ANNUAL REPORT 年報

2024

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

Greenheart Group
綠森集團
always growing

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Corporate Information

BOARD OF DIRECTORS

Wang Tong Sai, Eddie#
(Non-executive Chairman)
Hui Tung Wah, Samuel*
Paul Jeremy Brough#
Colin Denis Keogh#
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)

REMUNERATION COMMITTEE

Tong Yee Yung, Joseph *(Chairman)*
Wong Che Keung, Richard
Wong Kin Chi
Wang Tong Sai, Eddie

NOMINATION COMMITTEE

Tong Yee Yung, Joseph *(Chairman)*
Wong Che Keung, Richard
Wong Kin Chi
Colin Denis Keogh

COMPANY SECRETARY

Tse Nga Ying

AUTHORIZED REPRESENTATIVES

Hui Tung Wah, Samuel
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 AUDITORS

Moore Stephens

SOLICITORS

Troutman Sanders
Sit, Fung, Kwong & Shum

Corporate Information

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 IN BERMUDA

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

BRANCH SHARE REGISTRAR & TRANSFER OFFICE IN HONG KONG

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

WEBSITE

http://www.greenheartgroup.com/

INVESTOR RELATIONS

info@greenheartgroup.com

Chairman's Statement

Dear Shareholders,

2014 was a year of challenge. The performance of Greenheart Group Limited ("Greenheart" or the "Company") and its subsidiaries (the "Group") has fallen short of expectations as a result of highly volatile prices for New Zealand radiata pine, the Group's primary revenue earner, which impacted both top-line revenue and profitability, and the impairment of goodwill of HK$27,854,000 arising from the acquisition of Suma Lumber Company N.V. ("Suma Lumber") largely due to an unexpected sharp increase in the forestry concession levy in Suriname. The Group's revenue decreased by 7 percent to HK$673,604,000 and the loss for the year ended 31 December 2014 (the "Year") increased by HK$129,616,000 to HK$189,913,000.

FINANCIAL PERFORMANCE

New Zealand

New Zealand radiata pine prices were very volatile in 2014. After an initial rally from an average of US$154.5 per m^3 for A-grade logs in 2013 to a record high of around US$172.1 per m^3 in March 2014, prices fell by 27% and reached as low as US$126.3 per m^3, in June 2014 as China's construction market slowed, credit tightened and the logs inventories in China accumulated putting downwards pressure on import prices. Management took the decision, in view of these lower prices, to scale back harvesting in the second half of the year, which resulted in total export volume for 2014 being lower than that for 2013.

Since June, there has been some recovery in the export price of the New Zealand radiata pine with the price stabilizing at approximately USD137 per m^3 towards the end of 2014 and the beginning of 2015. In addition, after an appreciation of 6.6% of the New Zealand dollar against the US dollar between 1 January 2014 and 30 June 2014, which increased harvesting and hauling costs, the exchange rate then depreciated by 11.0% between 30 June 2014 and 31 December 2014. Oil prices also fluctuated and led to lower shipping rates, although the majority of the Group's exports are made under long term shipping contracts. In short, our New Zealand division has been affected by a number of external factors, largely beyond our control, but at the end of 2014 export prices were short of management expectations with such disappointment partly offset by lower harvesting, hauling and shipping costs.

In summary, the financial performance of the New Zealand division was substantially weaker in 2014, recording a total revenue of HK$591,718,000 (2013: HK$663,833,000) and earnings/(loss) before finance cost, tax, depreciation, forest depletion costs as a result of harvesting and amortization ("EBITDA") of HK$182,406,000 (2013: HK$323,901,000) for the Year.

Chairman's Statement

Suriname

The revenue contributed by Suriname division increased by 35.9% to HK$81,437,000 for the Year, mainly from the sale of lumber from west Suriname.

We have made progress in turning around our operations in central Suriname, following the acquisition of Suma Lumber in February. Output from the sawmill has climbed and harvesting and logistics costs have fallen such that central Suriname is now operating on a cash break-even basis. However, the turnaround of the west Suriname sawmill is still underway. We have experienced some delays in installing new sawmill capacity and some operational setbacks with our new kilns and energy plant. As of today, the west Suriname sawmill production capacity enhancement program, which was originally scheduled to be completed by end of 2014 is now expected to be completed in mid-2015. The delay is largely caused by the late arrival on site of certain critical parts and equipment, which I understood are on site as at the date of this annual report.

As noted in the 2014 interim report, the Suriname government unexpectedly announced a sharp increase in the forestry concession levy at the beginning of 2014. This has been opposed by the forestry industry and talks with government representatives have been in progress for a year. Although you will observe from note 40(b) of the attached consolidated financial statements some positive developments in relation to the levy, an accrual of HK$15,751,000 has been made in respect of the levy of which HK$13,441,000 has been charged to profit or loss with the balance being included in year end inventories. In addition, a provision for goodwill of HK$27,854,000 in relation to the acquisition of Suma Lumber was made as a result of the impact of the levy on the valuation of Suma Lumber's concession. With the enactment of the new Ministerial Orders in respect of the revised forest concession levy as mentioned below, the entire accrual made in 2014 will be reversed in 2015.

As a result of the above, the EBITDA (loss) of Suriname increased by HK$38,716,000 to HK$129,285,000 during the Year.

The management of the Company has continued to look for cost savings throughout the Year. The number of staff reduced from 566 to 421, with most of the reduction taking place in Suriname, and the Group's administrative costs reduced by 26%, or HK$23,189,000, to HK$65,946,000 during the Year, also due to cost savings in Hong Kong.

Chairman's Statement

OUTLOOK

New Zealand

We are experiencing further changes in the price of A grade radiata pine in the first half of 2015. The China cost and freight basis price softened in February and March 2015 to approximately US$122 per m^3 after remaining in a relatively narrow range of approximately US$137 per m^3 to US$142 per m^3 from October 2014 to January 2015. This price adjustment is in part due to our customers becoming aware of our lower cost structure due to exchange rate and shipping rate fluctuations, and leading them to exert downward pressure on prices, but, in fact, the prices at wharf gate and net cash return per m^3 after the price adjustment should still be higher than December 2014 due to our lower costs.

The Chinese Government's GDP growth target for 2015 is around 7%. However, due to an anticipated recovery in the USA property market, which will divert softwood supply from North America away from China, management believe New Zealand radiata pine is well-positioned to fill the supply gap and is planning to increase overall production to 700,000 m^3 and export volume from New Zealand up to 600,000 m^3 in 2015. Management will watch pricing carefully and will cut back production if export prices and margins do not meet expectations.

Suriname

After a whole year's negotiation and collective effort by the forestry industry, finally in January 2015, representatives of the Suriname government and the coalition of Suriname forestry industry participants have agreed in principle to reduce the forest concession levy from SR$20 per hectare per year to SR$5 per hectare per year from 1 January 2015 and the harvest royalty fee will be reduced from the range of US$5.5 per m^3 to US$6 per m^3 to US$3.95 per m^3 from 1 March 2015 onwards. No adjustment will be made to the levy and royalty for 2014 which will remain at the same levels as 2013.

Based on the budgeted harvest volume in 2015, such change will reduce the total cash payments by the Group by HK$13,113,000 in 2015, of which HK$11,225,000 arises from the reduced concession levy and HK$1,888,000 arises from the reduced royalty. Such proposed new rates have been approved by the Minister of Forestry and the Minister of Finance which was published in the Gazette on 2 March 2015. In view of the fact that the new rates have become formalized in 2015, the increased accrued forest concession levy of HK$15,751,000 made in 2014 will be reversed, of which HK$13,441,000 will be credited as other income in 2015 and the remaining HK$2,310,000 will be reversed from opening inventory. This is a significant achievement for the Group and I would like to thank our Suriname management for their hard work in making this happen.

Chairman's Statement

Regarding the west Suriname sawmill's capacity enhancement program, the Suriname management team has strived to complete the program as soon as possible. On completion of the program, the log input capacity should be increased from 60,000 m^3 to 100,000 m^3 per annum therefore reducing the overhead per cubic metre substantially. All of our cost reduction and streamlining initiatives are focused on reducing unit costs, thereby improving margins and allowing us to harvest hitherto marginal species.

Together with the sales price premium in Europe of 10% to 15% expected for Forest Steward Council ("FSC") fully accredited products, which west Suriname received in February 2015, increased sale volumes for lumber and further costs savings west Suriname is expected to become cash flow positive in the second half of 2015.

Some additional limited expenditure will be made on the central Suriname sawmill to increase output in 2015.

Corporate

On 31 October 2014, the Company's largest shareholder, Sino-Capital Global Inc. ("Sino-Capital" or "Immediate Holding Company"), which owns over 62% of the shares of the Company, entered into an agreement to sell all its interests in the Company's shares and debts (the "Sales") to Newforest Limited ("Newforest"), a company owned as to 60% by Chow Tak Fook Enterprises Limited and 40% by Mr. Danny Wu Wai Leung. The relevant announcements and shareholder meeting have already taken place and the transaction is currently expected to be completed before 30 April 2015. Completion of the Sales will bring a significant new investor into Greenheart to take it to the next step in its development. It is also likely that it will ring to an end my time as Chairman of the Company. I wish the new majority owners every success in the future.

APPRECIATION

On behalf of the board (the "Board") of directors of the Company (the "Directors" and each a "Director"), I would like to thank shareholders for their continued support and to extend my thanks to all of my colleagues across Greenheart for their commitment and their invaluable contribution in what has been a challenging year for the business

Wang Tong Sai, Eddie
Non-executive Chairman
Hong Kong

20 March 2015

Management Discussion and Analysis

BUSINESS REVIEW

During the Year, the Group recorded a reduction of revenue by 7.0% to HK$673,604,000, mainly due to a decrease in the average export selling price of New Zealand radiata pine which, in combination with a decrease in sales volume (reflecting our strategy of reducing logging when export prices fall) caused a decrease of the New Zealand division's sales revenue of HK$72,115,000 to HK$591,718,000. Sales arising from Suriname improved by HK$21,492,000, as a result of an increase in sales of lumber products, which have a higher unit sales value than logs. However, the increase from Suriname was not enough to compensate for the decrease in New Zealand revenue. Due to the decrease of the average export selling price, the fair value gain on the New Zealand plantation forest assets decreased significantly from HK$108,847,000 in 2013 to HK$32,433,000 during the Year. Although the local Suriname management team has been actively implementing measures to improve operational efficiency in forestry operations, along the supply chain and in the saw mills, the overall capacity improvement program in west Suriname will not be completed until mid-2015. Hence, their efforts have not yet been fully reflected in this Year's financial results.

In addition, a non-cash impairment of HK$27,854,000 was recorded in relation to the acquisition of Suma Lumber, the Company's operation in central Suriname, which was mainly caused by the sudden sharp increase in the forest concession levy promulgated by the Suriname government in January 2014, shortly after the Group signed the sales and purchase agreement for Suma Lumber.

As a result, the Group reported a net loss of HK$133,303,000 attributable to equity holders of the Company, an increase of HK$127,564,000 as compared to last year.

Revenue

The Group's total revenue fell by 7.0% to HK$673,604,000 for the Year, with HK$591,718,000 (2013: HK$663,833,000) being contributed by the New Zealand division and HK$81,437,000 (2013: HK$59,945,000) being contributed by the Suriname division.

The reduction in sales of the New Zealand radiata pine was mainly due to the decrease in the export sales volume and the average export selling price of New Zealand radiata pine, to 531,000 m^3 (2013: 582,000 m^3) and to US$134.0 per m^3 (2013: US$138.4 per m^3), for the Year. The export selling price reached an historical high in March 2014 when the price of A-grade New Zealand radiata pine reached US$172.1 per m^3. Following this peak, the price of A-grade pine fell sharply to approximately US$126.3 per m^3 at the end of June 2014. This situation prevailed until August 2014 and then prices gradually improved to US$139.0 per m^3 in the fourth quarter of 2014, thereby reducing the average export selling price recorded during the Year.

On the other hand, the Group's Suriname division sales improved during the Year. The revenue contributed from the Suriname business unit increased from HK$59,945,000 in the prior year to HK$81,437,000 for the Year. The increase was mainly due to an increase in sales volume of both lumber products from west and central Suriname and clearance sales of logs from east Suriname.

Other than the above, the trading business of logs and lumber products also contributed HK$449,000 to the Group's revenue during the Year (2013: HK$805,000).

Gross profit

The Group's gross profit for the Year was approximately HK$145,033,000, representing a 40.7% decrease from HK$244,419,000 for 2013. The aggregate gross profit contribution from the New Zealand division was approximately HK$225,196,000 (2013: HK$304,335,000) while the Suriname division recorded a gross loss of HK$80,180,000 (2013: HK$60,149,000). The gross profit for the Group's trading business was HK$17,000 (2013: HK$233,000) for the Year.

The Group's gross profit margin for the Year was approximately 21.5 percent as compared to 33.7 percent last year. The gross profit margin for the Group's New Zealand division for the Year was 38.1 percent (2013: 45.8 percent) while the Suriname division recorded a gross loss margin of 98.5 percent (2013: 100.3 percent).

The decrease in gross profit and margin contributed by the New Zealand division was mainly due to lower average export selling prices and increased unit harvesting costs. The forest depletion rate fluctuated significantly during the Year due to the significant decrease of the fair value of the plantation assets as at 30 June 2014, reflecting the volatility of the export selling price of New Zealand radiata pine. After this downward adjustment, the average forest depletion unit rate for the entire Year is largely the same as that of last year with less than 6% increment.

The gross profit for Suriname division decreased during the Year as a result of high production expenses due to operational inefficiency. The increase in the forest concession levy as described below during the Year also contributed to a lower gross profit by HK$13,441,000. The negative gross profit margin during the Year improved slightly mainly due to the increase in average export selling price of lumber as a result of the change of the species mix in the second half of the 2014, notwithstanding the negative impact of local clearance sales of low grade lumber and aged logs in the first half year.

Management Discussion and Analysis

Other income and gains

Other income and gains amounted to HK$4,087,000 (2013: HK$8,547,000) for the Year, mainly representing rental income for the lease of plant and machinery of HK$2,915,000 (2013: HK$2,120,000) and bank and other interest income of HK$307,000 (2013: HK$2,443,000).

The decrease of HK$4,460,000 as compared with HK$8,547,000 for last year was primarily because 242,000 units of New Zealand carbon credits were granted by the New Zealand Ministry of Primary Industries in 2013. The fair value of these carbon credits of HK$3,164,000 was recognized in 2013 and there was no such granting of carbon credits in the Year.

The decrease in interest income of HK$1,930,000 from the loan to Suma Lumber arose following completion of the Suma Lumber acquisition in February 2014 when the loan was cancelled.

Fair value gain on plantation forest assets

The fair value gain on the plantation forest assets of HK$32,433,000 (2013: HK$108,847,000) was primarily attributable to the net effect of changing production and transport costs, forest yield, harvest profile and the hybrid valuation methodology of young trees. The relevant qualifications, experience and independence of the valuer, the work performed by the independent valuer and the key inputs and assumptions used in the valuation are set out in note 19 to this annual report.

Selling and distribution costs

Selling and distribution costs mainly represents trucking, barging and export handling expenses, ocean freight and logistic-related costs arising from the sale of Suriname logs and timber products, and ocean freight and logistic related costs arising from the sale of New Zealand radiata pine. The decrease during the Year was primarily attributable to the decrease in sales volume from New Zealand radiata pine.

As a percentage of revenue, sales and distribution costs increased approximately 1% during the Year. The percentage for the New Zealand and Suriname divisions was 33.0% (2013: 30.5%) and 24.1% (2013: 36.3%), respectively. The increase in the New Zealand division was mainly due to the decrease of average export selling price of New Zealand radiata pine, while the decrease in the Suriname division was contributed by the increased average export selling price of Suriname lumber products as well as the switch of sales term under cost and freight basis in 2013 to free on board basis, and hence less ocean freight charges were incurred in Suriname division during the Year.

Administrative expenses

Administrative expenses decreased by HK$23,189,000 to HK$65,946,000 for the Year. Such decrease was mainly because of various cost control measures imposed by the Group during the Year, amounting to HK$27,046,000, offset by severance payments of HK$3,857,000.

Provisions for impairment

During the Year, provisions for impairment mainly related to goodwill of HK$27,854,000 (2013: Nil), property, plant and equipment of HK$5,117,000 (2013: Nil), prepayment, deposits and other receivables of HK$2,476,000 (2013: Nil) and trade receivables of HK$500,000 (2013: HK$74,000).

