Number of Meeting(s) Attended
Mr. Wong Che Keung, Richard *(Chairman)*	3/3
Mr. Paul Jeremy Brough (appointed on 30 August 2013 until re-designated as an executive Director on 2 October 2013)	0/0
Mr. Wong Kin Chi	3/3
Mr. Tong Yee Yung, Joseph	3/3
Mr. Colin Denis Keogh (appointed on 31 March 2014)	0/0

The Board has not taken any different view from that of the Audit Committee regarding the selection, appointment, resignation or dismissal of external auditors.

In order to comply with the CG Code, the Board adopted revised terms of reference for the Audit Committee on 30 March 2012. The revised terms of reference of the Audit Committee 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 ("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.

ACCOUNTABILITY AND AUDIT

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.

As at 31 December 2013, the Group had net current liabilities of HK$157,209,000, of which HK$312,000,000 represented a loan from EPGL, which is repayable on 17 May 2014 pursuant to the supplemental letters signed on 26 March 2012, 28 June 2013, 7 October 2013 and 13 January 2014 ("Intermediate Holding Company Loan")*. The Directors are aware that this may give rise to a material uncertainty that may cast significant doubt on the Group's ability to continue as a going concern. Notwithstanding the foregoing, based on the cash flow projections of the Group which have taken into account the previous extension of Intermediate Holding Company Loan, the unutilized banking facility of HK$39,000,000, the possible sell-off of certain non-current assets and the other measures being taken by the Group as mentioned in note 2 to the financial statements to strengthen the Group's cash position and financial conditions, the Directors believe that the Group will have sufficient working capital to finance its operations and to meet its financial obligations as and when they fall due in the foreseeable future. Thus the Directors are of the view that the Group is a going concern, and accordingly, the consolidated financial statements have been prepared on a going concern basis.

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

The financial statements of the Group for the Year have been reviewed by the Audit Committee and audited by the external auditor, Moore Stephens. For the Year, the audit fee was HK$1,550,000. Non-audit service fees paid to Moore Stephens were HK$295,000. The non-audit services mainly comprised review of the Group's interim financial statements and taxation compliance services. The responsibilities of the external auditors with respect to financial reporting are set out in the section "Independent Auditor's Report".

* Subsequent to the date of the independent auditor's report contained in this annual report, there has been an extension of the repayment date of the Intermediate Holding Company Loan to 17 August 2014 pursuant to a supplemental letter dated 10 April 2014. Up to the date of this report, the Group is still in discussion with the Ultimate Holding Company, the parent company of EPGL, concerning a further extension of the repayment date of the Intermediate Holding Company Loan from 17 August 2014 to a later date.

Corporate Governance Report

INTERNAL CONTROL

The Board has overall responsibility for maintaining a sound and effective internal control system for the Group. The Board has delegated to the management the implementation of such systems of internal controls as well as the review of relevant financial, operational and compliance controls and risk management procedures. The management and the internal auditor of the Group has reviewed the Group's internal control and risk management system for the Year and have reported the results of the review and its recommendations and opinions for consideration by the Audit Committee. Based on its assessment which covers all material controls including financial, operational and compliance controls and risk management functions, management believes that for the Year, the Company's system of internal control was 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 Group has established a specific Internal Audit Department and formulated internal control monitoring procedures to ensure comprehensive, accurate and timely record of accounting and management information. Regular reviews are conducted to ensure financial statements are prepared in accordance with the relevant accounting standards, accounting policies and applicable laws and regulations and cover operational effectiveness and risk management of the Group on an on-going basis. Reports from the internal auditor containing a summary of findings and recommendations are tabled and discussed at meetings by the Audit Committee members. The internal auditor resigned in November 2013. In future, the Group will engage external auditors, or seek assistance from its holding company, to conduct regular reviews of the effectiveness of the Group's internal control systems and report and make recommendations to the Board when the Audit Committee considers it is appropriate.

CONSTITUTIONAL DOCUMENTS

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

INVESTOR RELATIONS

During the Year, the Group has sought to maintain corporate transparency and communications with its shareholders and the investment community through its interim and annual reports, and timely distribution of announcements, circulars and/or other publications. The corporate website of the Company provides an effective communication platform to keep the market abreast of its latest developments. Meetings and visits have been organized, as and when required, to enhance understanding by institutional investors and analysts of the Group's business and operations.

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 of the Company 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.

Putting Forward Proposals at General Meetings

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 annual general meeting ("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: 16/F., Dah Sing Financial Centre, 108 Gloucester Road, Wanchai, Hong Kong
Fax: (852) 2511 8998
Email: investor@greenheartgroup.com

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

COMMUNICATION WITH SHAREHOLDERS

The Company has a shareholders' communication policy to provide shareholders with detailed information about the communication channels with the shareholders in order to maintain an ongoing dialogue with them and the investment community. These include general meetings, financial reports, notices, announcements and circulars.

The Company encourages its shareholders to attend the general meetings of the Company to raise comments and exchange views with the Board. The Directors and, where appropriate, independent external auditors and financial advisers, are available to answer questions at the meetings.

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

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The principal activities of the subsidiaries of the Company comprise log harvesting, timber processing, marketing and sales of logs and timber products. There were no significant changes in the nature of the Group's principal activities during the Year.

RESULTS AND DIVIDENDS

The Group's loss for the Year and the state of affairs of the Company and the Group at that date are set out in the financial statements on pages 51 to 154.

The Directors do not recommend the payment of any dividend for the Year (2012: 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				
	2013	2012	2011	2010	2009
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
				(Restated)	
Results					
Revenue	**724,583**	495,226	326,984	17,031	11,226
Loss for the Year	**(60,297)**	(144,377)	(105,887)	(86,648)	(96,380)
Attributable to:					
Equity holders of the Company	**(5,739)**	(76,777)	(74,343)	(67,606)	(86,247)
Non-controlling interests	**(54,558)**	(67,600)	(31,544)	(19,042)	(10,133)
	(60,297)	(144,377)	(105,887)	(86,648)	(96,380)

SUMMARY FINANCIAL INFORMATION *(continued)*

	31 December				
	2013	2012	2011	2010	2009
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
				(Restated)	
Assets and liabilities and non-controlling interests					
Total assets	**2,162,539**	2,006,240	2,031,201	2,000,832	849,847
Total liabilities	**(1,022,345)**	(813,343)	(706,444)	(715,814)	(339,585)
Non-controlling interests	**(130,204)**	(184,762)	(252,362)	(256,231)	(275,273)
	1,009,990	1,008,135	1,072,395	1,028,787	234,989

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Company and the Group during the Year are set out in note 14 to the financial statements.

SHARE CAPITAL AND SHARE OPTIONS

There were no movements in the Company's authorised 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 31 and 32 to the financial statements, respectively.

CONVERTIBLE BONDS

Details of movements in the Company's convertible bonds during the Year are set out in note 28 to the 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 purchased, sold or redeemed any of the Company's listed securities.

RESERVES

Details of movements in the reserves of the Company and the Group during the Year are set out in note 33 to the financial statements and in the consolidated statement of changes in equity, respectively.

DISTRIBUTABLE RESERVES

As at 31 December 2013, the Company had no reserves available for distribution in accordance with the Companies Act 1981 of Bermuda (as amended). However, the Company's share premium account, in the amount of HK$1,459,232,000 may be distributed in the form of fully paid bonus shares (2012: HK$1,451,590,000).

MAJOR CUSTOMERS AND SUPPLIERS

In the Year, sales to the Group's five largest customers accounted for 58.0% of the total gross revenue before export tax for the Year and sales to the largest customer included therein amounted to 17.5%. Over 99.8% of the Group's sales in the Year came from the Group's own forest concessions in Suriname or plantations in New Zealand. Purchases, mainly in relation to diesel fuel, spare parts, daily supplies etc from the Group's five largest suppliers accounted for 1.2% of the total purchases for the Year.

Save as disclosed above, 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.

Report of the Directors

DIRECTORS

The Directors of the Company during the Year were:

Mr. Wang Tong Sai, Eddie# (appointed on 10 May 2013)
Mr. Paul Jeremy Brough*
(appointed on 10 May 2013 and re-designated as executive Director on 2 October 2013)
Mr. William Judson Martin* (resigned on 30 September 2013)
Mr. Hui Tung Wah, Samuel*
Mr. Colin Denis Keogh# (appointed on 10 May 2013)
Mr. Simon Murray#
Mr. Wong Kin Chi**
Mr. Wong Che Keung, Richard**
Mr. Tong Yee Yung, Joseph**

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

As announced by the Board by way of announcement dated 2 October 2013, Mr. Paul Jeremy Brough was re-designated as an executive Director and to hold office until the forthcoming annual general meeting of the Company. Being eligible, Mr. Paul Jeremy Brough offers himself for re-election as executive Director.

In accordance with bye-law 97(A) of the Company's bye-laws, Messrs. Tong Yee Yung, Joseph and Wong Kin Chi retire by rotation and, being eligible, will offer themselves for re-election at the forthcoming annual general meeting.