The provision for impairment of goodwill of HK$27,854,000 made for the Year, being the excess of the consideration paid over the identifiable assets acquired and liabilities assumed, in relation to the acquisition of the entire issued share capital of Suma Lumber, a company incorporated in Suriname, which holds several forest concessions, a parcel of land, and sawmill plant and equipment in central Suriname (please refer to the announcement of the Company dated 19 December 2013 for details of the acquisition) was due to an unexpected significant increase in the forest concession levy announced by the Suriname government in early 2014. The acquisition of Suma Lumber was completed in February 2014.

The provision for impairment on property, plant and equipment of HK$5,117,000 was mainly attributable to immovable property, plant and equipment in east Suriname as the Group has substantially completed the process of selling and disposing of logs on hand during the Year and no recommencement of operations was planned during the second half of 2014.

Non-cash share option expenses

Share option expenses incurred in the Year of HK$2,287,000 were non-cash in nature and represented mainly the amortization of fair value of share options granted during the Year.

Finance costs

Finance costs decreased by HK$3,909,000 to HK$43,435,000 for the Year. The decrease was mainly attributable to the net effect of the following: (i) loss of HK$5,095,000 in February 2013 arising from the early redemption ("Early Redemption") of US$8,000,000 principal amount of the convertible bonds ("Convertible Bonds") by the Greater Sino Holdings Limited ("Greater Sino" or "Noteholder") in accordance with the terms and conditions of the Convertible Bonds whereas no such amount was incurred during the Year; (ii) an increase in interest by HK$1,188,000 from HK$433,000 to HK$1,621,000 incurred on loans with principal amounts of HK$27,300,000 and HK$15,342,000 granted by Sino-Capital on 28 June 2013 and 19 June 2014, respectively, 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.

Management Discussion and Analysis

Tax

Tax charges incurred for the Year mainly represented a general tax provision of HK$14,159,000 (2013: HK$14,693,000) attributable to the New Zealand division, a deferred tax credit of HK$5,556,000 (2013: deferred tax charge of HK$30,686,000) and net exchange differences arising from the translation of foreign currency denominated income tax recoverable and deferred tax liabilities.

The deferred tax credit for the Year mainly represented the net movement of taxable temporary differences arising from the New Zealand division of HK$12,973,000 (2013: deferred tax charge of HK$29,434,000), which included the recognition 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 credit 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 has depreciated significantly against the United States dollar (the Group's functional currency) as at the Year end (31 December 2014: 0.7797; 31 December 2013: 0.8214), a deferred tax charge of HK$7,417,000 (2013: HK$1,252,000) 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 decreased from HK$182,801,000 for 2013 to HK$22,050,000 for the Year; a decrease of HK$160,751,000.

The significant decline in EBITDA of the Group was largely contributed by the New Zealand division, which recorded a decreased fair value gain on plantation assets of HK$76,414,000 to HK$32,433,000 (2013: HK$108,847,000) and lower revenue generated as mentioned above. As a result, the EBITDA of New Zealand division decreased by HK$141,495,000 from HK$323,901,000 in last year to HK$182,406,000.

In addition, due to the provision of impairment on goodwill arising from the acquisition of Suma Lumber and property, plant and equipment, the negative EBITDA of the Suriname division increased by HK$38,716,000 from HK$90,569,000 in last year to HK$129,285,000.

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 rose from HK$5,739,000 for 2013 to HK$133,303,000 for the Year.

Event after the reporting period

Details of the significant events after the reporting period of the Group are set out in note 40 to the annual report.

LIQUIDITY AND FINANCIAL REVIEW

As at 31 December 2014, the Group's current assets and current liabilities were HK$240,555,000 and HK$678,835,000 (2013: HK$436,168,000 and HK$593,377,000), respectively, of which the Group maintained cash and bank balances of approximately HK$108,056,000 (2013: HK$204,014,000). The Group's outstanding borrowings as at 31 December 2014 represented an intermediate holding company loan amounting to HK$312,000,000 ("Intermediate Holding Company Loan") (2013: HK$312,000,000), loans from Sino-Capital amounting to HK$105,042,000 ("Immediate Holding Company Loans") (2013: HK$89,700,000), interest bearing bank borrowings amounting to HK$195,000,000 (2013: HK$195,000,000) and finance lease payables of HK$18,816,000 (2013: HK$30,317,000). 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 72.3% (2013: 62.1%).

Notwithstanding the Group's net current liabilities of HK$438,280,000 as at 31 December 2014 (2013: HK$157,209,000) on the basis that the extensions of the Intermediate Holding Company Loan were agreed, Directors, after taking into account the unutilized banking facility of HK$33,914,000, the possible sell-off of certain non-current assets and other measures as mentioned in note 2 to these 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 2014, 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 the Hong Kong dollar is pegged, and is the 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 entered into forward exchange contracts to manage the foreign exchange exposure on New Zealand dollars. As at 31 December 2014, the Group recorded the fair value of outstanding forward exchange contracts of HK$500,000, the details are set out in note 23 and 38 to the financial statements.

Management Discussion and Analysis

PROSPECTS

The financial results of the Group during the Year were impacted significantly by the fall in the price of New Zealand radiata pine in the second half of the Year, and a provision for impairment of goodwill in relation to the acquisition of Suma Lumber in Suriname.

Despite the significant drop in export prices of New Zealand radiata pine in mid-2014, prices gradually recovered to approximately US$136.9 per m^3 for A-grade logs in the last two months of 2014. Total softwood logs inventories in China at the end of 2014 fell to 3.1 million m^3, a drop of 9% compared to November 2014. However, due to a slow-down in industrial activity due to Chinese New Year, some softness in prices has occurred in the first quarter 2015. After taking into account significantly lower shipping costs, primarily due to lower oil prices, and a significant fall in the exchange rate of the New Zealand dollar, in which, all logging, ground transportation and forestry management fees are denominated, the net cash return per m^3 for the New Zealand division has increased in the first few weeks of 2015.

China's growth rate in 2014 slowed to 7.4%, the lowest in 24 years. At present, the market consensus is that China will cut its growth target further to around 7% in 2015. In order to avoid a hard-landing of the economy, it is expected that the Chinese government will continue to take some measures to stimulate the real estate sector and investment, including lowering interest rates, lowering first time buyers' down payment requirements, and allowing more bank credit to flow to the real estate industry. As such, in the short term, management anticipate that sales volumes for New Zealand radiata pine to China should remain reasonably stable but the net cash return should improve, should lower shipping rates and a weaker New Zealand dollar continue to prevail.

Following China, India is the second largest market for the New Zealand division's radiata pine. The economic signals in India are currently positive, with a high GDP growth rate and a manufacturing sector showing steady growth. Both the volume and the value for New Zealand radiata pine exported to India achieved reached record levels in 2014. It is expected both the price and demand from India will continue at a similar level for 2015, which in the long run will create competition for Chinese importers.

As a result of the above considerations, the New Zealand division is targeting harvest volume of 700,000m^3 for 2015, the majority of which is allocated to export. Given there are still some uncertainties in the market, e.g. the depreciation of the Rouble, which may increase the competitiveness of the Russian logs and the recovery of the US property market, which will drive away some of the log supply from North America to China, the management will monitor market conditions closely and adjust the harvesting volume where deemed necessary.

Management Discussion and Analysis

Regarding the sudden increase in the forest concession levy in Suriname, which occurred in January 2014, at the end of January 2015, representatives of the Suriname government and the forest industry coalition reached an agreement to a proposed change to the forest concession levy and harvest royalty fee requirements. The concession levy of SR$20 per hectare per year as originally announced by Suriname government in 2014 will be revoked as if it has never taken effect and commencing from 1 January 2015, the concession fee will be levied at SR$5 per hectare per year while at the same time the harvest royalty fee will be reduced from the range of US$5.5 per m^3 to US$6 per m^3 to US$3.95 per m^3 from 1 March 2015 onwards. These proposed changes were approved and published in the Gazette on 2 March 2015 in the form of new Ministerial Orders authorizing the Minister of Forestry and Minister of Finance to formalize the new levy rates as law. As at 31 December 2014, the Group has accrued but not paid the increased concession levy, amounting to HK$15,751,000, of which HK$13,441,000 has been charged to profit or loss for the Year and the remaining HK$2,310,000 has been capitalized in closing inventory as at 31 December 2014. As a result of the enactment of the said Ministerial Orders, the entire amount of HK$15,751,000 will be reversed in 2015, of which HK$13,441,000 will be credited as other income in 2015 and the remaining HK$2,310,000 will be reversed from inventory.

The final stage of the west Suriname sawmill capacity enhancement program is currently underway and should be completed by mid-2015. By then, the log input volume will increase to 100,000 m^3 (based on a double shift) per annum from 60,000 m^3. In 2014, the Group has largely completed the whole-tree solution for all major species which should help to increase production efficiency and improve the profitability by standardizing the products and improving the yield. Another key objective for the Suriname division is to ensure that the division's logistics operations can accommodate the increased output from the sawmill. During the Year, the Suriname division contracted out certain logistic activities in order to lower and stabilize cost structures, to allow greater flexibility and to facilitate better focus on selling and marketing. These measures have met with some success. Suriname management has also been working with the local Suriname Forestry Authority to streamline export approval procedures for logs and lumber; this remains a key business challenge, especially as export volumes increase.

West Suriname has just received the full FSC certificate accreditation in February 2015. The price premium in Europe for FSC products over non-FSC products ranges from 10% to 15%. Full FSC accreditation will also allow further penetration into the United States, and in particular, European markets which increasingly require FSC products.

Extensive cost rationalization programs have been carried out across the entire Group in 2014 which had substantially reduced its base cost. Subject to the successful completion of the sawmill upgrade in west Suriname by mid-2015 and stable prices for exports, management anticipate that 2015 will show an improvement over the results of 2014.

Management Discussion and Analysis

UPDATE ON SALES

On 31 October 2014, Sino-Capital, Emerald Plantation Group Limited ("EPGL" or "Intermediate Holding Company") and Newforest entered into sale and purchase agreements regarding the Sales. Upon completion of the Sales, Newforest will assume all the rights and benefits of both of the Intermediate Holding Company Loan and the Immediate Holding Company Loans. As at the date of this annual report, it is expected that the completion of the Sales will take place before 30 April 2015.

In addition, upon completion of the Sales, a mandatory general offer will be made by Newforest under The Hong Kong Code on Takeovers and Mergers for all the ordinary shares of the Company and the outstanding options and Convertible Bonds of the Company (other than those already owned by or agreed to be acquired by Newforest and parties acting in concert with it).

CHARGE ON ASSETS

As at 31 December 2014 and 2013, the Group's bank loan facilities are secured by:

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

(ii) A Fixed Charge over:

  a. the Group's forestry land (located in New Zealand) with a net carrying value of approximately HK$103,713,000 (2013: HK$109,324,000) ("Forestry Land");

  b. the Group's plantation forest assets (located in New Zealand) with a net carrying value of approximately HK$466,231,000 (2013: HK$521,764,000) 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.

Management Discussion and Analysis

CAPITAL EXPENDITURE

During the Year, the Group incurred capital expenditure of approximately HK$52,812,000 (2013: approximately HK$79,797,000) on investment in property, plant and equipment.

BUSINESS ACQUISITION AND DISPOSAL

On 19 December 2013, Greenheart Forest Suriname Suma Limited, 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, whereby it has conditionally agreed to purchase the entire equity interest in Suma Lumber, a company incorporated in Suriname which holds several forest concessions, a parcel of land, sawmill plant and equipment in Suriname, for 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

As at 31 December 2014, the Group did not have any significant contingent liabilities (2013: HK$990,000).

EMPLOYMENT AND REMUNERATION POLICY

As at 31 December 2014, the number of employees of the Group was 421 (2013: 566). Employment costs (including Directors' emoluments) amounted to approximately HK$94,489,000 for the Year (2013: HK$107,485,000). Remuneration of employees includes salary and discretionary bonus, based on the Group's results and individual performance. Medical and retirement benefits schemes are made available to all levels of personnel.

Biographical Details of Directors and Senior Management

DIRECTORS

Mr. Wang Tong Sai, Eddie, aged 66, 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 Global Inc, its holding company and ultimate holding company, namely Emerald Plantation Group Limited and Emerald Plantation Holdings Limited, 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. Hui Tung Wah, Samuel, aged 60, 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, 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 2013. Mr. Hui holds a bachelor degree in Social Sciences from the University of Hong Kong and a master degree in Business Administration from Brunel University in the United Kingdom.

Mr. Paul Jeremy Brough, aged 58, 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. Mr. Brough has been re-designated as a non-executive Director and ceased to be the interim Chief Executive Officer since 2 April 2015. 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.

Mr. Brough was a director of the controlling shareholder of the Company, namely Sino-Capital Global Inc., its holding company and ultimate holding company, namely Emerald Plantation Group Limited and Emerald Plantation Holdings Limited, respectively until 1 April 2015. 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. He is also a non-executive director of Habib Bank Zurich (Hong Kong) Limited, a Hong Kong restricted licence bank, 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 was a member of the Executive Management Committee of the Company until his re-designation as a non-executive Director with effect from 2 April 2015.

Mr. Colin Denis Keogh, aged 61, 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 capitalized 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 Emerald Plantation Group Limited and Emerald Plantation Holdings Limited. Since January 2010, he has been an independent non-executive director of Virgin Money Holdings UK Plc, the recently listed retail banking and investment group. Since July 2010 Mr. Keogh has been a non-executive director of Brait SE, 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 75, 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 of 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, and the vice chairman and independent non-executive director of Essar Energy plc from April 2010 to May 2014. He is currently an independent non-executive director of CK Hutchison (Holdings) Limited*, Orient Overseas (International) Limited, Wing Tai Properties Limited, Spring Asset Management Limited (the manager of Spring REIT which was listed on the SEHK on 5 December 2013), China LNG Group Limited and a non-executive director of IRC Limited – all of which are listed in Hong Kong. Mr. Murray is also the independent non-executive chairman of Gulf Keystone Petroleum Ltd., a company quoted on the London Stock Exchange plc. He remains to be a non-executive director of Compagnie Financière Richemont SA, a company listed in Switzerland. 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 Corporation, 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.

* With effect from 18 March 2015, Cheung Kong (Holdings) Limited became a wholly owned subsidiary of CK Hutchison Holdings Limited and its listing status was replaced by CK Hutchison (Stock Code: 0001).

Mr. Wong Kin Chi, aged 63, 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 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.

Mr. Wong Che Keung, Richard, aged 69, 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.

Biographical Details of Directors and Senior Management

Mr. Tong Yee Yung, Joseph, aged 60, 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

Ms. Tse Nga Ying, Daphne, aged 42, 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 61, is the General Manager of the Company in Suriname and a member of the Executive Management Committee of the Company. 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.

Mr. Grant John Fenton, aged 45, is the Director of Project Planning and General Manager for Greenheart in New Zealand and a member of the Executive Management Committee of the Company. Since joining the Company in 2011, Mr. Fenton has focused on the completion of various capital projects in Suriname and the on-going management of the New Zealand business division. He also manages the valuation of existing assets and potential acquisitions. Mr. Fenton has over 15 years of forest industry experience including operational and consulting roles within world-class organisations. He holds a Bachelor of Commerce (forestry) from Lincoln University, Canterbury New Zealand and an Executive master degree in Business Administration.

Corporate Governance Report

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 Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") throughout the Year except for certain minor deviations as explained in this report.

THE BOARD

The Board comprises eight Directors, including one executive Director, namely Mr. Hui Tung Wah, Samuel; four non-executive Directors, namely Mr. Paul Jeremy Brough, 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", and each an "INED"), 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 the Company's performance and shareholders' 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 2013 and 30 June 2014, 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 (2013: nine 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 Daphne Tse, CFO, Mike Janssen, the General Manager of Suriname and Grant Fenton, Director of Project Planning & General Manager (New Zealand). 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	9/9	1/1
Mr. Hui Tung Wah, Samuel	9/9	1/1
Mr. Paul Jeremy Brough	9/9	1/1
Mr. Colin Denis Keogh	6/9	0/1
Mr. Simon Murray	3/9	1/1
Mr. Wong Kin Chi	8/9	1/1
Mr. Wong Che Keung, Richard	9/9	1/1
Mr. Tong Yee Yung, Joseph	9/9	1/1

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.