The Company has received annual confirmations of independence pursuant to Rule 3.13 of the Listing Rules from Messrs. Wong Kin Chi, Wong Che Keung, Richard and Tong Yee Yung, Joseph, and as at the date of this 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 16 to 20 of this annual report.

DIRECTORS' SERVICE CONTRACTS

No Director proposed for re-election at the forthcoming annual general meeting 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 of the Company based on the Directors' duties, responsibilities and performance and the results of the Group.

DIRECTORS' INTERESTS IN CONTRACTS

No Director had a material interest, either directly or indirectly, in any contract of significance to the business of the Group to which the Company, or any of its holding companies, subsidiaries or fellow subsidiaries was a party during the Year.

CONNECTED TRANSACTIONS

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

Continuing connecting transactions

i. Provision of facility by Silver Mount Group Limited ("Silver Mount") to Greenheart Resources Holdings Limited ("Greenheart Resources")

   On 14 May 2008, Greenheart Resources, a 60.39% indirect subsidiary of the Company, and 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 million (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 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 following completion of 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 Rule 14A.11(5) of the 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.

CONNECTED TRANSACTIONS *(continued)*

Continuing connecting transactions (continued)

i. Provision of facility by Silver Mount Group Limited ("Silver Mount") to Greenheart Resources Holdings Limited ("Greenheart Resources") *(continued)*

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 million 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 the 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; (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.

As at 31 December 2013, a total of HK$214,999,000 has been drawn down by Greenheart Resources from the Facility and the related interest incurred for the Year amounted to HK$10,568,000.

ii. Master sale and purchase agreement

On 7 January 2011, Green Source Holdings Limited ("Green Source"), an indirect wholly-owned subsidiary of the Company, entered into a master sale and purchase agreement (the "Master Sale and Purchase Agreement") with Sino-Wood Trading Limited ("Sino-Wood") for the supply of logs, standing timbers, agri-forest, timber related and agri-related products (the "Products") by Green Source (or any of its subsidiaries) to Sino-Wood (or any of its subsidiaries). The term of the Master Sale and Purchase Agreement (the "Contractual Period") is three years, which commenced on 28 March 2011 and was scheduled to expire on 27 March 2014.

Sino-Wood was an indirect wholly-owned subsidiary of Sino-Forest, being a substantial shareholder of the Company until 30 January 2013 (Toronto time). Since 30 January 2013, Sino-Wood has become a wholly-owned subsidiary of EPHL, the Ultimate Holding Company of the Company. Therefore Sino-Wood is a connected person of the Company under the Listing Rules. The provision of the Products between Green Source (and its subsidiaries) and Sino-Wood (and its subsidiaries) during the Year pursuant to the Master Sale and Purchase Agreement therefore constitutes continuing connected transactions of the Company.

CONNECTED TRANSACTIONS *(continued)*

Continuing connecting transactions (continued)

ii. Master sale and purchase agreement *(continued)*

As mentioned in the circular issued by the Company dated 11 March 2011, the proposed annual caps under the Master Sale and Purchase Agreement for the three financial years ending 31 December 2013 were US$30 million, US$80 million and US$100 million respectively. For the Year, there was no consideration received for the purchase of the products by Sino-Wood (and its subsidiaries) under the Master Sale and Purchase Agreement.

On 27 January 2014, the parties to the Master Sale and Purchase Agreement entered into the supplemental agreement (the "Supplemental Agreement") to renew the Master Sale and Purchase Agreement for another term of three years commencing on 28 March 2014. As mentioned in the announcement of the Company dated 27 January 2014, the proposed annual cap under the Master Sales and Purchase Agreement for each of the three financial years ending 31 December 2016 is US$2,435,900. None of the Directors has a material interest in the continuing connected transactions under the Master Sale and Purchase Agreement (with its Contractual Period renewed by the Supplemental Agreement) and therefore no Director abstained from voting on the Board resolution approving the Master Sale and Purchase Agreement (with its Contractual Period renewed by the Supplemental Agreement) and the transactions contemplated thereunder.

Connected transaction

iii. Purchase of machines and equipment

On 18 February 2014, Greenheart Forest Central N.V. ("Greenheart Central"), a wholly owned subsidiary of the Company, entered into a sale and purchase agreement (the "Agreement") with Greenheart (Suriname) N.V. ("Greenheart Suriname"), a non-wholly owned subsidiary of the Company, for the purchase of certain machinery and equipment for lumber processing for a consideration of US$2,400,000 (equivalent to approximately HK$18,720,000).

Greenheart Suriname is indirectly owned as to 60.39% by the Company and 39.61% by Sino-Capital. As Sino-Capital is a substantial shareholder of the Company and thus a connected person of the Company within the meaning of the Listing Rules, Greenheart Suriname is also a connected person of the Company within the meaning of the Listing Rules. Therefore, the transaction contemplated under the Agreement constitutes a connected transaction of the Company under the Listing Rules. Please refer to the announcement dated 18 February 2014 of the Company with respect to the Agreement for details.

CONNECTED TRANSACTIONS *(continued)*

The INEDs have reviewed the continuing connected transactions set out above and have confirmed that each of the continuing connected transactions 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.

Moore Stephens, 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. Moore Stephens 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.38 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 36 to the 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 two continuing connected transactions which are exempt 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 36 to the financial statements do not constitute connected transactions or continuing connected transactions under the Listing Rules.

(i) Pursuant to a loan agreement between a wholly owned subsidiary of the Company, namely Mega Harvest International Limited and the Intermediate Holding Company of the Company, namely EPGL, a loan facility of aggregate principal amount of US$40,000,000 was granted by EPGL to Mega Harvest International Limited. As the loan facility is on normal commercial terms and no security over the assets of the Group was granted in respect of the loan facility, the grant of the loan facility by EPGL to Mega Harvest International Limited is exempt from the reporting, annual review, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules. The transaction contemplated thereunder constitutes a related party transaction as disclosed in note 36(a)(i) to the financial statements.

CONNECTED TRANSACTIONS *(continued)*

(ii) Pursuant to two loan agreements between a non-wholly owned subsidiary of the Company, namely Greenheart Resources and the Immediate Holding Company, namely Sino-Capital, a loan facility of an aggregate principal amount of US$8,000,000 and a loan facility of an aggregate principal amount of US$3,500,000 were granted by Sino-Capital 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 Sino-Capital to Greenheart Resources is exempt from the reporting, annual review, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules. The transactions contemplated thereunder constitutes a related party transaction as disclosed in note 36(a)(ii) to the financial statements.

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

As at 31 December 2013, 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 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:

Long positions in ordinary shares and underlying shares of the Company:

Name of Director	Capacity	Number of shares held	Approximate percentage of the total issued share capital of the Company %
Hui Tung Wah, Samuel	Beneficial owner	1,430,000	0.181
	Family interest *(Note 1)*	75,000	0.009
Simon Murray	Beneficial owner	1,246,000	0.158
Wong Kin Chi	Beneficial owner	150,000	0.019

Note 1: 75,000 Shares were jointly owned by Mr. Hui and his spouse.

Report of the Directors

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.

SHARE OPTION SCHEME

As at 1 January 2013, there were a total of 46,222,070 share options outstanding under the Company's share option schemes. A total of 31,792,070 share options were granted by the Company pursuant to the share option scheme adopted by the shareholders of the Company on 22 March 2002 and had expired on 22 March 2012 (the "Old Share Option Scheme") and a total of 14,430,000 share options were granted by the Company pursuant to the share option scheme adopted by the shareholders of the Company on 28 June 2012 (the "New Share Option Scheme"). Movements of the outstanding share options of the Company during the Period:

	Old Share Option Scheme	New Share Option Scheme	Total
As at 1 January 2013	31,792,070	14,430,000	46,222,070
Lapsed during the Period	(13,927,490)	–	(13,927,490)
Cancelled during the Period	(17,864,580)	(4,265,000)	(22,129,580)
Exercised during the Period	–	(10,165,000)	(10,165,000)
As at 31 December 2013	–	–	–

Note:

Due to the unconditional mandatory general cash offer ("Option Offer") made to the Company's option holders by EPGL (please refer to the offer document from EPGL relating to, among other things, the Option Offer dated 21 February 2013 for further details) for the then outstanding options granted under the Old Share Option Scheme and the New Share Option Scheme, (i) all unvested options were vested when the Option Offer was made on 21 February 2013; (ii) each option holder (or his personal representative(s)) may exercise all options (in whole or in part) at any time within 14 days after the Option Offer was made ("Change of Control Period"); and (iii) any vested option not exercised during the Change of Control Period would automatically lapsed pursuant to the terms of the Old Share Option Scheme and the New Share Option Scheme. The option holders may accept the Option Offer whereby the options involved were cancelled. For the number of acceptances of the Option Offer, please refer to the Company's announcement dated 21 March 2013.

Accordingly, as at the date of these financial statements, there are no outstanding options granted by the Company as a result of the Option Offer.

Further details of the Scheme are disclosed in note 32 to the financial statements.

SHARE OPTION SCHEME *(continued)*

Movements of the share options of the Company during the Year are as follows:–

Name or category of participant	Number of share options: At 1 January 2013	Granted during the Year	Exercised during the Year	Cancelled during the Year	Lapsed during the Year	As at 31 December 2013	Exercise period of share options	Exercise price of share options HK$	Date of grant of share option	Closing price of the Company's share immediately before the date of grant of share option HK$	Weighted average closing price of the Company's shares the date of grant immediately before the exercise date HK$
Directors, chief executive and a substantial shareholder and their associates											
William Judson Martin	5,480,000	–	–	–	5,480,000	–	24 Aug 2010 to 23 Aug 2015	2.180	24 Aug 2010	2.12	–
	1,331,490	–	–	–	1,331,490	–	28 Dec 2010 to 27 Dec 2015	2.500	28 Dec 2010	2.48	–
Hui Tung Wah, Samuel	500,000	–	–	500,000	–	–	5 Aug 2009 to 4 Aug 2014	1.650	5 Aug 2009	1.69	–
	681,145	–	–	681,145	–	–	28 Dec 2010 to 27 Dec 2015	2.500	28 Dec 2010	2.48	–
Simon Murray	1,096,000	–	–	–	1,096,000	–	24 Aug 2010 to 23 Aug 2015	2.180	24 Aug 2010	2.12	–
Wong Kin Chi	150,000	–	–	150,000	–	–	5 Aug 2009 to 4 Aug 2014	1.650	5 Aug 2009	1.69	–
	681,145	–	–	681,145	–	–	28 Dec 2010 to 27 Dec 2015	2.500	28 Dec 2010	2.48	–
Wong Che Keung, Richard	100,000	–	–	100,000	–	–	5 Aug 2009 to 4 Aug 2014	1.650	5 Aug 2009	1.69	–
	681,145	–	–	681,145	–	–	28 Dec 2010 to 27 Dec 2015	2.500	28 Dec 2010	2.48	–
Tong Yee Yung, Joseph	681,145	–	–	681,145	–	–	28 Dec 2010 to 27 Dec 2015	2.500	28 Dec 2010	2.48	–
Employees (other than Directors)											
In aggregate	3,020,000	–	–	3,000,000	20,000	–	5 Aug 2009 to 4 Aug 2014	1.650	5 Aug 2009	1.69	–
	3,590,000	–	–	3,590,000	–	–	28 Dec 2010 to 27 Dec 2015	2.500	28 Dec 2010	2.48	–
	3,500,000	–	–	3,500,000	–	–	10 Jan 2011 to 9 Jan 2016	2.930	10 Jan 2011	2.87	–
	2,000,000	–	–	2,000,000	–	–	22 Mar 2011 to 21 Mar 2016	2.710	22 Mar 2011	2.71	–
	2,000,000	–	–	2,000,000	–	–	50% on or after 13 Jun 2012 50% on or after 13 Jun 2013	1.952	16 Jun 2011 *(note 1)*	1.21	–
	300,000	–	–	300,000	–	–	50% on or after 11 Jul 2012 50% on or after 11 Jul 2013	1.266	11 Jul 2011 *(note 2)*	1.25	–
	14,430,000	–	10,165,000	4,265,000	–	–	25% on or after 11 Apr 2013 25% on or after 11 Oct 2013 25% on or after 11 Apr 2014 25% on or after 11 Oct 2014	0.501	11 Oct 2012 *(note 3)*	0.49	0.69
Other participants											
In aggregate	6,000,000	–	–	–	6,000,000	–	5 Aug 2009 to 4 Aug 2014	1.650	5 Aug 2009	1.69	–
	46,222,070	–	10,165,000	22,129,580	13,927,490	–					

Note 1: 50% of the share options granted are vested on 13 June 2012 and the remaining 50% are vested on 13 June 2013.

Note 2: 50% of the share options granted are vested on 11 July 2012 and the remaining 50% are vested on 11 July 2013.

Note 3: The share options granted will be vested to each Grantee in four equal tranches every six months over a period of two years from the date of grant.

Details of the valuation of the share options granted during the Year are set out in note 32 to the financial statements.

Report of the Directors

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 2013, the following persons (not being Directors or chief executive of the Company) had, or were deemed to have, interests or short positions in the Shares or underlying shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO:

Long Positions in Shares and underlying Shares:

Name of Shareholder	Capacity	Number of Shares	Number of underlying Shares	Approximate percentage of issued share capital of the Company %
EPGL	Interest of controlled corporation *(Note 1)*	496,189,028	–	62.82
Sino-Capital	Beneficial owner *(Note 1)*	496,189,028	–	62.82
Fortune Tiger Fund Limited	Interest of controlled corporation *(Note 2)*	–	66,012,987	8.36
Development Bank of Japan Inc.	Interest of controlled corporation *(Note 3)*	–	66,012,987	8.36
Asia Resources Fund Limited	Interest of controlled corporation *(Note 4)*	–	66,012,987	8.36
Greater Sino	Interest of controlled corporation *(Note 4)*	–	66,012,987	8.36

Notes:

1. Sino-Capital is a wholly-owned subsidiary of EPGL, EPGL is deemed to be interested in the Shares in which Sino-Capital is interested by virtue of Part XV of the SFO.

2. Fortune Tiger Fund Limited owned 23.26% of Asia Resources Fund Limited. As such, it is deemed to be interested in the Shares in which Asia Resources Fund Limited is interested by virtue of Part XV of SFO.

3. Development Bank of Japan Inc. owned 46.51% of Asia Resources Fund Limited. As such, it is deemed to be interested in the Shares in which Asia Resources Fund Limited is interested by virtue of Part XV of the SFO.

4. Greater Sino is a wholly-owned subsidiary of Asia Resources Fund Limited, Asia Resources Fund Limited is also deemed to be interested in the Shares in which Greater Sino is interested by virtue of Part XV of the SFO.

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

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 2013 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 report.

CORPORATE GOVERNANCE

The Company is committed to maintaining a high standard of corporate governance. Corporate governance practices adopted by the Company are set out in the Corporate Governance Report on page 15 to 21.

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.

DONATION

Charitable donation made by the Group during the Year amounted to HK$1,541,000 (2012: HK$291,000).

EVENTS AFTER THE REPORTING PERIOD

Details of the significant events after the reporting period of the Group are set out in note 39 to the financial statements.

Report of the Directors

AUDITORS

Moore Stephens was appointed as auditor of the Company following the retirement of Ernst & Young Hong Kong ("EYHK") at the Company's 2012 annual general meeting. Before the appointment of Moore Stephens, EYHK was the auditor of the Company since December 2010. Moore Stephens had previously acted as the auditor of the Company for the financial years ended 31 December 2000 to 2009. Save as aforesaid, there has been no change of auditor of the Company in any of the three preceding years.

A resolution for the reappointment of Moore Stephens as auditor of the Company will be proposed at the forthcoming annual general meeting.

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

ON BEHALF OF THE BOARD
GREENHEART GROUP LIMITED

Wang Tong Sai, Eddie
Non-executive Chairman
Hong Kong

Independent Auditor's Report

MOORE STEPHENS
CERTIFIED PUBLIC ACCOUNTANTS

905 Silvercord, Tower 2
30 Canton Road
Tsimshatsui
Kowloon
Hong Kong

Tel: (852) 2375 3180
Fax: (852) 2375 3828
E-mail: ms@ms.com.hk
Website: www.ms.com.hk

馬施雲
會計師事務所

To the shareholders of Greenheart Group Limited
(Incorporated in Bermuda with limited liability)

We have audited the consolidated financial statements of Greenheart Group Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages 51 to 154, which comprise the consolidated and company statements of financial position as at 31 December 2013, and the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants 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.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, in accordance with Section 90 of the Bermuda Companies Act 1981, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of consolidated financial statements that give a true and fair view 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

AUDITOR'S RESPONSIBILITY *(continued)*

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2013, and of the Group's loss and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

EMPHASIS OF MATTER

Without qualifying our opinion, we draw attention to note 2 to the financial statements which indicates that the Group incurred a consolidated net loss attributable to the equity holders of the Company of HK$5,739,000 for the year ended 31 December 2013 and, as of that date, the Group's current liabilities exceeded its current assets by HK$157,209,000. These conditions indicate the existence of a material uncertainty that may cast significant doubt about the Group's ability to continue as a going concern. As further detailed in note 2 to the financial statements, the Group is still in the process of seeking agreement to extend the repayment date of the loan from the Company's intermediate holding company in the amount of HK$312,000,000 (the "Intermediate Holding Company Loan") from 17 May 2014 to a later date. The consolidated financial statements have been prepared on a going concern basis, the validity of which is dependent on the Group extending the repayment date of the Intermediate Holding Company Loan or obtaining other financial resources as detailed in note 2 to the financial statements. The consolidated financial statements do not include any adjustments that would result should the Group be unable to operate as a going concern.