Corporate Governance Report

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/or Attended Seminars**
Executive Director	
Hui Tung Wah, Samuel	✓
Non-executive Directors	
Paul Jeremy Brough	✓
Wang Tong Sai, Eddie	✓
Colin Denis Keogh	✓
Simon Murray	✓
Independent Non-executive Directors	
Wong Che Keung, Richard	✓
Tong Yee Yung, Joseph	✓
Wong Kin Chi	✓

Corporate Governance Report

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

During the Year, there was a clear division of responsibility between the Chairman of the Board and the Chief Executive Officer to ensure a balance of power and authority. The Chairman of the Board is Mr. Wang Tong Sai, Eddie and the interim Chief Executive Officer has been Mr. Paul Jeremy Brough until his re-designation as a non-executive Director with effect from 2 April 2015. The Chairman provides leadership and is responsible for the effective functioning of the Board in accordance with good corporate governance practice. The interim Chief Executive Officer focused on implementing objectives, policies and strategies approved and delegated by the Board, and was in charge of the Company's day-to-day management and operations. In anticipation of the completion of the sale of the Ultimate Holding Company's 62.82% shareholding in the Company to Newforest, the Board will appoint a new Chief Executive Officer as soon as practicable.

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. Paul Jeremy Brough, 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 the 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 a non-executive Director, Mr. Colin Denis Keogh was unable to attend the annual general meeting of the Company held on 30 June 2014 due to unavoidable business commitments overseas.

Corporate Governance Report

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, 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, one meeting was held by the Nomination Committee to assess the independence of the INEDs; and to make recommendation to the Board in relation to the re-election of retiring Directors at the forthcoming annual general meeting. Attendance of the members is set out below:

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

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 non-executive Director, 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, one meeting was 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; and to review and approve the remuneration packages of all Directors and senior management of the Group. Attendance of the members is set out below:

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

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

The audit committee of the Company ("Audit Committee") currently has four members comprising the three INEDs, namely Mr. Wong Che Keung, Richard (Chairman), Mr. Wong Kin Chi, 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 members of the former or 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, reviewing and monitoring financial reporting and the judgment contained therein; reviewing financial and internal controls, accounting policies and practices with management and external auditors; and reviewing the Company's compliance with the CG Code.

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

Members of Audit Committee	**Number of Meeting(s) Attended**
Mr. Wong Che Keung, Richard *(Chairman)*	2/2
Mr. Wong Kin Chi	2/2
Mr. Tong Yee Yung, Joseph	2/2
Mr. Colin Denis Keogh (appointed on 31 March 2014)	1/1

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.

The Group had net current liabilities of approximately HK$438,280,000 as at 31 December 2014, of which HK$312,000,000 and HK$62,400,000 represented Intermediate Holding Company Loan and a loan from Sino-Capital, which are repayable on 17 May 2015 and 26 March 2015, respectively and Convertible Bonds of HK$166,981,000 held by Noteholder, a company in which a Director has an indirect interest, which will mature on 17 August 2015.

On 31 October 2014, Sino-Capital, EPGL and Newforest entered into sale and purchase agreements regarding the Sales. As at the date of this annual report, completion of the Sales is conditional mainly upon the approval from the New Zealand Overseas Investment Office ("OIO").

The Group incurred a consolidated net loss attributable to the equity holders of the Company of HK$133,303,000 for the Year and, as of that date, the Group's current liabilities exceeded its current assets by HK$438,280,000. 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 consolidated financial statements, as at the date of approval of the consolidated financial statements, the Group has obtained confirmation from Emerald Plantation Holdings Limited ("EPHL" or "Ultimate Holding Company") to extend the repayment dates of both the "Intermediate Holding Company Loan" of HK$312,000,000 and a loan from Sino-Capital of HK$62,400,000 until the Sales are completed. Upon completion of the Sales, the purchaser will assume all the rights and benefits of the debt interests. On this basis, the purchaser confirms its intention to extend the respective repayment dates of the debt interests for at least one year from the date of approval of the consolidated financial statements.

In addition, based on the cash flow projections of the Group which have taken into account the unutilized banking facility of HK$33,914,000, 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 consolidated 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$1,620,000. Non-audit service fees paid and payable to Moore Stephens were HK$45,000. The non-audit services mainly comprised taxation compliance services. The responsibilities of the external auditors with respect to financial reporting are set out in the section "Independent Auditor's 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 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.

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.

Corporate Governance Report

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.

Corporate Governance Report

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.

Report of the Directors

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 52 to 160.

The Directors do not recommend the payment of any dividend for the Year (2013: 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				
	2014	2013	2012	2011	2010
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
					(Restated)
Results					
Revenue	**673,604**	724,583	495,226	326,984	17,031
Loss for the year	**(189,913)**	(60,297)	(144,377)	(105,887)	(86,648)
Attributable to:					
Equity holders of the Company	**(133,303)**	(5,739)	(76,777)	(74,343)	(67,606)
Non-controlling interests	**(56,610)**	(54,558)	(67,600)	(31,544)	(19,042)
	(189,913)	(60,297)	(144,377)	(105,887)	(86,648)

SUMMARY FINANCIAL INFORMATION *(continued)*

	31 December				
	2014	2013	2012	2011	2010
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
					(Restated)
Assets and liabilities and non-controlling interests					
Total assets	**1,987,871**	2,162,539	2,006,240	2,031,201	2,000,832
Total liabilities	**(1,041,911)**	(1,022,345)	(813,343)	(706,444)	(715,814)
Non-controlling interests	**(73,594)**	(130,204)	(184,762)	(252,362)	(256,231)
	872,366	1,009,990	1,008,135	1,072,395	1,028,787

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 share capital during the Year. Details of movements in the Company's share options during the Year are set out in note 32 to the financial statements.

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 has 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 2014, 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 (2013: HK$1,459,232,000).

MAJOR CUSTOMERS AND SUPPLIERS

In the Year, sales to the Group's five largest customers accounted for 54.5% of the total gross revenue before export tax for the Year and sales to the largest customer included therein amounted to 19.7%. Over 99.9% of the Group's sales in the Year came from the Group's own forest concessions in Suriname or plantations in New Zealand. Purchases from the Group's five largest suppliers accounted for 89.5% of the total purchases for the year and purchases from the largest supplier included therein amounted to 48.4%.

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#
Mr. Hui Tung Wah, Samuel*
Mr. Paul Jeremy Brough# (re-designated as non-executive Director on 2 April 2015)
Mr. Colin Denis Keogh#
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

In accordance with bye-law 97(A) of the Company's bye-laws, Messrs. Simon Murray, and Wong Che Keung, Richard 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 18 to 21 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 to Greenheart Resources

On 14 May 2008, Greenheart Resources Holdings Limited ("Greenheart Resources"), a 60.39% indirect subsidiary of the Company, and Silver Mount Group Limited ("Silver Mount"), an indirect wholly-owned subsidiary of the Company, entered into a facility agreement in relation to the provision of a revolving loan facility of up to HK$50 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 date as Silver Mount and Greenheart Resources agreed in writing. Sino-Forest Corporation ("Sino-Forest") became a substantial shareholder of the Company from 2007 until January 2013. Sino-Capital was a wholly-owned subsidiary of Sino-Forest and holds 39.61% of the issued share capital of Greenheart Resources 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 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.

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 date as Silver Mount and Greenheart Resources may agree in writing.

Report of the Directors

CONNECTED TRANSACTIONS *(continued)*

Continuing connecting transactions (continued)

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

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 2014, 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$10,750,000.

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 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. It also constitutes related party transactions as disclosed in note 37 to the financial statements.

CONNECTED TRANSACTIONS *(continued)*

Continuing connecting transactions (continued)

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

On 27 January 2014, the parties to the Master Sale and Purchase Agreement entered into a 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 Sale 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.

For the Year, consideration of US$824,700 (equivalent to HK$6,433,000) was received and receivable for the sale of the Products under the Master Sale and Purchase Agreement.

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, conclusions and confirmations in respect of the continuing connected transaction disclosed above by the Group in accordance with Rule 14A.56 of the Listing Rules. A copy of the auditor's letter has been provided by the Company to the Stock Exchange.

In respect of each related party transaction disclosed in note 37 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 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 37 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 37(a)(i) to the financial statements.

CONNECTED TRANSACTIONS *(continued)*

(ii) Pursuant to three loan agreements between a non-wholly owned subsidiary of the Company, namely Greenheart Resources and the Immediate Holding Company of the Company, namely Sino-Capital, a loan facility of an aggregate principal amount of US$8,000,000, a loan facility of an aggregate principal amount of US$3,500,000 and a loan facility of an aggregate principal amount of US$1,966,960 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 37(a)(ii) to the financial statements.

(iii) The Group has granted to the Ultimate Holding Company and its indirect wholly owned subsidiary (together, the "Licensee") a license to enter into, use and occupy part of the Group's Hong Kong office premises. In connection with the license, the Group shares certain administrative expenses with the Licensee. The Group shall recharge the Licensee the rent of the licensed area of the premises together with administrative expenses attributable to the Licensee monthly. As the recharge is on a cost basis, it is exempt from the reporting, annual review, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules. The transactions contemplated thereunder constitute related party transactions as disclosed in note 37(a)(iv) to the financial statements.

(iv) An indirect wholly owned subsidiary of the Ultimate Holding Company has provided certain human resources and administrative services to the Group and accordingly recharged the Group expenses for such services. As the recharge is on a cost basis, it is exempt from the reporting, annual review, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules. The transactions contemplated thereunder constitute related party transactions as disclosed in note 37(a)(vi) to the financial statements.

Report of the Directors

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

As at 31 December 2014, 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 and underlying shares interested *(Note 2)*	Approximate percentage of the total issued share capital of the Company %
Hui Tung Wah, Samuel	Beneficial owner	3,009,778	0.381
	Family interest *(Note 1)*	75,000	0.009
Simon Murray	Beneficial owner	2,035,889	0.258
Tong Yee Yung, Joseph	Beneficial owner	789,889	0.100
Wong Chi Keung, Richard	Beneficial owner	789,889	0.100
Wong Kin Chi	Beneficial owner	939,889	0.119

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

Note 2: Includes the share options granted by the Company, details of the underlying shares involved are set out in the paragraphs headed "Share Option Scheme"

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 paragraphs 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

The Company has a share option scheme which was adopted by the Company at the special general meeting held on 28 June 2012 whereby the Directors are authorized, at their discretion, to invite employees, executives or officers of the Group, including executive and non-executive directors of any company in the Group, and any suppliers, consultants, advisers, agents, shareholders, customers, partners or business associates of the Group, to take up option to subscribe the ordinary shares of the Company (the "Shares") as incentives and rewards for their contribution to the Group. Upon acceptance of the option, the grantee shall pay HK$1 to the Company by way of consideration for the grant. The share option scheme shall be valid and effective for a period of ten years ending on 28 June 2022, after which no further options will be granted.

The grant of option will be open for acceptance within 30 business days from the date of the letter of grant, upon payment of a sum of HK$1 as consideration for the grant of option. The exercise price of options is determined by the Board 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 daily quotation sheet of the Stock Exchange 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 sheet for the five business days immediately preceding the date of grant and (c) the nominal value of a share.

The total number of the shares of the Company available for issue under the share option scheme as at 31 December 2014 was 96,477,055 shares (including options for 17,488,145 shares that have been granted but not yet lapsed or exercised) which represented 12.21% of the issued share capital of the Company as at 31 December 2014. The maximum number of shares issuable under share options to each eligible participant in the share option scheme within any 12-month period is limited to 1% of the shares of the Company in issue at any time. Any further grant of share options in excess of this limit is subject to shareholders' approval in a general meeting.

Share options granted to a Director, chief executive or substantial shareholder of the Company, or to any of their associates, are subject to approval in advance by INEDs. In addition, any share options granted to a substantial shareholder or an INED, or to any of their associates, in excess of 0.1% of the shares of the Company in issue at any time or with an aggregate value (based on the price of the Company's shares at the date of grant) in excess of HK$5 million, within any 12-month period, are subject to shareholders' approval in advance in a general meeting.

Report of the Directors

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 2014	Granted during the Year	Exercised during the Year	Cancelled during the Year	Lapsed during the Year	As at 31 December 2014	Exercise period of share options (Note)	Exercise price of share option HK$	Date of grant of share options	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 immediately before the exercise date HK$
Directors, chief executive and a substantial shareholder and their associates											
Hui Tung Wah, Samuel	–	1,579,778	–	–	–	1,579,778	5 May 2014 to 4 May 2019	0.51	5 May 2014	0.51	–
Simon Murray	–	789,889	–	–	–	789,889	5 May 2014 to 4 May 2019	0.51	5 May 2014	0.51	–
Wong Kin Chi	–	789,889	–	–	–	789,889	5 May 2014 to 4 May 2019	0.51	5 May 2014	0.51	–
Wong Che Keung, Richard	–	789,889	–	–	–	789,889	5 May 2014 to 4 May 2019	0.51	5 May 2014	0.51	–
Tong Yee Yung, Joseph	–	789,889	–	–	–	789,889	5 May 2014 to 4 May 2019	0.51	5 May 2014	0.51	–
Employees (other than Directors) In aggregate	–	12,954,183	–	–	205,372	12,748,811	5 May 2014 to 4 May 2019	0.51	5 May 2014	0.51	–
	–	17,693,517	–	–	205,372	17,488,145					

Note: The share options granted will be vested to each grantee in four 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.

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 2014, 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 %
EPHL	Interest of controlled corporation *(Note 1)*	496,189,028	–	62.82
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, and EPGL is a wholly-owned subsidiary of EPHL. As such, EPHL and EPGL are 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 the 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. As such, 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.

Report of the Directors

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 2014 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 pages 22 to 34.

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$208,000. (2013: HK$1,541,000).

EVENTS AFTER THE REPORTING PERIOD

Details of the significant events after the reporting period of the Group are set out in note 40 to the financial statements.

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.

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 the commitment, dedication and professionalism of its staff. 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, 9 April 2015

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 52 to 160, which comprise the consolidated and company statements of financial position as at 31 December 2014, 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 2014, 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 consolidated financial statements which indicates that the Group incurred a consolidated net loss attributable to the equity holders of the Company of HK$133,303,000 for the year ended 31 December 2014 and, as of that date, the Group's current liabilities exceeded its current assets by HK$438,280,000. 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 consolidated financial statements, as at the date of approval of the consolidated financial statements, the Group has obtained consent from the ultimate holding company to extend the repayment dates of both the "Intermediate Holding Company Loan" of HK$312,000,000 and a loan from Sino-Capital of HK$62,400,000 until the sales of the immediate holding company's entire shareholding and debt interests (including both the Intermediate Holding Company Loan and the Immediate Holding Company Loans) in the Company and the Group are completed. Upon completion of the sales, the purchaser will assume all the rights and benefits of the debt interests. On this basis, the purchaser confirms its intention to extend the respective repayment dates of the debt interests for at least one year from the date of approval of the consolidated financial statements. The consolidated financial statements have been prepared on a going concern basis, the validity of which is dependent on the Group extending the repayment dates of the debt interests. 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, 20 March 2015

Consolidated Statement of Comprehensive Income

Year ended 31 December 2014

	Notes	2014 HK$'000	2013 HK$'000 (Restated)
REVENUE	6	**673,604**	724,583
Cost of sales		**(528,571)**	(480,164)
Gross profit		**145,033**	244,419
Other income and gains	6	**4,087**	8,547
Fair value gain on plantation forest assets		**32,433**	108,847
Selling and distribution costs		**(214,689)**	(224,155)
Administrative expenses		**(65,946)**	(89,135)
Provisions for impairment		**(35,947)**	(11,228)
Other operating expenses, net		**(2,461)**	(816)
Non-cash share option expenses		**(2,287)**	(3,060)
Finance costs	7	**(43,435)**	(47,344)
LOSS BEFORE TAX	8	**(183,212)**	(13,925)
Tax	11	**(6,701)**	(46,372)
LOSS FOR THE YEAR		**(189,913)**	(60,297)
OTHER COMPREHENSIVE (LOSS)/INCOME			
Item that may be reclassified subsequently to profit or loss			
Exchange differences on translation of foreign operations		**(6,547)**	(1,254)
Item that will not be reclassified subsequently to profit or loss			
Revaluation (loss)/gain on forestry land		**(61)**	695
OTHER COMPREHENSIVE LOSS FOR THE YEAR, NET OF TAX of NIL		**(6,608)**	(559)
TOTAL COMPREHENSIVE LOSS FOR THE YEAR		**(196,521)**	(60,856)