Moore Stephens
Certified Public Accountants

Hong Kong, 31 March 2014

Consolidated Statement of Comprehensive Income

Year ended 31 December 2013

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

Consolidated Statement of Comprehensive Income

Year ended 31 December 2013

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

Consolidated Statement of Financial Position

31 December 2013

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

Consolidated Statement of Financial Position

31 December 2013

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

Paul Jeremy Brough
Director

Hui Tung Wah, Samuel
Director

Consolidated Statement of Changes in Equity

Year ended 31 December 2013

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

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

Consolidated Statement of Cash Flows

Year ended 31 December 2013

	Notes	2013 HK$'000	2012 HK$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss before tax		**(13,925)**	(130,720)
Adjustments for:			
Finance costs	7	**47,344**	39,966
Bank interest income	6	**(255)**	(460)
Government grant of carbon credits	6	**(3,164)**	(5,840)
Loss on disposal of property, plant and equipment	8	**506**	32
Depreciation	5	**27,240**	16,588
Amortisation of:			
Depletion cost	5	**99,360**	85,972
Harvest roading	5	**15,433**	7,662
Prepaid land lease payments	5	**444**	444
Other intangible assets	5	**276**	92
Timber concessions and cutting rights	5	**6,629**	6,287
Write-down of inventories to net realizable value	5	**2,125**	2,958
(Reversal of impairment)/Impairment of:			
Other intangible assets	5	**(652)**	3,882
Trade receivables	5	**74**	–
Property, plant and equipment	5	**–**	632
Timber concessions and cutting rights	5	**11,695**	63,601
Prepayments, deposits and other receivables	5	**2,375**	–
Equity-settled share option expense	5	**3,060**	1,361
Fair value gain on plantation forest assets	5	**(108,847)**	(94,764)
		89,718	(2,307)
Increase in inventories		**(14,152)**	(29,490)
Increase in trade receivables		**(29,053)**	(730)
Increase in prepayments, deposits and other receivables		**(28,950)**	(30,434)
Increase in trade payables		**14,541**	13,448
(Decrease)/increase in other payables and accruals		**(5,416)**	10,648
Increase in amounts due to affiliated companies		**15**	–
Cash generated from/(used in) operations		**26,703**	(38,865)
Interest received		**255**	460
Overseas taxes paid		**(1,050)**	–
Interest paid		**(29,446)**	(24,130)
Net cash flows used in operating activities		**(3,538)**	(62,535)

Consolidated Statement of Cash Flows

Year ended 31 December 2013

	Notes	2013 HK$'000	2012 HK$'000
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of items of property, plant and equipment		**(69,815)**	(119,927)
Increase in prepayment for the purchase of of items of property, plant and equipment		**(1,632)**	(9,208)
Proceeds from disposal of property, plant and equipment		**963**	83
Additions of plantation forest assets	19	**(9,702)**	(6,415)
Acquisition of assets		**–**	(11,700)
Decrease in pledged deposits		**–**	20,118
Addition to other intangible assets		**(230)**	(1,069)
Increase in other receivables	23(b)	**(169)**	(4,435)
Net cash flows used in investing activities		**(80,585)**	(132,553)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of shares	31(a)	**5,093**	–
Capital element of finance lease rental payments		**(6,826)**	(6,373)
Interest paid on finance leases		**(2,223)**	(2,965)
New bank loan	29	**195,000**	–
Loan from the immediate holding company	36(a)(ii)	**27,300**	62,400
Partial repayment of convertible bonds	28	**(74,426)**	–
Net cash flows from financing activities		**143,918**	53,062
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		**59,795**	(142,026)
Cash and cash equivalents at beginning of year		**144,285**	285,018
Effect of foreign exchange rate change, net		**(66)**	1,293
CASH AND CASH EQUIVALENTS AT END OF YEAR	24	**204,014**	144,285
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances		**166,401**	112,627
Non-pledged time deposits with original maturity of less than three months when acquired		**37,613**	31,658
Cash and cash equivalents as stated in the consolidated statement of cash flows		**204,014**	144,285

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

Statement of Financial Position

31 December 2013

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

Paul Jeremy Brough
Director

Hui Tung Wah, Samuel
Director

1. CORPORATE INFORMATION

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

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

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

2. BASIS OF PRESENTATION

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

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

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

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

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

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

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

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

3.1 BASIS OF PREPARATION

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

Basis of consolidation

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

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

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

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

3.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

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

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

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

3.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES *(continued)*

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

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

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

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

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

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

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

3.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES *(continued)*

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

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

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

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

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

3.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

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

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

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

3.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS *(continued)*

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

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

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

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

3.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS *(continued)*

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

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

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

3.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Subsidiaries

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

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

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

(b) rights arising from other contractual arrangements; and

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

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

Business combinations and goodwill

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

3.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Business combinations and goodwill (continued)

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

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

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

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

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

3.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Business combinations and goodwill (continued)

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

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

Fair value measurement

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

3.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Fair value measurement (continued)

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

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

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

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

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

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

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

3.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Impairment of non-financial assets

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

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

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

3.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Related parties

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

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

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Group or of a parent of the Group; or

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

(i) the entity and the Group are members of the same group;

(ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);

(iii) the entity and the Group are joint ventures of the same third party;

(iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;

(v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;

(vi) the entity is controlled or jointly controlled by a person identified in (a); and

(vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

3.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Plantation forest assets

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

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

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

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

3.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Property, plant and equipment and depreciation

Forestry land

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

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

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

Other property, plant and equipment

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

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

3.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Other property, plant and equipment (continued)

Property, plant and equipment and depreciation (continued)

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

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

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

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

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

3.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Timber concessions and cutting rights

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

Other intangible assets (other than goodwill)

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

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

Carbon credits

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

3.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Other intangible assets (other than goodwill) (continued)

Research and development costs

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

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

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

Leases

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

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

3.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Leases (continued)

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

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

Investments and other financial assets

Initial recognition and measurement

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

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

Subsequent measurement

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

3.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Derecognition of financial assets

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

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

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

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

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

Impairment of financial assets

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

3.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Impairment of financial assets (continued)

Financial assets carried at amortized cost

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

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

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

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

3.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial liabilities

Initial recognition and measurement

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

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

Subsequent measurement

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

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

3.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial liabilities (continued)

Convertible bonds

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

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

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

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

3.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Derecognition of financial liabilities

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

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

Offsetting of financial instruments

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

Inventories

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

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

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

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

3.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Cash and cash equivalents

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

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

Provisions

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

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

Income tax

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

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

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

3.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Income tax (continued)

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

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

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

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

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

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

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

3.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Income tax (continued)

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

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

Government grants

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

Revenue recognition

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

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

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

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

3.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Share-based payments

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

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

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

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

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

3.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Share-based payments (continued)

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

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

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

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

Other employee benefits

Pension scheme

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

3.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Borrowing costs

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

Foreign currencies

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

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

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

3.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Foreign currencies (continued)

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

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

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

4. SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES

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

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

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

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

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

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

4. SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES *(continued)*

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

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

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

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

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

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

4. SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES *(continued)*

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

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

(c) Amortization of timber concessions and cutting rights

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

(d) Impairment of non-financial assets

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

4. SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES *(continued)*

(e) Impairment of goodwill

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

(f) Net realizable value of inventories

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

(g) Deferred tax liabilities

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

5. OPERATING SEGMENT INFORMATION

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

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

Suriname:	Engaging in hardwood log harvesting, timber processing, marketing and sale of logs and timber products
New Zealand:	Engaging in softwood log harvesting, marketing and sale of logs
Elsewhere:	Engaging in trading of logs and timber products

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

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

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

5. OPERATING SEGMENT INFORMATION *(continued)*

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

Year ended 31 December 2013

	Suriname^ HK$'000	New Zealand^ HK$'000	Elsewhere^ HK$'000	Unallocated HK$'000	Total HK$'000
SEGMENT REVENUE	59,945	663,833	805	–	724,583
SEGMENT RESULTS ("Adjusted EBITDA")	(76,514)	211,216	233	(47,911)	87,024
Reconciliation of the segment results:					
Items other than finance costs, tax, forest depletion costs as a result of harvesting, depreciation and amortization					
Fair value gain on plantation forest assets	–	108,847	–	–	108,847
Government grant of carbon credits	–	3,164	–	–	3,164
Interest income	2,214	22	–	207	2,443
Reversal of impairment of other intangible assets***	–	652	–	–	652
Impairment of trade receivables***	(74)	–	–	–	(74)
Impairment of timber concessions and cutting rights***	(11,695)	–	–	–	(11,695)
Impairment of prepayments, deposits and other receivables***	(2,375)	–	–	–	(2,375)
Write-down of inventories, net***	(2,125)	–	–	–	(2,125)
Non-cash share options expenses	–	–	–	(3,060)	(3,060)

5. OPERATING SEGMENT INFORMATION *(continued)*

Year ended 31 December 2013 (continued)

	Suriname^ HK$'000	New Zealand^ HK$'000	Elsewhere^ HK$'000	Unallocated HK$'000	Total HK$'000
SEGMENT RESULTS ("EBITDA")	(90,569)	323,901	233	(50,764)	182,801
Finance costs	(5,906)	(19,090)	–	(22,348)	(47,344)
Forest depletion cost as a result of harvesting*	–	(99,360)	–	–	(99,360)
Depreciation	(22,862)	(1,896)	–	(2,482)	(27,240)
Amortization of harvest roading***	–	(15,433)	–	–	(15,433)
Amortization of timber concessions and cutting rights*	(6,629)	–	–	–	(6,629)
Amortization of prepaid land lease payments**	(444)	–	–	–	(444)
Amortization of other intangible assets***	(276)	–	–	–	(276)
LOSS BEFORE TAX					(13,925)
SEGMENT ASSETS	1,179,625	876,018	–	106,896	2,162,539
SEGMENT LIABILITIES	238,420	624,928	–	158,997	1,022,345
Other segment information					
Capital expenditures#	(63,275)	(47,499)	–	(633)	(111,407)

^ Reportable Segments

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

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

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

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

5. OPERATING SEGMENT INFORMATION *(continued)*

Year ended 31 December 2012

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

5. OPERATING SEGMENT INFORMATION *(continued)*

Year ended 31 December 2012 (continued)

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

^ Reportable Segments

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

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

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

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

5. OPERATING SEGMENT INFORMATION *(continued)*

Geographical Information

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

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

Information on major customers

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

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

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

6. REVENUE, OTHER INCOME AND GAINS

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

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

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

7. FINANCE COSTS

An analysis of finance costs is as follows:

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

8. LOSS BEFORE TAX

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

	Notes	2013 HK$'000	2012 HK$'000
Cost of inventories sold*		**283,123**	216,551
Forest harvested as agricultural produce	19	**97,523**	90,009
Less: Amount reversed from/(capitalized in) inventories		**1,837**	(4,037)
Forest depletion cost as a result of harvesting*	5	**99,360**	85,972
Amortization of timber concessions and cutting rights	17	**15,616**	10,167
Less: Amount capitalized in inventories		**(8,987)**	(3,880)
Current year expenditure*	5	**6,629**	6,287
Amortization of			
harvest roading***		**15,433**	7,662
prepaid land lease payments**		**444**	444
other intangible assets***		**276**	92
Depreciation		**27,240**	16,588
(Reversal of impairment)/impairment of:			
property, plant and equipment***		**–**	632
timber concessions and cutting rights***		**11,695**	63,601
other intangible assets***		**(652)**	3,882
trade receivables***		**74**	–
prepayments, deposits and other receivables***		**2,375**	–
Write-down of inventories, net***		**2,125**	2,958
Loss on disposal of items of property, plant and equipment		**506**	32
Minimum lease payments under operating leases for land and buildings		**7,971**	8,164
Auditor's remuneration		**1,550**	1,550
Employee benefit expense (including directors' remuneration (note 9)):			
Wages and salaries		**104,108**	76,452
Equity-settled share option expense		**3,060**	1,361
Pension scheme contributions (defined contribution scheme)		**317**	393
		107,485	78,206
Foreign exchange differences, net		**(1,270)**	(1,134)

8. LOSS BEFORE TAX *(continued)*

* Included in "Costs of goods sold" in the consolidated statement of comprehensive income.
** Included in "Administrative expenses" in the consolidated statement of comprehensive income.
*** Included in "Other operating expenses" in the consolidated statement of comprehensive income.

9. DIRECTORS' REMUNERATION

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

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

9. DIRECTORS' REMUNERATION *(continued)*

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

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

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

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

9. DIRECTORS' REMUNERATION *(continued)*

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

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

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

10. FIVE HIGHEST PAID EMPLOYEES

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

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

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

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

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

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

11. TAX

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

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

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

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

11. TAX *(continued)*

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

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

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

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

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

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

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

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

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

14. PROPERTY, PLANT AND EQUIPMENT

Group

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

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

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

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

Notes:

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

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

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

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

Valuation techniques used to derive level 2 fair value

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

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

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

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

15. PREPAID LAND LEASE PAYMENTS

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

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

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

16. GOODWILL

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

16. GOODWILL *(continued)*

Impairment testing

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

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

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

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

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

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

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

17. TIMBER CONCESSIONS AND CUTTING RIGHTS

Group

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

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

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

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

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

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

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

18. OTHER INTANGIBLE ASSETS

Group

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

18. OTHER INTANGIBLE ASSETS *(continued)*

Group

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

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

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

19. PLANTATION FOREST ASSETS

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

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

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

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

19. PLANTATION FOREST ASSETS *(continued)*

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

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

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

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

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

19. PLANTATION FOREST ASSETS *(continued)*

Fair value hierarchy (continued)

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

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

- the cash flows are those arising from the current rotation of trees only. No account was taken of revenues or costs from re-establishment following harvest, or of land not yet planted;

- the cash flows do not take into account income taxation and finance costs;

- the cash flows have been prepared in real terms and have not therefore included inflationary effects;

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

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

19. PLANTATION FOREST ASSETS *(continued)*

Fair value hierarchy (continued)

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

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

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

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

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

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

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

20. INTERESTS IN SUBSIDIARIES

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

Notes:

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

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

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

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

20. INTERESTS IN SUBSIDIARIES *(continued)*

Notes: (continued)

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

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

20. INTERESTS IN SUBSIDIARIES *(continued)*

Notes: (continued)

(c) (continued)

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

20. INTERESTS IN SUBSIDIARIES *(continued)*

Notes: (continued)

(c) (continued)

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

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

20. INTERESTS IN SUBSIDIARIES *(continued)*

Notes: (continued)

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

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

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

20. INTERESTS IN SUBSIDIARIES *(continued)*

Notes: (continued)

(d) (continued)

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

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

20. INTERESTS IN SUBSIDIARIES *(continued)*

Notes: (continued)

(d) (continued)

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

21. INVENTORIES

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

22. TRADE RECEIVABLES

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

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

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

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

22. TRADE RECEIVABLES *(continued)*

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

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

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

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

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

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

23. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

Non-current portion

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

Current portion

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

Notes:

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

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

24. CASH AND CASH EQUIVALENTS

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

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

25. TRADE PAYABLES

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

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

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

26. OTHER PAYABLES AND ACCRUALS

	Group		Company	
	2013	2012	**2013**	2012
	HK$'000	HK$'000	**HK$'000**	HK$'000
Other payables	**8,838**	21,982	**–**	–
Deposits received	**5,984**	3,552	**–**	–
Accruals	**5,515**	7,083	**2,176**	2,830
	20,337	32,617	**2,176**	2,830

Other payables are non-interest-bearing and have an average term of three months.

27. FINANCE LEASE PAYABLES

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

At 31 December 2013, the total future minimum lease payments under finance leases and their present values were as follows:

Group

	Minimum lease payments 2013 HK$'000	Minimum lease payments 2012 HK$'000	**Present value of minimum lease payments 2013 HK$'000**	Present value of minimum lease payments 2012 HK$'000
Amounts payable:				
Within one year	**12,589**	9,667	**10,600**	7,472
In the second year	**11,389**	9,115	**10,179**	7,494
In the third to fifth years, inclusive	**9,910**	17,508	**9,538**	16,175
Total minimum finance lease payments	**33,888**	36,290	**30,317**	31,141
Future finance charges	**(3,571)**	(5,149)		
Total net finance lease payables	**30,317**	31,141		
Portion classified as current liabilities	**(10,600)**	(7,472)		
Non-current portion	**19,717**	23,669		

28. CONVERTIBLE BONDS

In August 2010, the Company issued US$ denominated convertible notes with an aggregate principal amount of US$25,000,000 (the "CN") to Greater Sino Holdings Limited ("Greater Sino" or "Noteholder"), a company in which a director of the Company has an indirect interest, for a total cash consideration of US$24,750,000 pursuant to a convertible note subscription agreement entered into between the Company and Greater Sino on 22 June 2010 (the "Subscription Agreement"). The Noteholder has the right to convert the whole or part of the principal amount of the CN into ordinary shares of the Company anytime commencing from six months after the issuance of the CN and from time to time in an amount of not less than US$100,000 on each conversion based on the terms as set out in the Subscription Agreement.

The Noteholder may require the Company to redeem all or part of the CN on each of the dates falling on the third anniversary and on the fourth anniversary of the issuance date of the CN at the redemption amount as defined in the Subscription Agreement (the "Redemption Amount"). In addition, the Noteholder may require the Company to redeem in whole or in part of the CN following the occurrence of a "Change of Control". One of the "Change of Control" events is where Sino-Forest and its subsidiaries as a group disposes, directly or indirectly, any beneficial interest in the shareholding in the Company to the effect that such group ceases to be the single largest shareholder which owns more than 30% of the then issued share capital of the Company for more than a consecutive of 30 days.