Consolidated Statement of Comprehensive Income

Year ended 31 December 2014

	Notes	2014 HK$'000	2013 HK$'000 (Restated)
LOSS FOR THE YEAR ATTRIBUTABLE TO:			
Equity holders of the Company	12	**(133,303)**	(5,739)
Non-controlling interests		**(56,610)**	(54,558)
		(189,913)	(60,297)
TOTAL COMPREHENSIVE LOSS FOR THE YEAR ATTRIBUTABLE TO:			
Equity holders of the Company		**(139,911)**	(6,298)
Non-controlling interests		**(56,610)**	(54,558)
		(196,521)	(60,856)
LOSS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY			
Basic and diluted	13	**HK$(0.169)**	HK$(0.007)

Consolidated Statement of Financial Position

31 December 2014

	Notes	2014 HK$'000	2013 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment	14	**471,877**	458,294
Prepaid land lease payments	15	**30,548**	14,684
Goodwill	16	**7,624**	7,624
Timber concessions and cutting rights	17	**758,707**	710,817
Other intangible assets	18	**2,382**	6,970
Plantation forest assets	19	**466,231**	521,764
Prepayments, deposits and other receivables	23	**9,947**	6,218
Total non-current assets		**1,747,316**	1,726,371
CURRENT ASSETS			
Inventories	21	**46,441**	58,966
Trade receivables	22	**35,991**	64,242
Prepayments, deposits and other receivables	23	**38,629**	108,367
Due from affiliated companies	37(b)(ii)	**7,370**	–
Tax recoverable		**4,068**	579
Cash and cash equivalents	24	**108,056**	204,014
Total current assets		**240,555**	436,168
CURRENT LIABILITIES			
Trade payables	25	**32,603**	46,451
Other payables and accruals	26	**30,164**	20,337
Finance lease payables	27	**10,117**	10,600
Loan from an intermediate holding company	37(a)(i)	**312,000**	312,000
Due to affiliated companies	37(b)(ii)	**4,757**	145
Loan from the immediate holding company	37(a)(ii)	**62,400**	–
Deposit received from a fellow subsidiary	37(b)(i)	**22,565**	22,565
Convertible bonds	28	**166,981**	155,919
Tax payable		**37,248**	25,360
Total current liabilities		**678,835**	593,377
NET CURRENT LIABILITIES		**(438,280)**	(157,209)
TOTAL ASSETS LESS CURRENT LIABILITIES		**1,309,036**	1,569,162

Consolidated Statement of Financial Position

31 December 2014

	Notes	2014 HK$'000	2013 HK$'000
NON-CURRENT LIABILITIES			
Loans from the immediate holding company	37(a)(ii)	**42,642**	89,700
Interest-bearing bank borrowings	29	**195,000**	195,000
Finance lease payables	27	**8,699**	19,717
Deferred tax liabilities	30	**116,735**	124,551
Total non-current liabilities		**363,076**	428,968
Net assets		**945,960**	1,140,194
EQUITY			
Equity attributable to equity holders of the Company			
Issued capital	31	**7,899**	7,899
Reserves	33(a)	**864,467**	1,002,091
		872,366	1,009,990
Non-controlling interests		**73,594**	130,204
Total equity		**945,960**	1,140,194

Director	*Director*
Hui Tung Wah, Samuel	**Paul Jeremy Brough**

Consolidated Statements of Changes in Equity

Year ended 31 December 2014

		Attributable to equity holders of the Company												
	Notes	Issued capital HK$'000	Share premium account HK$'000	Contributed surplus HK$'000 (note 33 (a)(iv))	Share option reserve HK$'000 (note 33 (a) (ii))	Convertible bond equity reserve HK$'000	Capital reserve HK$'000	Land revaluation reserve HK$'000 (note 33(a) (iii))	Merger reserve HK$'000	Exchange fluctuation reserve HK$'000	Accumulated losses HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
At 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 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 and 1 January 2014		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
Loss for the year		–	–	–	–	–	–	–	–	–	(133,303)	(133,303)	(56,610)	(189,913)
Other comprehensive income for the year:														
Exchange differences on translation of foreign operations		–	–	–	–	–	–	–	–	(6,547)	–	(6,547)	–	(6,547)
Fair value gain on forestry land		–	–	–	–	–	–	(61)	–	–	–	(61)	–	(61)
Total comprehensive income/(loss) for the year		–	–	–	–	–	–	(61)	–	(6,547)	(133,303)	(139,911)	(56,610)	(196,521)
Equity-settled share option arrangements	32(a)	–	–	–	2,287	–	–	–	–	–	–	2,287	–	2,287
At 31 December 2014		7,899	1,459,232*	83,274*	2,287*	4,983*	846*	12,298*	265*	15,299*	(714,017)*	872,366	73,594	945,960

* These reserve accounts comprise the consolidated reserves of HK$864,467,000 (2013: HK$1,002,091,000) in the consolidated statement of financial position.

Consolidated Statement of Cash Flows

Year ended 31 December 2014

	Notes	2014 HK$'000	2013 HK$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss before tax		**(183,212)**	(13,925)
Adjustments for:			
Finance costs	7	**43,435**	47,344
Bank interest income	6	**(49)**	(255)
Government grant of carbon credits	6	**–**	(3,164)
Loss on disposal of property, plant and equipment	8	**5,331**	506
Gain on disposal of carbon credit	8	**(2,705)**	–
Fair value gain on derivative financial instruments	8	**(500)**	–
Depreciation	5	**30,368**	27,240
Amortization of:			
Depletion cost	5	**98,266**	99,360
Harvest roading	5	**21,215**	15,433
Prepaid land lease payments	5	**1,874**	444
Other intangible assets	5	**277**	276
Timber concessions and cutting rights	5	**9,827**	6,629
Write-down of inventories to net realizable value	5	**6,609**	2,125
(Reversal of impairment)/Impairment of:			
Other intangible assets	5	**–**	(652)
Trade receivables	5	**500**	74
Property, plant and equipment	5	**5,117**	–
Timber concessions and cutting rights	5	**–**	11,695
Goodwill	5	**27,854**	–
Prepayments, deposits and other receivables	5	**2,476**	2,375
Equity-settled share option expense	5	**2,287**	3,060
Fair value gain on plantation forest assets	5	**(32,433)**	(108,847)
		36,537	89,718
Decrease/(increase) in inventories		**8,679**	(14,152)
Decrease/(increase) in trade receivables		**27,750**	(29,053)
Increase in prepayments, deposits and other receivables		**(15,019)**	(28,950)
(Decrease)/increase in trade payables		**(13,848)**	14,541
Increase/(decrease) in other payables and accruals		**9,382**	(5,416)
Increase in amounts due from affiliated companies		**(7,370)**	–
(Decrease)/increase in amounts due to affiliated companies		**(1)**	15
Cash generated from operations		**46,110**	26,703
Interest received		**49**	255
Overseas taxes paid		**(6,191)**	(1,050)
Interest paid		**(25,638)**	(29,446)
Net cash flows from/(used in) operating activities		**14,330**	(3,538)

Consolidated Statement of Cash Flows

Year ended 31 December 2014

	Notes	2014 HK$'000	2013 HK$'000
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of items of property, plant and equipment		**(52,516)**	(69,815)
Increase in prepayment for the purchase of of items of property, plant and equipment		**(3,824)**	(1,632)
Proceeds from disposal of property, plant and equipment		**9,349**	963
Proceeds from disposal of carbon credit		**6,683**	–
Additions of plantation forest assets	19	**(10,338)**	(9,702)
Acquisition of subsidiary	34	**(60,772)**	–
Addition to other intangible assets	18	**–**	(230)
Increase in other receivables		**–**	(169)
Net cash flows used in investing activities		**(111,418)**	(80,585)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of shares	31(a)	**–**	5,093
Capital element of finance lease rental payments		**(11,397)**	(6,826)
Interest paid on finance lease		**(2,228)**	(2,223)
New bank loan	29	**–**	195,000
Loan from the immediate holding company	37(a)(ii)	**15,342**	27,300
Partial repayment of Convertible Bonds	28	**–**	(74,426)
Net cash flows from financing activities		**1,717**	143,918
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		**(95,371)**	59,795
Cash and cash equivalents at beginning of year		**204,014**	144,285
Effect of foreign exchange rate change, net		**(587)**	(66)
CASH AND CASH EQUIVALENTS AT END OF YEAR	24	**108,056**	204,014
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances		**108,056**	166,401
Non-pledged time deposits with original maturity of less than three months when acquired		**–**	37,613
Cash and cash equivalents as stated in the consolidated statement of cash flows		**108,056**	204,014

During the Year, the Group did not enter into finance lease arrangements in respect of property, plant and equipment with a total capital value at the inception of the leases (2013: HK$9,304,000) (note 27).

Statement of Financial Position

31 December 2014

	Notes	2014 HK$'000	2013 HK$'000
NON-CURRENT ASSETS			
Investments in subsidiaries	20	**950,675**	1,040,139
Prepayments, deposits and other receivables	23	**967**	1,209
Total current liabilities		**951,642**	1,041,348
CURRENT ASSETS			
Prepayments, deposits and other receivables	23	**580**	642
Due from a subsidiary	20	**19,468**	–
Cash and cash equivalents	24	**859**	98,158
Total current assets		**20,907**	98,800
CURRENT LIABILITIES			
Accruals	26	**1,410**	2,176
Convertible bonds	28	**166,981**	155,919
Total current liabilities		**168,391**	158,095
NET CURRENT LIABILITIES		**(147,484)**	(59,295)
TOTAL ASSETS LESS CURRENT LIABILITIES		**804,158**	982,053
Net assets		**804,158**	982,053
EQUITY			
Issued capital	31	**7,899**	7,899
Reserves	33(b)	**796,259**	974,154
Total equity		**804,158**	982,053

Director
Hui Tung Wah, Samuel

Director
Paul Jeremy Brough

Notes to Financial Statements

31 December 2014

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.

As at 31 December 2014, the immediate holding company of the Company was Sino-Capital, which is incorporated in the British Virgin Islands ("BVI") which held 496,189,028 shares, representing approximately 62.82% of the issued share capital of the Company. The ultimate holding company of the Company was EPHL, a company incorporated in the Cayman Islands with limited liability.

2. BASIS OF PRESENTATION

The Group had net current liabilities of approximately HK$438,280,000 as at 31 December 2014, of which HK$312,000,000 and HK$62,400,000 represented loans from EPGL and Sino-Capital, which are repayable on 17 May 2015 and 26 March 2015, respectively and Convertible Bonds of HK$166,981,000 held by Greater Sino Holdings Limited, a company in which a director of the Company has an indirect interest, which mature on 17 August 2015.

On 31 October 2014, Sino-Capital, EPGL and Newforest entered into sale and purchase agreements regarding the Sales. As at the date of this annual report, completion of the Sales is conditional mainly upon the approval from the OIO.

Upon completion of the Sales, Newforest will assume all the rights and benefits of both of the Intermediate Holding Company Loan and the Immediate Holding Company Loans and on this basis, Newforest confirms its intention to extend the repayment dates of both Intermediate Holding Company Loan and Immediate Holding Company Loans to at least one year from the date of the approval of these consolidated financial statements.

2. BASIS OF PRESENTATION *(continued)*

In addition, the Group has also obtained confirmation from the Ultimate Holding Company, the parent company of EPGL, that it intends to extend the repayment dates of both Intermediate Holding Company Loan and a loan from Sino-Capital of HK$62,400,000 on to a later date until the Sales are completed.

On the basis above, 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) on 28 January 2015 and 11 March 2015, supplemental agreements relating to the loan agreement dated 19 June 2014 were signed with Sino-Capital, pursuant to which Sino-Capital agreed to provide additional loans of US$515,000 and US$518,000, respectively, to Greenheart Resources Holdings Limited, a non-wholly owned subsidiary of the Company which is owned as to 60.39% by the Group and as to 39.61% by Sino-Capital, to finance the Group's capital investments in west Suriname. The additional loans are repayable on 19 June 2017;

(ii) as at 31 December 2014, the Group had an unutilized banking facility of US$4,348,000 (equivalent to HK$33,914,000) from the Bank of New Zealand. The Group determined this figure after taking into account the debt coverage ratio as set out in the financial covenants under the facility;

(iii) the bio-energy plant in west Suriname commenced operations in the third quarter of 2014 and according to its specifications, it will reduce the reliance of the sawmill on diesel powered generators by up to 80%. The Group has been working to improve operational efficiency by, inter alia, upgrading the capacity of the sawmill in west Suriname including plant layout and streamlining material flows, optimization of the product and species mix, and subcontracting out certain services. The final stage of the sawmill enhancement programme in west Suriname ("Enhancement Program") is expected to be completed by mid-2015. By then, the annual log input volume is expected to increase from 60,000 m^3 to 100,000 m^3 (on a double shift basis). After completion of the Enhancement Program, the Group's capital investment needs in Suriname will be largely reduced and the efficiency and output of the west Suriname sawmill should improve;

2. BASIS OF PRESENTATION *(continued)*

(iv) 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;

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

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

Accordingly, the 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 at 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 any possible such adjustments have not been reflected in these consolidated financial statements.

3.1 BASIS OF PREPARATION

These consolidated 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 Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for plantation forest assets, forestry land and derivative financial instruments. Plantation forest assets are measured at fair value less cost to sell and forestry land and derivative financial instruments are measured in fair value. These consolidated 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 2014. 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 derecognizes (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 recognizes (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 recognized 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 in preparing for this Year's financial statements:

Amendments to HKFRS 10, HKFRS 12 and HKAS 27 (2011)	*Investment Entities*
Amendments to HKAS 32	*Offsetting Financial Assets and Financial Liabilities*
Amendments to HKAS 36	*Recoverable Amount Disclosures for Non-Financial Assets*
Amendments to HKAS 39	*Novation of Derivatives and Continuation of Hedge Accounting*
HK(IFRIC)-Int 21	*Levies*
Amendment to HKFRS 13 included in *Annual Improvements 2010-2012 Cycle*	*Short-term Receivables and Payables*
Amendment to HKFRS 1 included in *Annual Improvements 2011-2013 Cycle*	*Meaning of Effective HKFRSs*

Other than as further explained below regarding the impact of amendments in HKAS 36, the adoption of the new and revised HKFRSs has had no significant financial effect on these consolidated financial statements.

The amendments to HKAS 36 modify the disclosure requirements for impaired non-financial assets. Among them, the amendments expand the disclosures required for an impaired asset or cash-generating unit whose recoverable amount is based on fair value less costs of disposal. The required disclosures are included in these consolidated financial statements.

3.3 NEW AND REVISED HKFRSs AND NEW DISCLOSURE REQUIREMENTS UNDER THE HONG KONG COMPANIES ORDINANCE NOT YET ADOPTED

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]
Amendments to HKFRS 10 and HKAS 28 (2011)	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[2]
Amendments to HKFRS 10, HKFRS 12 and HKAS 28 (2011)	*Investment Entities: Applying the Consolidation Exception*[2]
Amendments to HKFRS 11	*Accounting for Acquisitions of Interests in Joint Operations*[2]
HKFRS 14	*Regulatory Deferral Accounts*[5]
HKFRS 15	*Revenue from Contracts with Customers*[3]
Amendments to HKAS 1	*Disclosure Initiatives*[2]
Amendments to HKAS 16 and HKAS 38	*Clarification of Acceptable Methods of Depreciation and Amortization*[2]
Amendments to HKAS 16 and HKAS 41	*Agriculture: Bearer Plants*[2]
Amendments to HKAS 19	*Defined Benefit Plans: Employee Contributions*[1]
Amendments to HKAS 27 (2011)	*Equity Method in Separate Financial Statements*[2]
Annual Improvements 2010-2012 Cycle	Amendments to a number of HKFRSs[1]
Annual Improvements 2011-2013 Cycle	Amendments to a number of HKFRSs[1]
Annual Improvements 2012-2014 Cycle	Amendments to a number of HKFRSs[2]

1 Effective for annual periods beginning on or after 1 July 2014
2 Effective for annual periods beginning on or after 1 January 2016
3 Effective for annual periods beginning on or after 1 January 2017
4 Effective for annual periods beginning on or after 1 January 2018
5 Effective for an entity that first adopts HKFRSs for its annual financial statements beginning on or after 1 January 2016 and therefore is not applicable to the Group

In addition, the Hong Kong Companies Ordinance (Cap. 622) will affect the presentation and disclosure of certain information in the consolidated financial statements for the year ending 31 December 2015. The Group is in the process of making an assessment of the impact of these changes.