The implementation of the Plan mentioned in note 1 to the financial statements triggered the "Change of Control" provisions of the CN. Accordingly, the Noteholder became entitled to require the Company to redeem the CN in whole or in part and on 20 February 2013, the Company redeemed US$8,000,000 (equivalent to approximately HK$62,400,000) of the principal amount of the CN at a redemption amount of approximately US$9,542,000 (equivalent to approximately HK$74,426,000) upon the partial exercise by the Noteholder of its redemption right following the occurrence of a "Change of Control". Accordingly, the difference between the redemption amount allocated to the liability component of the CN and the carrying amount of the liability component as at the redemption date of approximately US$653,000 (equivalent to approximately HK$5,095,000) was recognized as loss on partial early redemption of CN and was charged to profit or loss during the Year.

Following the early redemption as mentioned above and as at 31 December 2013, the outstanding principal amount of the CN was reduced to US$17,000,000 (equivalent to approximately HK$132,600,000). Under the terms and conditions of the CN, the Noteholder may subsequently exercise its redemption right (in whole or in part of its outstanding CN), by giving an exercise notice of at least 30 days prior to such further redemption, at any time prior to the maturity of the CN. Accordingly, the entire outstanding liability component of the CN was classified as a current liability as at 31 December 2013.

28. CONVERTIBLE BONDS *(continued)*

As at the date of these financial statements, the Group has not received any further notice from the Noteholder with regard to its intention regarding the remaining outstanding principal amount of the CN of US$17,000,000.

The summarized information of the CN as at 31 December 2013 is set out as follows:

Issuance date	17 August 2010
Maturity date	17 August 2015
Original principal amount	US$25,000,000
Outstanding principal amount as at 31 December 2013	US$17,000,000
Coupon rate	5%
Conversion price per ordinary share (HK$)	2.002

The CN is bifurcated into a liability component and an equity component for accounting purpose. The following tables summarize the movements in the principal amounts, liability and equity components of the Company's CN during the Year:

	Notes	**2013** **HK$'000**	2012 HK$'000
Principal amount outstanding			
At beginning of year		**195,000**	195,000
Early partial redemption of CN		**(62,400)**	–
At end of year		**132,600**	195,000
Liability component			
At beginning of year		**214,658**	201,553
Interest expense	7	**17,253**	22,822
Interest paid and payable		**(6,661)**	(9,717)
Early partial redemption of CN		**(69,331)**	–
At end of year		**155,919**	214,658
Equity component (included in convertible bonds equity reserve)			
At beginning of year		**7,328**	7,328
Partial early redemption of CN		**(2,345)**	–
At end of year		**4,983**	7,328

29. INTEREST-BEARING BANK BORROWING

As at 31 December 2013, the Group's bank borrowings were denominated in United States dollars and amounted to HK$195,000,000 (equivalent to US$25,000,000), bearing interest at the base rate determined by Bank of New Zealand plus 1.75% per annum. The loan will mature on 30 November 2015. The Group's Bank Loan Facilities are subject to the fulfillment of certain financial covenants as required by the bank which may require the Group to begin repayment of the loan based on the extent of forest depletion. During the Year, none of the financial covenants relating to the Bank Loan Facilities were breached.

As at 31 December 2013, the Group has available unutilized Bank Loan Facilities amounting to HK$39,000,000 (equivalent to US$5,000,000).

As at 31 December 2013 and 2012, the Group's Bank Loan Facilities are secured by:

(i) the Personal Property of the Selected Group Companies; and

(ii) A fixed charge over

a. the Forestry Land with the net carrying amount of approximately HK$109,324,000 (2012: HK$109,608,000);

b. the Group's plantation forest assets with the net carrying amount of approximately HK$521,764,000 (2012: HK$500,738,000) and all other estates and interests in the Forestry Land and all buildings, structures and fixtures on the Forestry Land; and

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

30. DEFERRED TAX

The movement in deferred tax liabilities of the Group, which arose from the fair value adjustment in connection with acquisition of subsidiaries, during the year is as follows:

	Attributable to						
	Fair value adjustments arising from acquisition of subsidiaries HK$'000	Revaluation of plantation forest assets HK$'000	Tax losses HK$'000	Deprecation allowance in excess of related depreciation HK$'000	Fair value of interest-bearing loan HK$'000	Others HK$'000	Total HK$'000
At 1 January 2012	72,680	10,221	(3,358)	3,032	7,124	55	89,754
Deferred tax charge/(credited) to the profit or loss during the year (note 11)	–	6,386	(12,478)	1,846	7,332	(262)	2,824
Exchange difference charged/(credited) to the profit or loss during the year (note 11)	–	1,236	(594)	274	448	5	1,369
Exchange difference charged/(credited) to other comprehensive income during the year	–	–	(70)	1	–	–	(69)
At 31 December 2012 and 1 January 2013	72,680	17,843	(16,500)	5,153	14,904	(202)	93,878
Deferred tax charge/(credited) to the profit or loss during the year (note 11)	–	18,667	16,100	2,149	(6,532)	302	30,686
Exchange difference credited to the profit or loss during the year (note 11)	–	(25)	350	71	(461)	2	(63)
Exchange difference charged/(credited) to other comprehensive income during the year	–	–	50	–	–	–	50
As at 31 December 2013	72,680	36,485	–	7,373	7,911	102	124,551

As at 31 December 2013, the Group had aggregate tax losses arising in Hong Kong of approximately HK$99,249,000 (2012: HK$85,168,000) that are available indefinitely for offsetting future taxable profits of the companies in which the losses arose. The Group also had tax losses arising in Suriname of HK$96,185,000 (2012: HK$52,386,000) that will expire in one to five years which are available for offsetting future taxable profits. Deferred tax assets have not been recognized in respect of these losses as they have arisen in the Company and subsidiaries that have been loss-making for some time and it is not considered probable that taxable profits will be available against which the tax losses can be utilized. These tax losses are subject to agreement with the tax authorities of aforementioned jurisdictions.

31. SHARE CAPITAL

Shares

	2013	2012
	HK$'000	HK$'000
Authorised:		
15,000,000,000 ordinary shares of HK$0.01 each	**150,000**	150,000
Issued and fully paid:		
789,889,104 (2012: 779,724,104) ordinary shares of HK$0.01 each	**7,899**	7,797

A summary of the movements in the Company's issued share capital during the years ended 31 December 2013 and 2012 is as follows:

	Notes	**Number of shares in issue**	**Issued capital HK$'000**	**Share premium account HK$'000**	**Total HK$'000**
At 1 January 2012, 31 December 2012 and 1 January 2013		779,724,104	7,797	1,451,590	1,459,387
Shares issued upon exercise of share options	(a)	10,165,000	102	7,642	7,744
At 31 December 2013		789,889,104	7,899	1,459,232	1,467,131

(a) During the Year, the subscription rights attaching to 10,165,000 (2012: nil) share options were exercised at the subscription price of HK$0.501 (2012: nil) per share, resulting in the issue of 10,165,000 ordinary shares of the Company for a total cash consideration of HK$5,093,000 (2012: nil). As a result of the exercise of these share options, their fair value of HK$2,651,000 (2012: nil) previously recognized in the share option reserve was transferred to the share premium account.

Share options

Details of the Company's share option scheme and the share options issued under the scheme are included in note 32 to the financial statements.

32. SHARE OPTION SCHEME

The exercise price of options is determined by the board of directors at its sole discretion, save that such price will not be less than the highest of (a) the closing price of the Shares as stated in the Stock Exchange's daily quotation sheet on the date of grant, which must be a business day; (b) the average of the closing prices of the Shares as stated in the Stock Exchange's daily quotation sheets for the five business days immediately preceding the date of grant; and (c) the nominal value of a Share.

The number of Shares issued and to be issued upon exercise of the options granted to each participate in any 12-month period is limited to 1% of the Company's ordinary shares in issue.

The following share options were outstanding under the Scheme during the year:

		2013		2012	
	Notes	**Weighted average exercise price HK$ per share**	**Number of options '000**	Weighted average exercise price HK$ per share	Number of options '000
At beginning of year		**1.66**	**46,222**	2.18	35,082
Granted during the year	(a)	**–**	**–**	0.50	14,710
Lapsed/cancelled/ forfeited during the year		**1.99**	**(36,057)**	1.94	(3,570)
Exercised during the year	(b)	**0.50**	**(10,165)**	–	–
At end of the year	(c)	**–**	**–**	1.66	46,222

Notes:

(a) The fair values of the options granted during 2012 were calculated using the Binomial Option Pricing Model. The inputs to the model are as follows:

	11 October 2012
Share price at the date of grant	HK$0.49
Exercise price per share	HK$0.501
Expected volatility (%)	87.00
Risk-free interest rate (%)	0.326

No share options were granted during the Year (2012: fair value of the share options granted of HK$3,836,000, HK$0.26 each), and the Group recognized a share option expense of HK$3,060,000 (2012: HK$1,361,000) during the Year.

32. SHARE OPTION SCHEME *(continued)*

Notes: (continued)

(b) 10,165,000 (2012: nil) share options were exercised during the Year, resulted in the issue of 10,165,000 ordinary shares of the Company and new share capital of HK$102,000 and share premium of HK$7,642,000 (before issue expenses), as further detailed in note 31 to these financial statements.

(c) Due to the unconditional mandatory general cash offers ("MGO") to the Company's shareholders, option holders and convertible note holder by EPGL (please refer to the offer document from EPGL relating to the MGO dated 21 February 2013 for further details), (i) all unvested options have been vested when the MGO was made on 21 February 2013; (ii) each option holder (or his personal representative(s)) may exercise all options (in whole or in part) at any time within 14 days after the MGO was made ("Change of Control Period"); and (iii) any vested option not exercised during the Change of Control Period would automatically lapse. The option holders may accept the option offer under the MGO whereby the options involved would be cancelled. For the number of acceptance of the option offer, please refer to the Company's announcement dated 21 March 2013.

Accordingly, as at the date of these financial statements, there are no outstanding option granted by the Company as the result of the MGO.

(d) Subsequent to the reporting period, no additional share options were granted to the employee of the Group.

33. RESERVES

(a) Group

(i) The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity.

(ii) The share option reserve comprises the fair value of share options granted which are yet to be exercised, as further explained in the accounting policy for share-based payment transactions in note 3.4 to the financial statements. The amount will either be transferred to the share premium account when the related options are exercised, or be transferred to retained profits should the related options expire or be forfeited.

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

33. RESERVES *(continued)*

(b) Company

	Notes	Share premium account HK$'000	Contributed surplus HK$'000	Share option reserve HK$'000	Convertible bond equity reserve HK$'000	Accumulated losses HK$'000	Total HK$'000
At 1 January 2012		1,451,590	125,376	26,537	7,328	(569,054)	1,041,777
Loss and total comprehensive loss for the year	12	–	–	–	–	(51,320)	(51,320)
Equity-settled share option arrangements	32(a)	–	–	1,361	–	–	1,361
Share options lapsed		–	–	(1,945)	–	1,945	–
At 31 December 2012 and 1 January 2013		1,451,590	125,376	25,953	7,328	(618,429)	991,818
Loss and total comprehensive loss for the year	12	–	–	–	–	(25,715)	(25,715)
Equity-settled share option arrangements	32(a)	–	–	3,060	–	–	3,060
Share options exercised	31(a)	7,642	–	(2,651)	–	–	4,991
Share options lapsed		–	–	(10,814)	–	10,814	–
Share options cancelled		–	–	(15,548)	–	15,548	–
Partial redemption of convertible bonds		–	–	–	(2,345)	2,345	–
At 31 December 2013		1,459,232	125,376	–	4,983	(615,437)	974,154

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

Under the Companies Act of Bermuda and the Bye-Laws of the Company, the contributed surplus is distributable to shareholders. The Companies Act of Bermuda also stipulates that a company shall not declare or pay a dividend, or make a distribution out of contributed surplus, if there are reasonable grounds for believing that (a) the company is, or would after the payment be, unable to pay its liabilities as they become due; or (b) the realizable value of the company's assets would thereby be less than the aggregate of its liabilities and its issued capital and share premium account.

34. OPERATING LEASE ARRANGEMENTS

(a) As lessor

The Group leases certain of its plant and machinery to its subcontractors under operating lease arrangements, with leases negotiated for terms of three years.

At 31 December 2013, the Group had total future minimum lease receivables under non-cancellable operating leases with its subcontractors falling due as follows:

	Group	
	2013	2012
	HK$'000	HK$'000
Within one year	**–**	749

At 31 December 2013, the Company did not have any non-cancellable operating lease arrangements as lessor (2012: Nil).

(b) As lessee

The Group leases certain of its office properties and staff quarters under operating lease arrangements. Leases for office properties and staff quarters are negotiated for terms of one to three years.

At 31 December 2013, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	Group	
	2013	2012
	HK$'000	HK$'000
Within one year	**7,820**	4,703
In the second to fifth years, inclusive	**14,021**	306
	21,841	5,009

At 31 December 2013, the Company did not have any non-cancellable operating lease arrangements as lessee (2012: Nil).

35. CAPITAL COMMITMENTS

In addition to the operating lease commitments detailed in note 34(b) above, the Group had the following capital commitments at the end of the reporting period:

	Group	
	2013	2012
	HK$'000	HK$'000
Contracted, but not provided for:		
Plant and machinery	**6,738**	13,960
Land and buildings	**2,301**	19,284
	9,039	33,244

On 19 December 2013, one of the indirect wholly-owned subsidiaries of the Company entered into a sales and purchase agreement with an independent third party to purchase its equity interest in a company incorporated in Suriname, at a total cash consideration of US$7,800,000 (equivalent to HK$60,840,000).

Further details are set out in note 39(a) to the financial statements.

36. RELATED PARTY DISCLOSURES

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

Related party	**Nature of transaction**	Notes	**2013 HK$'000**	2012 HK$'000
The Intermediate Holding Company	Interest expenses paid and payable on a loan	(i)	**11,949**	–
The Former Ultimate Holding Company	Interest expenses paid and payable on a loan	(i)	**–**	12,574
The Immediate Holding Company	Interest expenses paid and payable on loans	(ii)	**3,553**	1,830
Noteholder	Interest expenses paid and payable on the CN	(iii)	**17,253**	22,822
Fellow subsidiary	Reimbursements	(iv)	**4,888**	–

36. RELATED PARTY DISCLOSURES *(continued)*

(a) (continued)

Notes:

(i) On 30 January 2013, the Former Ultimate Holding Company assigned all of its rights and benefits under the Intermediate Holding Company Loan to the Intermediate Holding Company pursuant to the Plan.

The interest expenses on the Intermediate Holding Company Loan were charged based on the London Interbank Offered Rate plus 3.5% per annum, which is unsecured and repayable on 17 May 2014.

(ii) The interest expenses were charged based on the Hong Kong Prime Rate on a loan with principal amount of HK$62,400,000 (i.e. US$8,000,000) and a loan with principal amount of HK$27,300,000 (i.e. US$3,500,000). The loans are unsecured and repayable on 26 March 2015 and 28 June 2016, respectively.

(iii) The amount disclosed represents the imputed interest expenses charged to profit or loss for accounting purposes on the CN issued to a company in which a Director has an indirect interest. The actual coupon calculated based on the coupon rate of 5% per annum as set out in the terms and conditions of the CN is HK$6,661,000 (2012: HK$9,718,000).

(iv) The reimbursements were recharged by a fellow subsidiary with reference to the actual costs incurred and paid on behalf of the Group in relation to the remuneration and out of pocket expenses of a director of the Company.

(b) Outstanding balances with related parties

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

(ii) The amounts due to affiliated companies are unsecured, interest-free and repayable within one year.

(c) Other transaction with related party

During the Year, the Company redeemed US$8,000,000 (equivalent to HK$62,400,000) of the principal amount of the CN at a redemption amount of approximately US$9,542,000 (equivalent to approximately HK$74,426,000). Details of which are set out in note 28 to these financial statements and the Company's announcement dated 20 February 2013.

36. RELATED PARTY DISCLOSURES *(continued)*

(d) Compensation of key management personnel of the Group

	2013 HK$'000	2012 HK$'000
Short-term employee benefits	**19,187**	15,864
Equity-settled share options	**1,474**	2,086
Pension scheme contributions	**44**	41
	20,705	17,991

37. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The main risks arising from the Group's financial instruments are interest rate risk, foreign currency risk, credit risk and liquidity risk. The Group does not have any written risk management policies and guidelines. The board of directors reviews and agrees policies for managing each of these risks and they are summarized below.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's debt obligations bearing a floating interest rate, i.e. interest-bearing bank borrowing (note 29), loan from the Intermediate Holding Company (note 36(a)(i)) and loans from the Immediate Holding Company (note 36(a)(ii)).

Convertible bonds are the only fixed-rate interest-bearing financial liabilities of the Group which bears interest at fixed interest rate. Changes in interest rates would not materially affect the profit or loss of the Group.

37. 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, with all other variables held constant, of the Group's loss before tax (through the impact on floating rate borrowings).

	Group	
	Increase/ (decrease) in basis points	Increase/ (decrease) in loss before tax HK$'000
Year ended 31 December 2013	100	5,768
	(100)	(5,768)
Year ended 31 December 2012	100	3,573
	(100)	(3,573)

The Group currently does not have an interest rate hedging policy but will consider enter into interest rate hedging contracts should the need arise.

Foreign currency risk

Most of the Group's sales are denominated in the United States dollar, to which the Hong Kong dollar is pegged and is the same currency in which all of the Group's outstanding borrowings, and in which the majority costs and expenses incurred in Hong Kong and Suriname are denominated. Domestic sales generated in the New Zealand division are denominated in New Zealand dollars which helps to partly offset the Group's operating expenses payable in New Zealand dollars. During the year, the Group did not use any financial instruments for hedging purposes and the Group did not have any hedging instruments outstanding as at 31 December 2013. However, the Directors will continue to closely monitor all possible exchange rate risk arising from the Group's existing operations and new investments in the future and will implement the necessary hedging arrangement(s) to mitigate any significant foreign exchange exposure.

37. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(continued)*

Credit risk

Credit risk arises from the possibility that customers may not be able to settle obligations within the normal terms of transactions. The Group performs an ongoing credit evaluation of debtors' financial condition and maintains an account for allowance for doubtful trade and other accounts receivable based upon the expected collectibles of all trade and other accounts receivable.

Concentrations of credit risk are managed by customer/counterparty and by geographical region. At the end of the reporting period, the Group had certain concentrations of credit risk as 8.3% (2012: 24.7%) and 64.2% (2012: 39.4%) of the Group's trade receivables were due from the Group's largest customer and the five largest customers, respectively, within the New Zealand division.

Further quantitative data in respect of the Group's exposure to credit risk arising from trade receivables are disclosed in note 22 to these financial statements.

The maximum exposure to credit risk is therefore represented by the carrying amount of each financial asset as stated in the statement of financial position.

Cash is held with financial institutions of good standing.

Liquidity risk

Liquidity risk is the risk that an enterprise will encounter difficulty in raising funds to meet commitments associated with financial instruments. Liquidity risk may result from an inability to sell a financial asset quickly at close to its fair value.

Prudent liquidity risk management implies maintaining sufficient cash. The Group monitors and maintains a level of bank balances deemed adequate to finance the Group's operations.

The maturity profile of the Group's financial liabilities as at the end of the reporting period, based on the contractual undiscounted payments, is as follows:

37. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(continued)*

Liquidity risk (continued)

	2013			
	On demand HK$'000	**Within One year HK$'000**	**In the second to fifth years, inclusive HK$'000**	**Total HK$'000**
Convertible bonds	**162,580**	**–**	**–**	**162,580**
Trade payables	**–**	**46,451**	**–**	**46,451**
Other payables	**1,267**	**7,571**	**–**	**8,838**
Loan from the Intermediate Holding Company	**–**	**316,448**	**–**	**316,448**
Loans from the Immediate Holding Company	**–**	**4,485**	**92,461**	**96,946**
Due to the affiliated companies	**–**	**145**	**–**	**145**
Interest-bearing bank borrowing	**–**	**3,389**	**198,249**	**201,638**
Finance lease payables	**–**	**12,589**	**21,299**	**33,888**
	163,847	**391,078**	**312,009**	**866,934**

	2012			
	On demand HK$'000	Within One year HK$'000	In the second to fifth years, inclusive HK$'000	Total HK$'000
Convertible bonds	–	224,376*	–	224,376
Trade payables	–	31,961	–	31,961
Other payables	11,306	10,676	–	21,982
Loan from the Former Ultimate Holding Company	–	319,454	–	319,454
Loan from the Immediate Holding Company	–	3,120	66,811	69,931
Due to the affiliated companies	–	132	–	132
Finance lease payables	–	9,667	26,623	36,290
	11,306	599,386	93,434	704,126

* The maturity profile of convertible bonds disclosed above are based on the contractual undiscounted payments, however, the noteholder would have the right to request the Company to early redeem the convertible bonds before their maturity. Further details are set out in note 28 to the financial statements.

37. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(continued)*

Liquidity risk (continued)

As explained in note 2 to these financial statements, the Directors have adopted or plan to adopt certain measures in order to improve the Group's financial and cash flow positions and to maintain the Group as a going concern.

Fair value risk

The following table sets out a comparison by category of carrying amounts and fair values of the Group's financial instruments that are carried in the financial statements at other than fair values. The fair values of these financial instruments have been calculated by discounting the expected future cash flows at prevailing interest rates.

	Carrying amount		**Fair value**	
	2013	2012	**2013**	2012
	HK$'000	HK$'000	**HK$'000**	HK$'000
Financial asset:				
Non-current prepayments and deposits	**6,218**	11,663	**6,218**	11,663
Financial liabilities:				
Convertible bonds	**155,919**	214,658	**160,902**	221,986
Loan from the Former Ultimate Holding Company	**–**	312,000	**–**	312,000
Loan from the Intermediate Holding Company	**312,000**	–	**312,000**	–
Loans from the Immediate Holding Company	**89,700**	62,400	**89,700**	62,400
Interest-bearing bank borrowing	**195,000**	–	**195,000**	–
Finance lease payables	**30,317**	31,141	**30,317**	31,141
	782,936	620,199	**787,919**	627,527

Note: The carrying amount of financial assets and liabilities which are due to be received or settled within one year are reasonable approximation of their respective fair values, and accordingly, no disclosure of the fair values of these financial instruments is made.

37. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(continued)*

Capital risk management

The primary objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximize shareholders' value.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2013 and 2012.

The Group monitors capital using a ratio, which is that the consolidated total debts shall not at any time exceed 1.2 times of the consolidated tangible net worth. The consolidated total debts include interest-bearing bank and other borrowings, convertible bonds and finance lease payables. The consolidated tangible net worth includes equity attributable to equity holders of the Company, but excludes goodwill. During the year ended 31 December 2013 and 2012, such ratio, being less than 1.2 at all times, was not exceeded.

In addition to the abovementioned capital ratio, the Group also monitors third party debt ratio and debt service cover ratio as required by the Bank Loan Facilities. For the third party debts ratio, the total third party debts in New Zealand business unit shall not at any time exceed 40% of the aggregate value of plantation forest assets and forestry land. For the debt service cover ratio, it is the ratio of free cash flow from the New Zealand division to the debt service requirement which shall not exceed 1.5 times. As at 31 December 2013 and 2012, such ratios were met as the aforementioned third party debts ratio and debt service cover ratio were at all times below 40% and exceeded 1.5 times, respectively.

38. FINANCIAL INSTRUMENTS BY CATEGORY

All financial assets and liabilities of the Group and the Company as at 31 December 2013 and 2012 are loans and receivables, and financial liabilities stated at amortized cost, respectively.

39. EVENTS AFTER THE REPORTING PERIOD

The following significant events occurred subsequent to the reporting period:

(a) On 19 December 2013, Greenheart Forest Suriname Suma Limited as the purchaser, an indirect wholly-owned subsidiary of the Company entered into a sale and purchase agreement with Sumaroeba Holdings A.V.V., an independent third party as the vendor and its two shareholders and an individual (all are independent third parties) as the guarantors, whereby it conditionally agreed to purchase the entire equity interest in Suma Lumber Company N.V. ("Suma Lumber"), a company incorporated in Suriname, which holds several forest concessions, a parcel of land, and sawmill plant and equipment in Suriname, at a total cash consideration of US$7,800,000 (equivalent to HK$60,840,000). The acquisition was made as part of the Group's strategy to expand its Suriname division. The transaction was completed on 12 February 2014 with the first instalment of consideration, being US$5,000,000 in the form of cash paid in full. The remaining consideration will be paid by two instalments in March 2014 and June 2014. Further details are set out in the Company's announcement dated 19 December 2013.

The Group is in the process of finalizing the fair value assessment of the identifiable assets and liabilities of Suma Lumber as at the date of acquisition and therefore the initial accounting for this business combination is not yet completed as at the date of this report. Hence, except for the above-mentioned information, other disclosures as required under the relevant HKFRS 3 are not provided in this report.

(b) On 27 January 2014, Green Source Holdings Limited, an indirect wholly-owned subsidiary of the Company, and Sino-Wood Trading limited, a wholly-owned subsidiary of EPHL, entered into the supplemental agreement to renew the contractual period in respect of the master sale and purchase agreement between the parties dated 7 January 2011 in relation to the sale and purchase of logs, standing timber, agri-forest, timber related and agri-related products. The term of the master sale and purchase agreement was renewed for another three years commencing on 28 March 2014 and ending on 27 March 2017.

Further details are set out in the Company's announcement dated 27 January 2014.

39. EVENTS AFTER THE REPORTING PERIOD *(continued)*

(c) On 18 February 2014, Greenheart Forest Central N.V., a wholly owned subsidiary of the Company, entered into an agreement with Greenheart (Suriname) N.V., a non-wholly owned subsidiary of the Company, for the purchase of certain machines and equipment for lumber processing for a consideration of US$2,400,000 (equivalent to approximately HK$18,720,000).

Further details are set out in the Company's announcement dated 18 February 2014.

Items 39(b) and 39(c) above also constitute continuing connected transactions and a connected transaction, respectively, as defined in Chapter 14A of the Listing Rules.

40. CONTINGENT LIABILITIES

On 5 March 2014, a legal letter was served to Greenheart (Suriname) N.V., an indirect non-wholly owned subsidiary of the Company, by a contractor for outstanding contracting fee and certain out of pocket expenses totaling HK$990,000 (equivalent to US$127,000). In the opinion of the Directors, the amount is not payable as the contractor did not perform the construction work as stipulated by the Group. After consulting with the Group's legal counsel, it is not considered probable that the contractor will succeed in the claim, and accordingly, no additional provision has been made in the consolidated financial statements.

As at 31 December 2013, the Group did not have any other significant contingent liabilities (2012: Nil).

41. COMPARATIVE AMOUNTS

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

42. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorized for issue by the board of directors on 31 March 2014.