3.3 NEW AND REVISED HKFRSs AND NEW DISCLOSURE REQUIREMENTS UNDER THE HONG KONG COMPANIES ORDINANCE NOT YET ADOPTED *(continued)*

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

(a) In September 2014, the HKICPA issued the final version of HKFRS 9, bringing together all phases of the financial instruments project to replace HKAS 39 and all previous versions of HKFRS 9. The standard introduces new requirements for classification and measurement, impairment and hedge accounting. The Group expects to adopt HKFRS 9 from 1 January 2018. The Group expects that the adoption of HKFRS 9 will have an impact on the classification and measurement of the Group's financial assets. Further information about the impact will be available nearer the implementation date of the standard.

(b) The amendments to HKFRS 10 and HKAS 28 (2011) address an inconsistency between the requirements in HKFRS 10 and in HKAS 28 (2011) in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The amendments require a full recognition of a gain or loss when the sale or contribution of assets between an investor and its associate or joint venture constitutes a business. For a transaction involving assets that do not constitute a business, a gain or loss resulting from the transaction is recognized in the investor's profit or loss only to the extent of the unrelated investor's interest in that associate or joint venture. The amendments are to be applied prospectively. The Group expects to adopt the amendments from 1 January 2016.

(c) The amendments to HKFRS 11 require that an acquirer of an interest in a joint operation in which the activity of the joint operation constitutes a business must apply the relevant principles for business combinations in HKFRS 3. The amendments also clarify that a previously held interest in a joint operation is not remeasured on the acquisition of an additional interest in the same joint operation while joint control is retained. In addition, a scope exclusion has been added to HKFRS 11 to specify that the amendments do not apply when the parties sharing joint control, including the reporting entity, are under common control of the same ultimate controlling party. The amendments apply to both the acquisition of the initial interest in a joint operation and the acquisition of any additional interests in the same joint operation. The amendments are not expected to have any impact on the financial position or performance of the Group upon adoption on 1 January 2016.

3.3 NEW AND REVISED HKFRSs AND NEW DISCLOSURE REQUIREMENTS UNDER THE HONG KONG COMPANIES ORDINANCE NOT YET ADOPTED *(continued)*

(d) HKFRS 15 establishes a new five-step model that will apply to revenue arising from contracts with customers. Under HKFRS 15, revenue is recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in HKFRS 15 provide a more structured approach for measuring and recognising revenue. The standard also introduces extensive qualitative and quantitative disclosure requirements, including disaggregation of total revenue, information about performance obligations, changes in contract asset and liability account balances between periods and key judgements and estimates. The standard will supersede all current revenue recognition requirements under HKFRSs. The Group expects to adopt HKFRS 15 on 1 January 2017 and is currently assessing the impact of HKFRS 15 upon adoption.

(e) Amendments to HKAS 16 and HKAS 38 clarify the principle in HKAS 16 and HKAS 38 that revenue reflects a pattern of economic benefits that are generated from operating business (of which the asset is part) rather than the economic benefits that are consumed through the use of the asset. As a result, a revenue-based method cannot be used to depreciate property, plant and equipment and may only be used in very limited circumstances to amortize intangible assets. The amendments are to be applied prospectively. The amendments are not expected to have any impact on the financial position or performance of the Group upon adoption on 1 January 2016 as the Group has not used a revenue-based method for the calculation of depreciation of its non-current assets.

(f) Amendments to HKAS 16 and HKAS 41 define a bearer plant and require biological assets that meet the definition of a bearer plant to be accounted for as property, plant and equipment in accordance with HKAS 16, instead of HKAS 41. The produce growing on bearer plants continues to be accounted for in accordance with HKAS 41. The amendments are not expected to have any impact on the financial position or performance of the Group upon adoption on 1 January 2016 as the plantation forest assets does not classify as bearer plants according to HKAS 41.

3.3 NEW AND REVISED HKFRSs AND NEW DISCLOSURE REQUIREMENTS UNDER THE HONG KONG COMPANIES ORDINANCE NOT YET ADOPTED *(continued)*

(g) The *Annual Improvements to HKFRSs 2010-2012 Cycle* issued in January 2014 sets out amendments to a number of HKFRSs. The Group expects to adopt the amendments from 1 January 2015. None of the amendments are expected to have a significant financial impact on the Group. Details of the amendment most applicable to the Group are as follows:

HKFRS 8 *Operating Segments*: Clarifies that an entity must disclose the judgements made by management in applying the aggregation criteria in HKFRS 8, including a brief description of operating segments that have been aggregated and the economic characteristics used to assess whether the segments are similar. The amendments also clarify that a reconciliation of segment assets to total assets is only required to be disclosed if the reconciliation is reported to the chief operating decision maker.

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.

3.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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.

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 of 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.

3.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Business combinations and goodwill (continued)

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.

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 operation disposed of and the portion of the cash-generating unit retained.

Fair value measurement

The Group measures its plantation forest assets at fair value less cost to sell and forestry land and derivative financial instruments at fair value, 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.

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.

3.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Impairment of non-financial assets (continued)

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.

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

3.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Related parties (continued)

(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).

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.

3.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Plantation forest assets (continued)

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.

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.

3.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Property, plant and equipment and depreciation (continued)

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.

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.

3.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Property, plant and equipment and depreciation (continued)

Other property, plant and equipment (continued)

Construction in progress represents a building under construction and forestry heavy equipment 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.

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.

3.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Other intangible assets (other than goodwill) (continued)

Carbon credits

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

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 are classified, at initial recognition, as financial assets at fair value through profit or loss and loans and receivables, as appropriate. When financial assets are recognized initially, they are measured at fair value plus transaction costs that are attributable to the acquisition of the financial assets, 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

The subsequent measurement of financial assets depends on their classification as follows:

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading. Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with positive net changes in fair value presented as other income and gains and negative net changes in fair value presented as finance costs in the statement of profit or loss.

3.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Investments and other financial assets (continued)

Loans and receivables

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.

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.

3.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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.

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.

3.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Impairment of financial assets (continued)

Financial assets carried at amortized cost (continued)

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.

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, as appropriate.
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 payables, other payables, loan from an intermediate holding company, loans from the immediate holding company, due to affiliated companies, interest-bearing bank borrowings, financial lease payable and liability component of Convertible Bonds.

Subsequent measurement

After initial recognition, 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 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.

Derivative financial instruments and hedge accounting

Initial recognition and subsequent measurement

The Group uses derivative financial instruments, such as forward currency contracts to hedge its foreign currency risk. Such derivative financial instruments are initially recognized at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

Any gains or losses arising from changes in fair value of derivatives are taken directly to the statement of profit or loss, except for the effective portion of cash flow hedges, which is recognized in other comprehensive income and later reclassified to profit or loss when the hedged item affects profit or loss.

Current versus non-current classification

Derivative instruments that are not designated as effective hedging instruments are classified as current or non-current or separated into current and non-current portions based on an assessment of the facts and circumstances (i.e., the underlying contracted cash flows).

Where the Group expects to hold a derivative as an economic hedge (and does not apply hedge accounting) for a period beyond 12 months after the end of the reporting period, the derivative is classified as non-current (or separated into current and non-current portions) consistently with the classification of the underlying item.

3.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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.

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.

3.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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.

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.

3.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Income tax (continued)

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.

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.

3.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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

Share-based payments

The Company operates 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 the consolidated 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.

3.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Share-based payments (continued)

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.

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.

3.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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.

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 and the functional currency of the Company is United States 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.

3.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Foreign currencies (continued)

The functional currencies of the Company and certain overseas subsidiaries are currencies other than the Hong Kong dollars. 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.

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 JUDGEMENTS AND ESTIMATES

The preparation of the Group's financial statements requires management to make judgements, 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 judgements, 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 2014 were HK$103,713,000 and HK$466,231,000 (2013: HK$109,324,000 and HK$521,764,000), respectively. Further details of which are set out in notes 14 and 19 to the financial statements.

4. SIGNIFICANT ACCOUNTING JUDGEMENTS 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	(52,424)
If the production cost decreases	(5)	52,424

Change in transport cost	Increase/(decrease) in transport cost %	(Increase)/decrease in loss before tax HK$'000
If the transport cost increases	5	(18,160)
If the transport cost decreases	(5)	18,160

Change in log price	Increase/(decrease) in log price %	(Increase)/decrease in loss before tax HK$'000
If the log price increases	5	74,135
If the log price decreases	(5)	(74,135)

Change in discount rate	Increase/(decrease) in discount rate %	(Increase)/decrease in loss before tax HK$'000
If the discount rate increases	1	(14,322)
If the discount decreases	(1)	15,606

4. SIGNIFICANT ACCOUNTING JUDGEMENTS 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 JUDGEMENTS 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 2014 was HK$7,624,000 (2013: 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. Although management believes that the judgements 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. Further details are given in note 30 to the financial statements.

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

New Zealand: Softwood plantation management, log harvesting, marketing and sale of logs

Elsewhere: 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 EBITDA. EBITDA is further adjusted to exclude fair value gains or losses on plantation forest assets, government grants, interest income, write-down of inventories, impairment losses/reversal and non-cash share option expenses ("Adjusted EBITDA"), , which is also a measure evaluated by management.

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 2014

	Suriname^ HK$'000	New Zealand^ HK$'000	Elsewhere^ HK$'000	Unallocated HK$'000	Total HK$'000
SEGMENT REVENUE	**81,437**	**591,718**	**449**	**-**	**673,604**
SEGMENT RESULTS (“Adjusted EBITDA”)	**(87,006)**	**149,960**	**18**	**(28,819)**	**34,153**
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	**–**	**32,433**	**–**	**–**	**32,433**
Interest income	**277**	**13**	**–**	**17**	**307**
Impairment of goodwill***	**(27,854)**	**–**	**–**	**–**	**(27,854)**
Impairment of property, plant and equipment***	**(5,117)**	**–**	**–**	**–**	**(5,117)**
Impairment of trade receivables***	**(500)**	**–**	**–**	**–**	**(500)**
Impairment of prepayments, deposits and other receivables***	**(2,476)**	**–**	**–**	**–**	**(2,476)**
Write-down of inventories, net*	**(6,609)**	**–**	**–**	**–**	**(6,609)**
Non-cash share options expenses	**–**	**–**	**–**	**(2,287)**	**(2,287)**

5. OPERATING SEGMENT INFORMATION *(continued)*

Year ended 31 December 2014 (continued)

	Suriname^ HK$'000	New Zealand^ HK$'000	Elsewhere^ HK$'000	Unallocated HK$'000	Total HK$'000
SEGMENT RESULTS ("EBITDA")	(129,285)	182,406	18	(31,089)	22,050
Finance costs	(6,721)	(19,022)	–	(17,692)	(43,435)
Forest depletion cost as a result of harvesting*	–	(98,266)	–	–	(98,266)
Depreciation	(26,386)	(2,519)	–	(1,463)	(30,368)
Amortization of harvest roading*	–	(21,215)	–	–	(21,215)
Amortization of timber concessions and cutting rights*	(9,827)	–	–	–	(9,827)
Amortization of prepaid land lease payments**	(1,874)	–	–	–	(1,874)
Amortization of other intangible assets*	(277)	–	–	–	(277)
LOSS BEFORE TAX					(183,212)
SEGMENT ASSETS	1,150,480	825,295	–	12,096	1,987,871
SEGMENT LIABILITIES	254,253	618,562	–	169,096	1,041,911
Other segment information					
Capital expenditures#	(31,730)	(49,168)	–	(42)	(80,940)

^ 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 and excluding assets from the acquisition of subsidiary.

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

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

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

5. OPERATING SEGMENT INFORMATION *(continued)*

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 sales" in the consolidated statement of comprehensive income.

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

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

**** HK$2,264,000 and HK$111,000 are included in "Cost of sales" and "Provision for impairment" in the consolidated statement of comprehensive income, respectively.

5. OPERATING SEGMENT INFORMATION *(continued)*

Geographical Information

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

	2014	2013
	HK$'000	HK$'000
Mainland China	**516,873**	567,711
India	**55,519**	81,532
New Zealand	**37,894**	35,246
Belgium	**32,804**	13,527
Suriname	**22,591**	15,084
Hong Kong	**3,841**	3,282
United States	**1,570**	–
Denmark	**1,413**	166
Germany	**792**	–
Taiwan	**185**	–
Thailand	**122**	–
The Netherlands	**–**	7,158
United Kingdom	**–**	630
Singapore	**–**	247
	673,604	724,583

(b) Non-current assets below is based on the locations of the assets:

	2014	2013
	HK$'000	HK$'000
Suriname	**1,084,393**	1,015,014
New Zealand	**657,091**	703,862
Hong Kong	**5,832**	7,495
	1,747,316	1,726,371

5. OPERATING SEGMENT INFORMATION *(continued)*

Information on major customers

During the Year, the Group had transactions with two (2013: three) customers of the New Zealand division 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:

	2014 HK$'000	2013 HK$'000
Customer 1	**133,138**	126,905
Customer 2	**70,655**	N/A*
Customer 3	**N/A***	106,947
Customer 4	**N/A***	73,576
	203,793	307,428

* 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:

	2014 HK$'000	2013 HK$'000
Revenue		
Sales of logs and timber products	**673,064**	724,583
Other income and gains		
Bank interest income	**49**	255
Other interest income	**258**	2,188
Rental income for lease of plant and machinery	**2,915**	2,120
Government grants of carbon credits	**–**	3,164
Others	**865**	820
	4,087	8,547

7. FINANCE COSTS

An analysis of finance costs is as follows:

	Notes	2014 HK$'000	2013 HK$'000
Interest on Convertible Bonds	28	**17,691**	17,253
Interest on a loan from the Intermediate Holding Company	37(a)(i)	**11,821**	11,949
Interest on loans from the Immediate Holding Company	37(a)(ii)	**4,742**	3,553
Interest on finance leases		**1,979**	2,353
Interest on interest-bearing bank borrowings		**7,202**	7,141
Loss on partial early redemption of Convertible Bonds	28	**–**	5,095
		43,435	47,344

8. LOSS BEFORE TAX

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

	Notes	2014 HK$'000	2013 HK$'000
Cost of inventories sold*		**313,009**	283,123
Amortization of timber concessions and cutting rights	17	**5,696**	15,616
Amount released from/(capitalized in) inventories		**4,131**	(8,987)
Current year expenditure*	5	**9,827**	6,629
Forest harvested as agricultural produce	19	**98,304**	97,523
Amount (capitalized in)/released from inventories		**(38)**	1,837
Forest depletion cost as a result of harvesting*	5	**98,266**	99,360
Depreciation	14	**30,368**	27,240
Amortization of			
harvesting roading*	5	**21,215**	15,433
prepaid land lease payments**	15	**1,874**	444
other intangible assets*	18	**277**	276
Impairment/(reversal of impairment) of			
property, plant and equipment***	14	**5,117**	–
goodwill***	16	**27,854**	–
timber concession and cutting rights***	17	**–**	11,695
trade receivables***	22	**500**	74
prepayments, deposits and other receivables****	23(b)	**2,476**	2,375
other intangible assets***	18	**–**	(652)
Write-down of inventories, net*		**6,609**	2,125
Gain on disposal of carbon credits		**(2,705)**	–
Loss on disposal of items of property, plant and equipment		**5,331**	506
Fair value gain on derivative financial instruments		**(500)**	–
Minimum lease payments under operating leases for land and buildings		**11,057**	7,971
Auditor's remuneration		**1,620**	1,550
Employee benefit expense (including directors' remuneration (note 9)):			
Wages and salaries		**91,895**	104,004
Equity-settled share option expenses		**2,287**	3,060
Pension scheme contributions (defined contribution scheme)		**307**	421
		94,489	107,485
Foreign exchange differences, net		**(403)**	(1,270)

8. LOSS BEFORE TAX *(continued)*

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

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

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

**** For the year ended 31 December 2014, HK$2,476,000 is included in "Provision for impairment" in the consolidated statement of comprehensive income. For the year ended 31 December 2013, HK$2,264,000 and HK$111,000 are included in "Cost of sales" and "Provision for impairment" in the consolidated statement of comprehensive income, respectively.

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 78 of Schedule 11 to the Hong Kong Companies Ordinance (Cap.622), with reference to section 161 of the predecessor Hong Kong Companies Ordinance (Cap.32), is as follows:

	Group	
	2014	2013
	HK$'000	HK$'000
Fees	**1,821**	570
Other emoluments:		
Salaries, allowances and benefits in kind	**1,300**	6,188
Equity-settled share option expenses	**619**	–
Pension scheme contributions	**–**	–
	1,919	6,188
	3,740	6,758

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 2014					
Executive directors:					
Mr. Paul Jeremy Brough	–	–	–	–	–
Mr. Hui Tung Wah, Samuel	–	1,300	207	–	1,507
	–	1,300	207	–	1,507
Non-executive directors:					
Mr. Wang Tong Sai, Eddie	455	–	–	–	455
Mr. Colin Denis Keogh	220	–	–	–	220
Mr. Simon Murray	146	–	103	–	249
	821	–	103	–	924
Independent non-executive directors:					
Mr. Tong Yee Yung, Joseph	305	–	103	–	408
Mr. Wong Che Keung, Richard	305	–	103	–	408
Mr. Wong Kin Chi	390	–	103	–	493
	1,000	–	309	–	1,309
Total	1,821	1,300	619	-	3,740

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 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.

There was no arrangement under which a director waived or agreed to waive any remuneration during the years ended 31 December 2014 and 2013.

10. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included one (2013: one) director, details of whose remuneration are set out in note 9 above. Details of the remuneration of the remaining four (2013: four) non-director, highest paid employees for the Year are as follows:

	Group	
	2014	2013
	HK$'000	HK$'000
Salaries, allowances and benefits in kind	**8,128**	12,429
Compensation for loss of office	**3,402**	–
Equity-settled share option expense	**1,157**	1,474
Pension scheme contributions	**22**	44
	12,709	13,947

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

	Number of employees	
	2014	2013
HK$1,500,001 to HK$2,000,000	**1**	–
HK$2,000,001 to HK$2,500,000	**–**	1
HK$3,000,001 to HK$3,500,000	**2**	2
HK$3,500,001 to HK$4,000,000	**–**	–
HK$4,500,001 to HK$5,000,000	**1**	1
HK$5,000,001 to HK$5,500,000	**–**	–
	4	4

No bonus (2013: nil) was paid to the remaining four (2013: four) non-directors, highest paid employees. HK$3,402,000 (2013: nil) was paid by the Group to the remaining four (2013: four) 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 five (2013: nil) 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% (2013:16.5%) on the estimated assessable profits arising in Hong Kong during the Year.

New Zealand income tax has been provided at the rate of 28% (2013: 28%) on the estimated assessable profits arising in New Zealand.

Subsidiaries established in Suriname and New Zealand are subject to the relevant tax rules and regulations of Suriname and New Zealand at the statutory tax rate of 36% and 28%, respectively. 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 authorities, may be renewable or extended for a further period upon expiry.

During the Year, the New Zealand Inland Revenue has commenced a transfer pricing audit on an indirect subsidiary of the Company which relates primarily to the interest rate paid for an intercompany loan. Up to the date of these financial statements, the tax audit is still ongoing and therefore it is not practicable to state the outcome, amount and timing of additional income tax payment, if any. The Directors of the Company are of the opinion that it is not probable that the New Zealand Inland Revenue will succeed in assessing any additional income tax and, accordingly, no provision for any liability has been made in these financial statements.

	Notes	**2014** **HK$'000**	2013 HK$'000
Group:			
Current – Hong Kong			
Charge for the year		**11,889**	13,369
Current – Elsewhere			
Charge for the year		**2,270**	1,324
Foreign exchange difference on income tax payable		**409**	6
Deferred	30	**(5,556)**	30,686
Foreign exchange difference on deferred tax liabilities	30	**(2,311)**	(63)
Withholding		**–**	1,050
		6,701	46,372

11. TAX *(continued)*

A reconciliation of the tax credit applicable to the 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:

	Group	
	2014	2013
	HK$'000	HK$'000
Loss before tax	**(183,212)**	(13,925)
Tax at the Hong Kong statutory tax rate of 16.5% (2013: 16.5%)	**(30,230)**	(2,298)
Difference in tax rates of subsidiaries operating in other jurisdictions	**(6,478)**	8,725
Expenses not deductible for tax	**34,634**	35,413
Income not subject to tax	**(10,646)**	(13,279)
Tax losses not recognized	**20,566**	17,163
Others	**(1,145)**	648
Tax expense	**6,701**	46,372

Notes to Financial Statements

31 December 2014

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$20,951,000 (2013: HK$33,837,000) 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	2014 HK$'000	2013 HK$'000
Amount of consolidated loss for the year attributable to equity holders of the Company dealt with in the financial statements of the Company		**(20,951)**	(33,837)
Dividend from subsidiary attributable to the profits of the previous financial year, approved and paid during the year		**80,303**	64,100
Impairment loss on amount due from a subsidiary		**(239,534)**	(55,978)
Company's loss for the year	33(b)	**(180,182)**	(25,715)

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

The calculation of basic loss per share amount is based on the loss for the Year attributable to equity holders of the Company, and the weighted average of 789,889,104 (2013: 787,854,501) 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 2014 and 2013 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 2014								
At 1 January 2014:								
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
Net carrying amount:								
At 1 January 2014	109,324	108,445	2,884	116,131	7,856	9,150	104,504	458,294
Additions	–	21,058	–	5,264	1,002	–	25,488	52,812
Acquisition of a subsidiary (note 34)	–	11,376	157	4,938	21	55	–	16,547
Impairment during the year recognized in the statement of comprehensive income (notes (c))	–	(5,054)	–	–	(63)	–	–	(5,117)
Loss on revaluation	(61)	–	–	–	–	–	–	(61)
Transfers	–	12,782	193	74,555	708	–	(88,238)	–
Depreciation provided during the year (note 5)	–	(6,316)	(861)	(17,758)	(3,191)	(2,242)	–	(30,368)
Disposals	–	–	–	(13,329)	(21)	(1,330)	–	(14,680)
Exchange realignment	(5,550)	–	–	–	–	–	–	(5,550)
At 31 December 2014	103,713	142,291	2,373	169,801	6,312	5,633	41,754	471,877
At 31 December 2014:								
Cost or valuation	103,713	159,022	7,570	207,901	16,049	11,983	41,754	547,992
Accumulated depreciation	–	(16,731)	(5,197)	(38,100)	(9,737)	(6,350)	–	(76,115)
Net carrying amount	103,713	142,291	2,373	169,801	6,312	5,633	41,754	471,877

Notes to Financial Statements

31 December 2014

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

Group

	Forestry land HK$'000 (notes (a))	Buildings and capital roadings HK$'000	Leasehold improvements 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)*

Notes:

(a) 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 2014				
Recurring fair value measurement for:				
Forestry land	**–**	**103,713**	**–**	**103,713**
As at 31 December 2013				
Recurring fair value measurement for:				
Forestry land	–	109,324	–	109,324

During the years ended 31 December 2014 and 2013, 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 2014 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 observable 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$88,764,000 (equivalent to approximately US$11,380,000) as at 31 December 2014 and 2013.

At 31 December 2014 and 2013, all the Group's forestry land with a net carrying amount of approximately HK$103,713,000 (2013: HK$109,324,000) was pledged to secure Bank Loan Facilities granted to the Group (note 29).

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

Notes: (continued)

(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 2014 amounted to HK$35,033,000 (2013: HK$46,246,000) and HK$9,572,000 (2013: HK$9,304,000), respectively.

(c) During the Year, certain immovable property, plant and equipment under the Suriname division were physically damaged or no longer used in operations. Management performed impairment on such assets and concluded the carrying amount of such property, plant and equipment was in excess of its recoverable amount which is determined based on value-in-use calculation. Accordingly, a full provision of HK$5,117,000 (2013: Nil) was recognized in profit or loss under "Provision for impairment".

15. PREPAID LAND LEASE PAYMENTS

		Group	
		2014	2013
	Notes	**HK$'000**	HK$'000
Carrying amount at beginning of year		**15,128**	15,572
Acquisition of subsidiary	34	**18,945**	–
Amortization provided during the year	5	**(1,874)**	(444)
Carrying amount at end of year		**32,199**	15,128
Current portion included in current portion of prepayments, deposits and other receivables	23	**(1,651)**	(444)
Non-current portion		**30,548**	14,684

Leasehold land is situated in Suriname and is held under medium term leases.

As disclosed in the Company's 2013 annual report, the Group was in the process of obtaining the land use right certificate for a parcel of land located in Suriname from the local government. Subsequent to the end of the reporting period, the relevant land use right certificate has been obtained and the relevant registration process was also completed in March 2015.

16. GOODWILL

	Notes	Group 2014 HK$'000	2013 HK$'000
At beginning of year:			
Cost		**8,925**	8,925
Accumulated impairment		**(1,301)**	(1,301)
Net carrying amount		**7,624**	7,624
Net carrying amount:			
At beginning of year		**7,624**	7,624
Acquisition of a subsidiary	34	**27,854**	–
Impairment during the year	5	**(27,854)**	–
At end of year		**7,624**	7,624
At end of year:			
Cost		**36,779**	8,925
Accumulated impairment		**(29,155)**	(1,301)
Net carrying amount		**7,624**	7,624

Impairment testing of goodwill

Before recognition of impairment losses, the carrying amount of goodwill, which arose on the acquisitions of subsidiaries, has been allocated to the following business cash-generating unit of the Group for impairment testing.

	Group 2014 HK$'000	2013 HK$'000
Cost (before impairment):		
Logs and timber products business		
West Suriname	**7,624**	7,624
Central Suriname	**27,854**	–
Pallets business	**1,301**	1,301
	36,779	8,925

16. GOODWILL *(continued)*

Logs and timber products business

Management allocated the goodwill, certain property, plant and equipment and timber concession and cutting rights to the cash-generating unit of the forestry and timber business in the west Suriname and central Suriname segments for the purpose of impairment testing. The recoverable amounts of the cash-generating units are determined based on fair value less costs to sell. The key assumptions are based upon the discount rates, budgeted profit margins and revenues during the forecast period with reference to the respective concession terms. The projections (including profit margins, revenue and the growth rates) are based on anticipation of the most likely actions which will be taken in the operation of the business with reference to sustainable annual allowable cut and expectations of future market development. The fair value on which the recoverable amount is based on is categorized as a Level 3 measurement.

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

Revenues and budgeted gross margins	–	The basis used to determine the value assigned is based on benchmarking data for the forestry and timber business segment's ability to progress and to generate an economic income stream through the sale of timber products to customers.
Discount rates	–	The discount rates used are before tax and reflect specific risks relating to the relevant units. 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, management have taken the growth of the forestry and timber product industry and the global economy as a whole.

16. GOODWILL *(continued)*

West Suriname

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 allocated to west Suriname as at 31 December 2014 is considered necessary.

Central Suriname

The goodwill represented the excess of the consideration paid over the identifiable assets acquired and liabilities assumed, in relation to the acquisition of the entire issued share capital of Suma Lumber, mainly due to an unexpected significant increase in the forest concession levy (from SR$0.01 per hectare per year to SR$20.00 per hectare per year) announced by the Suriname government in early 2014. The details of this acquisition is set out in note 34 to the consolidated financial statements. Accordingly, full provision for impairment of HK$27,854,000 against this goodwill was charged to profit or loss during the Year.

Pallets business

As at 31 December 2011, the Directors had performed an impairment testing on the Group's cash-generating unit of the pallets business and considered that the carrying amount of the goodwill is in excess of its recoverable amount as a result of the continuing non-performance of the pallets business. Accordingly, a full provision for impairment of HK$$1,301,000 against this goodwill was charged to profit or loss in 2011.

17. TIMBER CONCESSIONS AND CUTTING RIGHTS

		Group	
	Notes	**2014** **HK$'000**	2013 HK$'000
At beginning of year			
Cost		**826,873**	826,873
Accumulated amortization and impairment		**(116,056)**	(88,745)
Net carrying amount		**710,817**	738,128
Net carrying amount:			
At beginning of year		**710,817**	738,128
Acquisition of subsidiary	34	**53,586**	–
Impairment during the year	5	**–**	(11,695)
Amortization provided during the year	8	**(5,696)**	(15,616)
At the end of year		**758,707**	710,817
At end of year:			
Cost		**880,459**	826,873
Accumulated amortization and impairment		**(121,752)**	(116,056)
Net carrying amount		**758,707**	710,817

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.

During the Year, the Group acquired the entire issued shares of Suma Lumber which holds certain forest concessions of approximately 91,750 hectares of natural tropical hardwood forest in Suriname which were previously operated by the Group under a 2-year exclusive cutting right agreement. The acquisition was completed in February 2014. Further details are set out in note 34 to these consolidated financial statements.

As at 31 December 2014, the Group's total concessions and cutting rights under management in Suriname covered a total land area of approximately 322,000 hectares (2013: 322,000 hectares).

The management performed impairment testing on the Group's timber concessions and cutting rights as at 31 December 2014 and considered no indication of impairment on the net carrying amount of timber concession and cutting rights. Accordingly, no provision for impairment in relation to timber concession and cutting rights was made during the Year (2013: HK$11,695,000).

18. OTHER INTANGIBLE ASSETS

Group

	Notes	Carbon credits HK$'000	Deferred development costs HK$'000	Total HK$'000
Year ended 31 December 2014				
At 1 January 2014:				
Cost		9,269	1,299	10,568
Accumulated amortization and impairment		(3,230)	(368)	(3,598)
Net carrying amount		6,039	931	6,970
Net carrying amount:				
At 1 January 2014		6,039	931	6,970
Additions		–	–	–
Amortization of other intangible assets	5	–	(277)	(277)
Disposal		(3,978)	–	(3,978)
Exchange realignment		(333)	–	(333)
At 31 December 2014		1,728	654	2,382
At 31 December 2014:				
Cost		4,958	1,299	6,257
Accumulated amortization and impairment		(3,230)	(645)	(3,875)
Net carrying amount		1,728	654	2,382

18. OTHER INTANGIBLE ASSETS *(continued)*

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

During the Year, no (2013: 241,000) 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 in profit or loss. Because the NZUs have an indefinite useful life, they are not amortized but are tested for impairment annually. During the Year, 250,000 units of NZUs were sold.

Deferred development costs represent direct costs incurred in the development of timber tracking system and preparations for FSC certification whereby the Group has FSC controlled wood status in the west Suriname and full FSC certification in the central Suriname.

19. PLANTATION FOREST ASSETS

As at 31 December 2014, the Group managed radiata pine plantation forest assets in the 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 2014. Indufor is an independent professional forest specialist consulting firm. The key consultant involved in this valuation is a member of the New Zealand Institute of Forestry, and has no present or prospective interest in the Group's plantation forest assets, and no personal interest or bias with respect to the Group. In the opinion of the Directors, Indufor is independent and competent to determine the fair value of the Group's plantation forest assets.

Indufor has applied a net present value approach. This combines both a *sales comparison* approach and an *income* approach (as defined by the relevant valuation standards). The methodologies require the use of key assumptions and estimates in determining the fair value of the plantation assets. Indufor and management review these assumptions and estimates periodically to identify any significant changes in fair value. A sensitivity analysis is applied 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 2014 and 2013, 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 2014				
Recurring fair value measurement for:				
Plantation forest assets	**–**	**–**	**466,231**	**466,231**
As at 31 December 2013				
Recurring fair value measurement for:				
Plantation forest assets	–	–	521,764	521,764

During the years ended 31 December 2014 and 2013, 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	**2014 HK$'000**	2013 HK$'000
Net carrying amount at 1 January		**521,764**	500,738
Transfer to/(from) Level 3		**–**	–
Additions		**10,338**	9,702
Harvested as agricultural produce	8	**(98,304)**	(97,523)
Changes in fair value less costs to sell		**32,433**	108,847
Net carrying amount at 31 December		**466,231**	521,764

19. PLANTATION FOREST ASSETS *(continued)*

Fair value hierarchy (continued)

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.

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, transport costs, land holding costs, forestry management costs and forestry overhead costs. The series of periodic net operating income, along with an estimate of the terminal value anticipated at the end of the projection period, is then discounted.

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;

19. PLANTATION FOREST ASSETS *(continued)*

Fair value hierarchy (continued)

The key inputs in the valuation of the plantation forest assets in New Zealand as at 31 December 2014 comprised of yield, current and forecast log prices, current and forecast production costs, current and forecast transport costs and discount rate. Below is a quantitative summary of the key inputs to the valuation of plantation forest assets under discounted cash flow technique:

	Range	Average/Applied
As at 31 December 2014		
Significant unobservable input		
Forecast unit log price at wharf gate (AWG)	US\$62-76/m^3	US\$71/m^3
Significant observable inputs		
Yield (m^3/ha)	536-684	605
Production costs	US\$29-40/m^3	US\$32/m^3
Transport costs	US\$14-18/m^3	US\$15/m^3
Discount rate	8.5%	8.5%
As at 31 December 2013		
Significant unobservable input		
Forecast unit log price at wharf gate (AWG)	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%

A pre-tax discount rate of 8.5% (2013: 8.5%) was used in the valuation of the plantation forest assets in New Zealand as at 31 December 2014, 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.

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

19. PLANTATION FOREST ASSETS *(continued)*

Fair value hierarchy (continued)

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 2013 and 2014. In addition, a high level area validation exercise using satellite imagery was performed in 2013 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. Given the 2013 high level area validation exercise demonstrated a high level of accuracy in the existing mapping, this exercise was not repeated in 2014.

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 2014 is around 3,777 hectares or 36% 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 sample of newly planted stands inspected by Indufor during the field inspection.

20. INTERESTS IN SUBSIDIARIES

		Company	
		2014	2013
	Notes	**HK$'000**	HK$'000
Unlisted shares, at cost		**1**	1
Due from subsidiaries	(a)	**1,852,560**	1,702,490
		1,852,561	1,702,491
Impairment	(b)	**(901,886)**	(662,352)
		950,675	1,040,139

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$$1,852,560,000 (before deducting the impairment loss) (2013: HK$1,702,490,000) 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	
	2014	2013
	HK$'000	HK$'000
At beginning of year	**662,352**	606,374
Impairment loss recognized	**239,534**	55,978
At end of year	**901,886**	662,352

The amount due from a subsidiary included in the Company's current assets of HK$19,468,000 (2013: nil) is unsecured, interest-free and repayable within one year.

20. INTERESTS IN SUBSIDIARIES *(continued)*

Notes: (continued)

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

Company name	Place of incorporation/ registration and operation	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	Issued ordinary/ registered share capital	Percentage of equity attributable to the Company Direct	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 Wood Trading Company Limited	Hong Kong	HK$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
Greenheart Forest Suriname Suma Limited	BVI/Hong Kong	US$1	–	100	Investment holding

20. INTERESTS IN SUBSIDIARIES *(continued)*

Notes: (continued)

(c) (continued)

Company name	Place of incorporation/ registration and operation	Issued ordinary/ registered share capital	Percentage of equity attributable to the Company Direct	Indirect	Principal activities
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
Suma Lumber Company N.V.	Suriname	SRD1,000	–	100	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.

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

	2014	2013
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%

20. INTERESTS IN SUBSIDIARIES *(continued)*

Notes: (continued)

(d) (continued)

	2014 **HK$'000**	2013 HK$'000
Loss for the year allocated to non-controlling interests:		
Greenheart (Suriname) N.V.	**30,748**	28,815
Greenheart Forest Technologies N.V.	**8,621**	10,211

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

2014	**Greenheart (Suriname) N.V. HK$'000**	**Greenheart Forest Technologies N.V. HK$'000**
Revenue	**55,857**	**5,158**
Total expenses	**(133,485)**	**(26,710)**
Loss for the year	**(77,628)**	**(21,552)**
Total comprehensive loss for the year	**(77,628)**	**(21,552)**
Current assets	**191,578**	**20,120**
Non-current assets	**162,927**	**28,463**
Current liabilities	**(682,356)**	**(127,923)**
Non-current liabilities	**(3,562)**	**–**
Net liabilities	**(331,413)**	**(79,340)**
Accumulated balances of non-controlling interests	**(131,273)**	**(31,736)**
Net cash flows used in operating activities	**(55,520)**	**(9,021)**
Net cash flows from investing activities	**10,654**	**889**
Net cash flows from financing activities	**40,726**	**6,706**
Net decrease in cash and cash equivalents	**(4,140)**	**(1,426)**

20. INTERESTS IN SUBSIDIARIES *(continued)*

Notes: (continued)

(d) (continued)

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

21. INVENTORIES

	Group	
	2014	2013
	HK$'000	HK$'000
Logs	**23,315**	31,996
Timber products	**23,126**	26,970
	46,441	58,966

22. TRADE RECEIVABLES

	Group	
	2014	2013
	HK$'000	HK$'000
Trade receivables	**36,427**	64,316
Less: impairment	**(436)**	(74)
	35,991	64,242

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 60 days. Each open account customer has a maximum credit limit. The Group seeks to maintain strict control over its outstanding receivables so as to minimize credit risk. Overdue balances are reviewed regularly by senior management. The Group does not hold any collateral or other credit enhancements over its trade receivable balances. 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	
	2014	2013
	HK$'000	HK$'000
Within 1 month	**29,291**	62,916
From 1 to 3 months	**6,532**	194
Over 3 months	**168**	1,132
	35,991	64,242

22. TRADE RECEIVABLES *(continued)*

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

		Group	
		2014	2013
	Note	**HK$'000**	HK$'000
At beginning of year		**74**	–
Provision for impairment	5	**500**	74
Amounts written off during the year as uncollectible		**(138)**	–
At end of year		**436**	74

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

	Group	
	2014	2013
	HK$'000	HK$'000
Neither past due nor impaired	**35,823**	63,110
Less than 3 months past due	**168**	1,132
	35,991	64,242

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	
	2014	2013	**2014**	2013
	HK$'000	HK$'000	**HK$'000**	HK$'000
Deposits paid for the purchase of items of property, plant and equipment	**2,880**	1,707	**–**	–
Rental deposits	**2,954**	2,954	**–**	–
Prepayments	**4,113**	1,557	**967**	1,209
	9,947	6,218	**967**	1,209

Current portion

		Group		Company	
		2014	2013	**2014**	2013
	Notes	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Current portion of prepaid land lease payments	15	**1,651**	444	**–**	–
Prepayments		**33,867**	48,221	**580**	591
Deposits		**621**	718	**–**	5
Derivative financial instruments	(c)	**500**	–	**–**	–
Other receivables	(d)	**1,990**	58,984	**–**	46
	(a)	**38,629**	108,367	**580**	642

23. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES *(continued)*

Notes:

(a) Current portion

	Group		Company	
	2014	2013	**2014**	2013
	HK$'000	HK$'000	**HK$'000**	HK$'000
Prepayments, deposits and other receivables	**43,480**	110,742	**580**	642
Less: impairment	**(4,851)**	(2,375)	**–**	–
	38,629	108,367	**580**	642

(b) The movements in provision for impairment of prepayments, deposits and other receivables during the Year are as follows:

		Group	
		2014	2013
	Note	**HK$'000**	HK$'000
At beginning of year		**2,375**	–
Provision for impairment	5	**2,476**	2,375
At end of year		**4,851**	2,375

(c) The Group entered into various forward exchange contracts with notional amount of NZ$16,500,000 (equivalent to HK$100,347,000) (2013: nil) to manage its foreign exchange exposure on New Zealand dollars. These forward exchange contracts are measured at fair value through profit or loss and are categorized as a Level 1 measurement. Changes in fair value amounting to HK$500,000 were charged to profit or loss during the Year (2013: nil).

(d) As at 31 December 2013, included in the Group's other receivables under the current portion of HK$56,211,000, with respect to a loan of approximately US$7,207,000 granted by the Group to Suma Lumber 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. This loan was cancelled following completion of the Suma Lumber acquisition in February 2014. Further details of this acquisition are set out in the note 34 to the financial statements.

24. CASH AND CASH EQUIVALENTS

	Group		Company	
	2014	2013	**2014**	2013
	HK$'000	HK$'000	**HK$'000**	HK$'000
Cash and bank balances other than time deposits	**108,056**	166,401	**859**	60,545
Time deposits with original maturity of less than three months when acquired	**–**	37,613	**–**	37,613
Cash and cash equivalents	**108,056**	204,014	**859**	98,158

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	
	2014	2013
	HK$'000	HK$'000
Within 1 month	**32,270**	45,690
From 1 to 3 months	**35**	536
Over 3 months	**298**	225
	32,603	46,451

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

26. OTHER PAYABLES AND ACCRUALS

	Group		Company	
	2014	2013	**2014**	2013
	HK$'000	HK$'000	**HK$'000**	HK$'000
Other payables	**9,348**	8,838	**–**	–
Deposits received	**769**	5,984	**–**	–
Accruals	**20,047**	5,515	**1,410**	2,176
	30,164	20,337	**1,410**	2,176

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 2014, the total future minimum lease payments under finance leases and their present values were as follows:

Group

	Minimum lease payments 2014 HK$'000	Minimum lease payments 2013 HK$'000	**Present value of minimum lease payments 2014 HK$'000**	Present value of minimum lease payments 2013 HK$'000
Amounts payable:				
Within one year	**11,224**	12,589	**10,117**	10,600
In the second year	**9,034**	11,389	**8,699**	10,179
In the third to fifth years, inclusive	**–**	9,910	**–**	9,538
Total minimum finance lease payments	**20,258**	33,888	**18,816**	30,317
Future finance charges	**(1,442)**	(3,571)		
Total net finance lease payables	**18,816**	30,317		
Portion classified as current liabilities	**(10,117)**	(10,600)		
Non-current portion	**8,699**	19,717		

28. CONVERTIBLE BONDS

In August 2010, the Company issued US dollar denominated convertible notes with an aggregate principal amount of US$25,000,000 with a maturity date of 17 August 2015 to the Noteholder, a company in which a director of the Company has an indirect interest, for a total cash consideration of US$24,750,000. The Noteholder has the right to convert the whole or part of the principal amount of the Convertible Bonds into ordinary shares of the Company at HK$2.002 each from time to time and may require the Company to redeem all or part of the Convertible Bonds on each of the dates falling on the third anniversary (i.e. 17 August 2013) and on the fourth anniversary (i.e. 17 August 2014) of the issuance date of the Convertible Bonds at the redemption amount as defined in the terms and conditions of the Convertible Bonds. In addition, the Noteholder may require the Company to redeem the Convertible Bonds in whole or in part following the occurrence of a "Change of Control."

On 30 January 2013, Sino-Forest Corporation ("Sino-Forest"), the former ultimate holding company of the Company, announced that it had implemented its plan of compromise and reorganization as approved by the creditors of Sino-Forest on 3 December 2012 and as 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 were transferred to EPGL, a newly formed entity which is ultimately owned by EPHL, a company incorporated in the Cayman Islands with limited liability. The implementation of the Plan triggered the "Change of Control" provisions of the Convertible Bonds. Accordingly, the Noteholder became entitled to require the Company to redeem the Convertible Bonds 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 Convertible Bonds 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 Convertible Bonds 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 (note 7)) was recognized as loss on partial early redemption of Convertible Bonds and was charged to the profit or loss during the year ended 31 December 2013.

28. CONVERTIBLE BONDS *(continued)*

Following the early redemption as mentioned above, and as at 31 December 2014, the outstanding principal amount of the Convertible Bonds was reduced to US$17,000,000 (equivalent to approximately HK$132,600,000). Under the terms and conditions of the Convertible Bonds, the Noteholder may subsequently exercise its redemption right (in whole or in part of its outstanding Convertible Bonds), by giving an exercise notice of at least 30 days prior to such further redemption, at any time prior to the maturity of the Convertible Bonds. Accordingly, the entire outstanding liability component of the Convertible Bonds was classified as a current liability as at 31 December 2014.

As at the date of this annual report, the Group has not received any further notice from the Noteholder with regard to its intention regarding the remaining outstanding principal amount of the Convertible Bonds of US$17,000,000 (equivalent to approximately HK$132,600,000).

The summarized information of the Convertible Bonds as at 31 December 2014 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 2014	US$17,000,000
Coupon rate	5%
Conversion price per ordinary share (HK$)	2.002

28. CONVERTIBLE BONDS *(continued)*

The Convertible Bonds 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 Convertible Bonds during the Year:

	Notes	**2014 HK$'000**	2013 HK$'000
Principal amount outstanding			
At beginning of year		**132,600**	195,000
Early partial redemption of Convertible Bonds		**–**	(62,400)
At end of year		**132,600**	132,600
Liability component			
At beginning of year		**155,919**	214,658
Interest expense	7	**17,691**	17,253
Interest paid and payable		**(6,629)**	(6,661)
Early partial redemption of Convertible Bonds		**–**	(69,331)
At end of year		**166,981**	155,919
Equity component (included in convertible bonds equity reserve)			
At beginning of year		**4,983**	7,328
Partial early redemption of Convertible Bonds		**–**	(2,345)
At end of year		**4,983**	4,983

29. INTEREST-BEARING BANK BORROWING

During the Year, the Group's bank loan facilities were renegotiated with the interest rate reduced to base rate ("Base Rate"), as determined by Bank of New Zealand ("Bank"), plus 1.65% per annum and the final maturity date was extended to 28 February 2017.

As at 31 December 2014, 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 the Bank plus 1.65% per annum (2013: Base Rate plus 1.75% per annum). The Group's bank loan facilities are subject to the fulfilment of certain financial covenants as required by the Bank. During the Year, none of the financial covenants relating to the bank loan facilities were breached.

As at 31 December 2014, the Group has available unutilized bank loan facilities amounting to HK$33,914,000 (equivalent to US$4,348,000) (2013: HK$39,000,000 (equivalent to US$5,000,000)), bearing interest at the Base Rate plus 1.35% per annum (2013: Base Rate plus 1.5% per annum). The Group determined this figure after taking into account the debt coverage ratio as set out in the financial covenants under the facility.

As at 31 December 2014 and 2013, the Group's bank loan facilities are secured by:

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

(ii) A Fixed Charge over:

(a) the Group's Forestry Land with a net carrying value of approximately HK$103,713,000 (2013: HK$109,324,000) (note 14);

(b) the Group's plantation forest assets (located in New Zealand) with a net carrying value of approximately HK$466,231,000 (2013: HK$521,764,000) (note 19) 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 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 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 charge/(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
At 31 December 2013 and 1 January 2014	72,680	36,485	–	7,373	7,911	102	124,551
Acquisition of subsidiary (note 34)	19,291	–	(19,291)	–	–	–	–
Deferred tax charge/(credited) to the profit or loss during the year (note 11)	–	2,315	(6,189)	1,098	(2,625)	(155)	(5,556)
Exchange difference charge/(credited) to the profit or loss during the year (note 11)	–	(2,005)	361	(447)	(226)	6	(2,311)
Exchange difference charged/(credited) to other comprehensive income during the year	–	–	52	(1)	–	–	51
As at 31 December 2014	91,971	36,795	(25,067)	8,023	5,060	(47)	116,735

As at 31 December 2014, the Group had aggregate tax losses arising in Hong Kong of approximately HK$67,168,000 (2013: HK$99,249,000) which 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$177,345,000 (2013: HK$96,185,000) that will be carried forward for a period of seven 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

	2014 HK$'000	2013 HK$'000
Authorized:		
15,000,000,000 ordinary shares of HK$0.01 each	**150,000**	150,000
Issued and fully paid:		
789,889,104 (2013: 789,889,104) ordinary shares of HK$0.01 each	**7,899**	7,899

A summary of the movements in the Company's issued share capital during the years ended 31 December 2014 and 2013 is as follows:

	Notes	Number of shares in issue	Issued capital HK$'000	Share premium account HK$'000	Total HK$'000
At 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, 1 January 2014 and 31 December 2014		789,889,104	7,899	1,459,232	1,467,131

(a) During the year ended 31 December 2013, the subscription rights attaching to 10,165,000 share options were exercised at the subscription price HK$0.501 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. As a result of the exercise of these share options, their fair value of HK$2,651,000 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 Company has a share option scheme which was adopted by the Company at the special general meeting held on 28 June 2012 whereby the Directors are authorized, at their discretion, to invite employees, executives or officers of the Group, including executive and non-executive directors of any company in the Group, and any suppliers, consultants, advisers, agents, shareholders, customers, partners or business associates of the Group, to take up option to subscribe the ordinary shares of the Company (the "Shares") as incentives and rewards for their contribution to the Group. Upon acceptance of the option, the grantee shall pay HK$1 to the Company by way of consideration for the grant. The share option scheme shall be valid and effective for a period of ten years ending on 28 June 2022, after which no further options will be granted.

The total number of the shares of the Company available for issue under the share option scheme as at 31 December 2014 was 96,477,055 shares (including options for 17,488,145 shares that have been granted but not yet lapsed or exercised) which represented 12.21% of the issued share capital of the Company as at 31 December 2014. The maximum number of shares issuable under share options to each eligible participant in the share option scheme within any 12-month period is limited to 1% of the shares of the Company in issue at any time. Any further grant of share options in excess of this limit is subject to shareholders' approval in a general meeting.

Share options granted to a Director, chief executive or substantial shareholder of the Company, or to any of their associates, are subject to approval in advance by the INEDs. In addition, any share options granted to a substantial shareholder or an INED of the Company, or to any of their associates, in excess of 0.1% of the shares of the Company in issue at any time or with an aggregate value (based on the price of the Company's shares at the date of grant) in excess of HK$5 million, within any 12-month period, are subject to shareholders' approval in advance in a general meeting.

The grant of option will be open for acceptance within 30 business days from the date of the letter of grant, upon payment of a sum of HK$1 as consideration for the grant of option. The exercise price of options is determined by the Board 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.

32. SHARE OPTION SCHEME *(continued)*

The following share options were outstanding under the share option scheme during the year:

	Notes	2014 Weighted average exercise price HK$ per share	2014 Number of options '000	2013 Weighted average exercise price HK$ per share	2013 Number of options '000
At beginning of year		**–**	**–**	1.66	46,222
Granted during the year	(a)	**0.51**	**17,693**	–	–
Lapsed/cancelled/ forfeited during the year		**0.51**	**(205)**	1.99	(36,057)
Exercised during the year	(b)	**–**	**–**	0.50	(10,165)
At end of the year	(c)	**0.51**	**17,488**	–	–

Notes:

(a) The exercise period of share options granted during the Year is 5 May 2014 to 4 May 2019 and the fair values of the options were calculated using the Binomial Option Pricing Model. The inputs to the model are as follows:

	5 May 2014
Share price at the date of grant	HK$0.51
Exercise price per share	HK$0.51
Expected volatility (%)	76.48
Risk-free interest rate (%)	1.343

The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may also not necessarily be the actual outcome.

17,693,517 share options were granted during the Year (2013: nil), and the Group recognized a share option expense of HK$2,287,000 (2013: HK$3,060,000) during the Year.

(b) No share options were exercised during the Year. During the year ended 31 December 2013, 10,165,000 share options were exercised, 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.

32. SHARE OPTION SCHEME *(continued)*

Notes: (continued)

(c) At the end of the Year, the Company had 17,488,145 (2013: Nil) share options outstanding under the Scheme. The exercise in full of the outstanding share options would, under the present capital structure of the Company, result in the issue of 17,488,145 (2013: nil) additional ordinary shares of the Company and additional share capital of approximately HK$175,000 (2013: Nil) and share premium of approximately HK$8,744,000 (2013: Nil) (before issue expenses). These share options had an exercise price of HK$0.51 per share and a weighted average remaining contractual life of 4.34 years (2013: Nil).

(d) Subsequent to the end of the Year, 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 in prior years pursuant to a business combination under common control and the total amount of the historical carrying amount of the consolidated net assets of the acquiree at the date of acquisition and the amount of certain liabilities of the acquiree assumed by the Group in connection with the business combination.

(iv) The Group'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.

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 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 and 1 January 2014		1,459,232	125,376	–	4,983	(615,437)	974,154
Loss and total comprehensive loss for the year	12	–	–	–	–	(180,182)	(180,182)
Equity-settled share option arrangements	32(a)	–	–	2,287	–	–	2,287
At 31 December 2014		1,459,232	125,376	2,287	4,983	(795,619)	796,259

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. BUSINESS COMBINATION

On 19 December 2013, Greenheart Forest Suriname Suma Limited, an indirect wholly-owned subsidiary of the Company, entered into a sale and purchase agreement with Sumaroeba Holdings A.V.V. ("SHAVV"), an independent third party, whereby it conditionally agreed to purchase the entire equity interest in Suma Lumber, a company incorporated in Suriname, which holds several forest concessions, a parcel of land, and sawmill plant and equipment in Suriname, for 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. The consideration was fully settled during the Year.

The fair values of the identifiable assets and liabilities of Suma Lumber as at the date of acquisition were as follows:

	Notes	HK$'000
Property, plant and equipment	14	16,547
Prepaid land lease payment	15	18,945
Timber concessions	17	53,586
Cash and cash equivalents		68
Loan from the Group		(56,160)
Total identifiable net assets at fair value		32,986
Goodwill on acquisition	16	27,854
		60,840

The goodwill of HK$27,854,000 was attributable to the excess of the consideration paid over the fair value of identifiable assets acquired and liabilities assumed, in relation to the acquisition of the entire issued share capital of Suma Lumber due to an unexpected significant increase in the forest concession levy (from SR$0.01 per hectare per year to SR$20.00 per hectare per year) promulgated by the Suriname government by January 2014, shortly after the Group entered into the sales and purchase agreement. None of the goodwill arising on this acquisition is expected to be deductible for tax purposes.

As at the 31 December 2014, management performed impairment testing on the Group's cash-generating unit to which Suma Lumber belongs and considered that the carrying amount of the goodwill is in excess of its recoverable amount. Accordingly, a full provision for impairment of HK$27,854,000 against this goodwill was charged to profit or loss during the Year.

34. BUSINESS COMBINATION *(continued)*

Acquisition-related costs amounting to HK$386,000 have been excluded from the cost of acquisition and have been recognized directly as expenses in the Year and included in the "administrative expenses" line item in the consolidated statement of comprehensive income.

An analysis of the cash flows in respect of the acquisition of a subsidiary is as follows:

	HK$'000
Cash consideration	(60,840)
Cash and cash equivalents acquired	68
Net outflow of cash and cash equivalents included in cash flows from investing activities	(60,772)
Transaction costs of the acquisition included in cash flows from operating activities	(386)
	(61,158)

Since the acquisition, no revenue was contributed to the Group's turnover and HK$5,724,000 was contributed to the consolidated loss for the year ended 31 December 2014 by Suma Lumber.

Had the combination taken place at the beginning of the Year, the revenue of the Group and the loss of the Group for the Year would have been HK$673,604,000 and HK$190,043,000 respectively.

35. OPERATING LEASE ARRANGEMENTS

As lessee

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

As at 31 December 2014, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	Group	
	2014	2013
	HK$'000	HK$'000
Within one year	**7,612**	7,820
In the second to fifth years, inclusive	**6,436**	14,021
	14,048	21,841

As at 31 December 2014, the Company did not have any non-cancellable operating lease arrangements as lessee (2013: Nil).

36. CAPITAL COMMITMENTS

The Group had the following capital commitments at the end of the reporting period:

	Group	
	2014	2013
	HK$'000	HK$'000
Contracted, but not provided for:		
Plant and machinery	**–**	6,738
Land and buildings	**2,301**	2,301
	2,301	9,039

On 19 December 2013, the Group entered into a sales and purchase agreement with an independent third party to purchase the entire equity interest of Suma Lumber, at a total cash consideration of US$7,800,000 (equivalent to HK$60,840,000). The acquisition was completed during the Year. Further details are set out in note 34 to the financial statements.

37. RELATED PARTY DISCLOSURES

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

Related party	Nature of transaction	Notes	2014 HK$'000	2013 HK$'000
The Intermediate Holding Company	Interest expenses paid and payable on a loan	(i)	**11,821**	11,949
The Immediate Holding Company	Interest expenses paid and payable on loans	(ii)	**4,742**	3,553
Noteholder	Interest expenses paid and payable on the Convertible Bonds	(iii)	**17,691**	17,253
The Ultimate Holding Company and a Fellow Subsidiary	Recharge of license fee and administrative expenses received and receivable	(iv)	**6,252**	–
Fellow subsidiary	Sales of logs and timber products	(v)	**6,433**	–
Fellow subsidiary	Reimbursements	(vi)	**289**	4,888

Notes:

(i) The interest expenses on the Intermediate Holding Company Loan, which is unsecured and repayable on 17 May 2015, were charged based on the London Interbank Offered Rate plus 3.5% per annum.

(ii) The interest expenses were charged based on the Hong Kong Prime Rate on the following loans from the Immediate Holding Company:

- an unsecured loan with principal amount of HK$62,400,000 (i.e. US$8,000,000) which is repayable on 26 March 2015;
- an unsecured loan with principal amount of HK$27,300,000 (i.e. US$3,500,000) which is repayable on 28 June 2016; and
- an unsecured loan with principal amount of HK$15,342,000 (i.e. US$1,967,000) which is repayable on 19 June 2017.

37. RELATED PARTY DISCLOSURES *(continued)*

(a) (continued)

Notes: (continued)

(iii) The amounts disclosed above represents the imputed interest expenses charged to profit or loss for accounting purpose for the Convertible Bonds. The actual coupon calculated based on the coupon rate of 5% per annum as set out in the terms and conditions of the Convertible Bonds is HK$6,629,000 (2013: HK$6,661,000).

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

(v) The sales of logs and timber products to a fellow subsidiary were made with reference to the prevailing market prices and under normal commercial terms of the sales of similar type of products.

(vi) The reimbursements for the Year were recharged by a fellow subsidiary with reference to the actual costs incurred and paid on behalf of the Group in relation to certain administrative expenses. The reimbursements for the year ended 31 December 2013 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) Included in the amounts due from affiliated companies is a trade balance with a fellow subsidiary of HK$3,031,000 (2013: nil) with credit terms of 60 days which is unsecured and interest-free. The remaining balances with the Ultimate Holding Company and a fellow subsidiary are unsecured, interest-free and repayable within one year.

The amounts due to affiliated companies represented interest payables in relation to the Immediate Holding Company Loans and the Intermediate Holding Company Loan amounting to HK$4,756,000 and HK$1,000 (2013: HK$15,000 and HK$130,000), respectively, which are unsecured, interest-free and repayable within one year.

37. RELATED PARTY DISCLOSURES *(continued)*

(c) Compensation of key management personnel of the Group

	2014 **HK$'000**	2013 HK$'000
Short-term employee benefits	**8,128**	19,187
Compensation for loss of office	**3,402**	–
Equity-settled share options	**1,157**	1,474
Pension scheme contributions	**22**	44
	12,709	20,705

38. 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 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 37(a)(i)) and loans from the Immediate Holding Company (note 37(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.

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).

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

Interest rate risk (continued)

	Group	
	Increase/ (decrease) in basis points	**Increase/ (decrease) in loss before tax and accumulated losses HK$'000**
Year ended 31 December 2014	100	6,164
	(100)	(6,164)
Year ended 31 December 2013	100	5,768
	(100)	(5,768)

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 entered into forward exchange contracts to manage the foreign exchange exposure on New Zealand dollars. Further details are set out in note 23(c) to these consolidated financial statements.

38. 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 2.9% (2013: 8.3%) and 48.8% (2013: 64.2%) 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:

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

Liquidity risk (continued)

Group

	2014			
	On demand HK$'000	**Within One year HK$'000**	**In the second to fifth years, inclusive HK$'000**	**Total HK$'000**
Convertible Bonds	**171,162**	**–**	**–**	**171,162**
Trade payables	**–**	**32,603**	**–**	**32,603**
Other payables	**1,294**	**8,054**	**–**	**9,348**
Loan from the Intermediate Holding Company	**–**	**316,460**	**–**	**316,460**
Loans from the Immediate Holding Company	**–**	**65,259**	**44,438**	**109,697**
Due to the affiliated companies	**–**	**4,756**	**–**	**4,756**
Interest-bearing bank borrowing	**–**	**3,597**	**198,607**	**202,204**
Finance lease payables	**–**	**11,224**	**9,034**	**20,258**
	172,456	**441,953**	**252,079**	**866,488**

Group

	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

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

Liquidity risk (continued)

Company

	2014			
	On demand HK$'000	**Within One year HK$'000**	**In the second to fifth years, inclusive HK$'000**	**Total HK$'000**
Convertible Bonds	**171,162**	**–**	**–**	**171,162**

Company

	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

* 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.

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

All financial assets and liabilities are carried at amounts not materially different from their fair values as at 31 December 2014.

38. 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 2014 and 2013.

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 2014 and 2013, 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 division 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 2014 and 2013, 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.

39. FINANCIAL INSTRUMENTS BY CATEGORY

Save as the derivative financial instruments of the Group as at 31 December 2014 which are financial assets at fair value through profit or loss and classified as held for trading, all financial assets and liabilities of the Group and the Company as at 31 December 2014 and 2013 are loans and receivables, and financial liabilities stated at amortized cost, respectively.

40. EVENTS AFTER THE REPORTING PERIOD

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

(a) On 31 October 2014, the Company announced that EPGL, Sino-Capital and Newforest, had entered into certain sales and purchase agreements, pursuant to which Newforest conditionally agreed to purchase (i) from Sino-Capital of approximately 62.82% of the issued share capital of the Company for a total consideration of US$45,000,000 (equivalent to approximately HK$351,000,000); (ii) from Sino-Capital of approximately 39.61% equity interest in Greenheart Resources Holdings Limited ("Greenheart Resources", a non-wholly owned subsidiary of the Company), being 3,036,000,000 ordinary shares of Greenheart Resources, for a total consideration of US$10,000,000 (equivalent to approximately HK$78,000,000); and (iii) the debt interests of EPGL and Sino-Capital in the Group in the aggregate sum of US$53,466,960 (equivalent to approximately HK$417,042,288) together with any further principal amount to be borrowed by Greenheart Resources from Sino-Capital plus accrued but unpaid interest thereon.

Upon completion of the aforesaid transaction, a mandatory unconditional cash offer will be made by Newforest under The Hong Kong Code on Takeovers and Mergers for all the issued ordinary shares of the Company (other than those already owned by or agreed to be acquired by Newforest and parties acting in concert with it) and the cancellation of all outstanding options granted by the Company under the share option scheme of the Company and the Convertible Bonds of the Company.

Further details of the aforesaid transaction are set out in the Company's announcement dated 11 December 2014 and circular to shareholders dated 23 January 2015.

(b) On 22 January 2015, representatives of the Suriname government and the coalition of the forestry industry signed an agreement in principle regarding the proposed change to the forest concession levy and harvest royalty fee requirements. The concession levy of SR$20 per hectare per year as originally announced by the Suriname government in early 2014 is to be revoked as if it has never taken effect and commencing from 1 January 2015, the concession fee will be levied at SR$5 per hectare per year while at the same time the harvest royalty fee will be reduced from the range of US$5.5 per m^3 to US$6 per m^3 to US$3.95 per m^3 from 1 March 2015 onwards. The outcome of the agreement in principle was approved by the Board of Ministers on 30 January 2015. New Ministerial Orders with the revised concession levy and royalty fees was subsequently enacted by the Minister of Forestry and the Minister of Finance and was published in the official Gazette in Suriname on 2 March 2015. As at 31 December 2014, the Group has made an accrual in respect of the increased concession levy of HK$15,751,000, of which HK$13,441,000 has been charged to profit or loss for the Year and the remaining HK$2,310,000 has been capitalized in closing inventory as at 31 December 2014. No levy payments were made during 2014 pending clarification of the new concession levy. As a result of the enactment of the said Ministerial Orders, the entire amount of HK$15,751,000 will be reversed, of which HK$13,441,000 will be credited as other income in 2015 and the remaining HK$2,310,000 will be reversed from inventory in 2015.

41. CONTINGENT LIABILITIES

Further to the disclosure made in the Company's annual report for the year ended 31 December 2013, the contingent liabilities of the Group in the amount of HK$990,000 as at 31 December 2013 were resolved during the Year.

As at 31 December 2014, the Group did not have any significant contingent liabilities.

As at 31 December 2014, the Company did not have any significant contingent liabilities (2013: Nil).

42. COMPARATIVE AMOUNTS

In prior years, the Group's gross profit was defined as revenue less cost of goods sold and other expenses such as unallocated production overheads, write down/write back of inventories, amortization of harvest roading and provisions for impairment, were separately disclosed in "Other operating expenses" in the consolidated statement of comprehensive income.

During the Year, in order to provide a better understanding of the Group's performance, the Group's gross profit was redefined and the unallocated production overheads, write-down/write back of inventories, impairment of prepayments, deposits and other receivables related to inventories and amortization of harvest roading were classified as "Cost of Sales" in the consolidated statement of comprehensive income and "Provisions For Impairment" are separately disclosed in the consolidated statement of comprehensive income for the current Year. Accordingly, certain comparative amounts have been reclassified to conform to the presentation of the current Year.

43. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorized for issue by the Board on 20 March 2015.